NCBA

A FLOURISHING JOURNEY
POWERED BY OUR CUSTOMERS

ANNUAL REPORT

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NCBA

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OUR COMMITMENT TO INTEGRATED REPORTING

The NCBA Group has adopted the International Integrated Reporting Council's (IIRC)- Integrated Reporting Framework as the basis of our reporting structure.

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. This report considers key factors that 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.

Further, 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.

GROUP CHAIRMAN'S STATEMENT

JAMES
NDEGWA
GROUP CHAIRMAN

THE BOARD AND EXECUTIVE LEADERSHIP TEAM HAS ENSURED THAT NCBA GROUP CONTINUES TO FOCUS ON LONG-TERM VALUE CREATION FOR ALL OUR STAKEHOLDERS WHILE OPERATING IN A SUSTAINABLE WAY.

Dear Shareholder,

On behalf of the Board, I am pleased to present NCBA Group's Integrated Report and Financial Statements for the financial year ended 31st December 2022.

NCBA's journey to become an even stronger, most preferred and relevant provider of financial services continued in 2022. In a rapidly changing operating environment, our people worked with great dedication as we served our customers and provided them with the means to pursue growth and achieve stability through a combination of innovative products, financial assistance and advice and the convenience of multiple channels including digital services.

The Group`s strong performance in 2022 saw it achieve a profit after tax of KES 13.8 billion, which enabled the Board of Directors to recommend a total dividend payout of KES 7 billion for the year.

We saw significant year on year growth in our Kenya, Uganda and Rwanda businesses. Our Tanzania business posted a loss in 2022 which was mainly attributed to de-risking of deteriorated credit facilities and staff rationalization due to business right sizing.

Economic Report

Kenya's economic momentum remained positive in 2022 driven by a post pandemic broad based return to more normal levels of activity and services led by transport and education, a strong performance of industry as well as a recovery in tourism. Moreover, lower COVID-19 threats, better vaccine coverage and a largely smooth political transition helped boost consumer and investor sentiment.

However, as base effects dissipated, output growth in 2022 was slower compared to the strong 2021 rebound of 7.5%. Furthermore, a raft of evolving shocks, both globally and locally, continued to affect Kenya's economic recovery path. These shocks included but were not limited to the impact of the war in Ukraine on the availability and pricing of key commodities, other global supply and supply-chain disruptions that continued to aggravate price pressures, an election-related slowdown that dampened activity in Q3-2022 and a biting and severe drought that forced contraction in agriculture and livestock production for the second year in a row.

Economic growth performance recorded real Gross Domestic Product expansion of 4.8% in 2022 compared to a revised growth of 7.6% in 2021 according to the Kenya National Bureau of Statistics data.

GROUP CHAIRMAN'S STATEMENT

INFLATION

7.65%

CREDIT GROWTH

12.6%

ASSET GROWTH

10.2%

Services, constituting nearly 50.0% of GDP, was the key driver of growth given its important direct effects on GDP, employment, as well as capital inflows. Productivity in the agriculture sector, key to GDP and employment, however remained constrained owing to the ongoing drought as well as the elevated cost of fertilizer imports. As such, agriculture was expected to contract by about 0.6%.

Meanwhile, the manufacturing sector continued to emerge from the disruption associated with supply shortages, elevated input costs and transportation bottlenecks. However, the recovery was slowed down by sustained pressure on the cost of key imported raw materials as well as a decline in agricultural activity that remains the largest contributor to manufacturing activity.

Elsewhere, household balance sheets were negatively impacted by unprecedented high levels of inflation. Inflation averaged 7.65% in 2022 largely on account of elevated food and energy prices that remained significantly impacted by the ongoing Ukraine war.

The Kenya Shilling remained under considerable pressure as demand for dollars heavily outweighed supply. Although the country recorded slight improvement in the balance of payment position largely on account of strong performance in remittances, the domestic currency continued to depreciate.

Financial sector performance

Sustained positive economic growth presented opportunities for commercial banks to not only expand their balance sheets but also improve their asset quality.

For the year ended 31st December 2022, total assets grew by 9.8% to KES 6,596.2Bn compared to a comparable period in 2021. Meanwhile, the banking sector loan book expanded by 13.2% while investments in government securities rose by 12.11%. Customer deposits also increased by 6.5% to KES 4,730 Bn.

In the same period, private sector credit grew by 12.8% partly reflecting a recovery in economic activity as well as increased demand for working capital in light of elevated input costs.

Although the supply of credit expanded, in the year to December 2022, non-performing loans (NPL) ratio stood at 13.3% from 13.1% in a comparable period in 2021-largely flat.

Recent data from the Central Bank of Kenya pointed to a stable and resilient banking sector in 2022 and one that remained liquid and well capitalized. As at the end of December 2022, core capital to risk weighted assets stood at 16.1% and remained solidly above the 10.5% minimum requirement. Similarly, total capital to risk weighted assets stood at 19.0%, holding significantly above the 14.5% regulatory threshold. This primarily reflected an increase in assets. Liquidity ratio also remained stable and above the minimum statutory requirement of 20.0%. Drawing from the economic recovery and the risks to that outlook, the demand for credit and risk management solutions was estimated to remain strong. Even then, operational and credit risks remained elevated in the short to medium term due to emerging uncertainties in the business environment

CONSISTENCY IN EXECUTING IT'S STRATEGIC MANDATES HAS SEEN NCBA GROUP EXPAND ITS NETWORK, GROW MEANINGFUL LENDING IN CORPORATE BANKING AND SUSTAIN ITS LEADERSHIP POSITION IN ASSET FINANCE.

Corporate Governance

Governance and leadership by the Board was of utmost importance to ensure effective oversight of implementation of strategy and operational performance against the company`s objectives. As a board, we ensured our direction and decision making was timely, well considered and balanced in the best interests of all our stakeholders.

The Audit & Risk, Executive & Strategy, Governance & Nominations and ICT committees supported Management in carrying out its duties and responsibilities, provided guidance on key strategic outcomes and helped to establish a strong risk management and internal control framework.

Consistent focus on execution of the Group`s strategy saw the bank track well on expanding its network, growing corporate banking and extending leadership in Asset Finance. The evolution of our digital financial services set a firm foundation for further expansion across Africa. The continued emphasis on a high performance culture and the belief in our purpose to Inspire Greatness encouraged our people to serve our customers even better and meaningfully. Monitoring and evaluation of policy compliance was critical in developing risk mitigation and corrective action plans.

Over the course of the year, the Directors engaged in professional training covering key development topics such as Fintechs, MSMEs Growth and Demands, interpreting economic outlook and evolving topics in governance. In our continued effort to be a leader in good governance, greater diversity was identified as an area for consideration and mapped for action by the Board.

Future Outlook

Looking ahead, the IMF now projects global growth to decelerate sharply to about 2.9% in 2023, from an estimated 3.4% growth in 2022. On a positive note, this outlook is 0.2% higher than earlier projections in light of an easing in inflation risks and expectations of less stringent monetary policy action as a response. Additionally, China's "full re-entry" into the global economy by a reversal of it's heretofore zero-COVID policy should provide welcome impetus to growth.

Key risks remain the now year-old Russia- Ukraine war as well as the impact of tighter financial markets on the back of aggressive monetary policy tightening by OECD country central banks. The Federal Reserve Bank of the United States, for one, on a forward guidance basis, now projects the Fed Funds rate to close at about 5.2%.

In 2023, Kenya's GDP is projected to expand by around 5.1%. This outlook is largely underpinned by the expected sustained recovery in services and industry even as agriculture remains subdued. Just like in 2022, the risks to this outlook largely emanate from the external side.

With the Russia-Ukraine war largely unresolved, it's feed through into inflation outlook through the energy, fuel and fertilizer channels will remain elevated with significant import for the country's monetary policy.

Further a tighter external environment necessitated by the ongoing war on inflation is likely to be sustained for longer. This stance will have significant negative connotations for Kenya's debt servicing costs and could potentially weaken the sovereign's balance sheet.

On balance, the recently concluded elections and the peaceful transfer of power, herald the possibility of 'transition dividends' that should offer some respite to growth prospects.

The new administration has moved with speed to outline increased investment in five key priority sectors; agriculture productivity, Micro and Small Medium Enterprises (MSME), Housing and settlement, Healthcare and the Digital Superhighway and the creative economy, even as they continue with fiscal consolidation as a policy priority necessary to address the country's debt vulnerabilities.

All considered, and foreseeably, the high cost of living challenge is likely to remain intractable given the fact that the heightened inflationary pressures are largely external.

Conclusion

Across all areas, we are making excellent progress in implementing our strategy and the Board is encouraged to see improved earnings with all businesses contributing to the growth momentum.

The achievements and performance in the year 2022 have been made possible by the support and business of all our customers, On behalf of the Board and the Group, I would like to express my sincere gratitude to our esteemed customers and to assure them of NCBA's commitment to remain worthy of their confidence and trust.

We also appreciate the support and guidance of the various regulators of NCBA's businesses and without reservation assure them of our determination to always adhere to the highest standards of professionalism, good practice and to lead by example.

Finally I would like to pay tribute our shareholders for their support and confidence, to the directors on the Board and those of our subsidiaries and associates for their wise counsel and diligence, the Group's Executive Management and the entire NCBA staff across the Group for their energy, enthusiasm, and commitment to achieving our goals and vision.

Together we ***"Go for it"!.***

J P M Ndegwa
Group Chairman

TAARIFA YA MWENYEKITI WA KUNDI

JAMES
NDEGWA
MWENYEKITI WA KUNDI

BODI NA KIKOSI KIZIMA CHA UONGOZI WAMEHAKIKISHA KUWA KUNDI LA NCBA LINAENDELEA KUZINGATIA UUNDAJI WA THAMANI WA MUDA MREFU KWA WADAU WETU WOTE HUKU LIKIFANYA KAZI KWA NJIA ENDELEVU

Mpendwa Mwanahisa,

Kwa niaba ya Halmashauri ya wakurugenzi, nina furaha kuwakilisha kwenu Ripoti na Taarifa Jumuishi ya Hesabu za Kifedha ya Kundi za Mwaka unaomalizikia tarehe 31 Disemba 2022.

Safari ya NCBA ya kuwa mtoaji huduma za kifedha aliye imara zaidi, anayependelewa zaidi na anayefaa zaidi iliendelea katika mwaka wa 2022. Kukiwa na mazingira ya uendeshaji yasiyotabirika, watu wetu waijitolea sana kufanya kazi na kuwahudumia wateja wetu kwa kuwapa mbinu bora za kuendeleza ukuaji wao hadi kufikia uthabiti, kupitia mchanganyiko wa bidhaa bunifu, msaada wa kifedha na ushauri pamoja na urahisishaji wa njia nyingi zikiwemo huduma za kidijitali.

Matokeo mazuri ya Kundi hili ya mwaka tunaoungazia wa 2022 yalituwezesha kupata faida, baada ya kulipa ushuru, ya KES Bilioni 13.8, ndiposa Bodi ya Wakurugenzi inapendekeza jumla ya malipo ya mgao ya KES Bilioni 7 katika mwaka huu.

Tulishuhudia ukuaji mkubwa, mwaka baada ya mwaka, katika biashara zetu za Kenya, Uganda na Rwanda. Biashara yetu ya Tanzania ilipata hasara mnamo 2022 ambayo ilihusishwa zaidi na kule kupunguzwa hatari za uchakavu wa mikopo na usawazishaji wa wafanyakazi kulingana na ukubwa wa biashara.

Taarifa ya hali ya Uchumi

Kasi ya uchumi wa Kenya iliendelea kuwa chanya mwaka wa 2022 kutokana na kurejea kwa hali ya kawaida ya viwango vya shughuli baada ya janga la COVID-19 katika huduma zikiongozwa na usafiri na elimu, utendaji mzuri wa sekta ya viwanda pamoja na kuimarika kwa sekta ya utalii. Zaidi ya hayo, kupungua kwa tishio la COVID-19, kueneza chanjo kwa njia bora zaidi na mabadiliko ya kisiasa ya amani kwa kiasi kikubwa yalisaidia kuimarisha hisia za wanunuzi na za wawekezaji.

Walakini, kadiri athari za msingi zilivyosambaratika, ukuaji wa pato katika 2022 ulikuwa hafifu mno ikilinganishwa na matokeo ya 2021 ya kima cha 7.5%. Zaidi ya hayo, msururu wa misukosuko inayoendelea ulimwenguni na humu ndani, ilizidi kuathiri hatua za kufufua uchumi wa Kenya. Misukosuko hii ilijumuisha, lakini haikuzuiliwa na, athari za vita nchini Ukrainia, upatikanaji wa bidhaa muhimu kwa bei ya juu, kutatizika kwa usambazaji na ugavi wa kimataifa pia kuliendelea kuzidisha shinikizo la bei, kudhoofika kwa shughuli kunakohusishwa na uchaguzi mkuu katika Robo ya tatu ya 2022 pamoja na ukame mkali zaidi uliolazimisha upungufu mkubwa wa kilimo na uzalishaji wa mifugo kwa mwaka wa pili mfululizo.

Matokeo ya ukuaji wa uchumi yalirekodi upanuzi halisi wa Pato la Taifa wa 4.8% katika mwaka wa 2022 ikilinganishwa na ukuaji uliorekebishwa wa 7.6% mnamo 2021 kulingana na data za Ofisi ya Kitaifa ya Takwimu ya Kenya KNBS).

TAARIFA YA MWENYEKITI WA KUNDI

Huduma, zikijumuisha takriban 50.0% ya Pato la Taifa, zilikuwa kichocheo kikuu cha ukuaji kutokana na athari zake kuu za moja kwa moja kwa Pato la Taifa, ajira, pamoja na maingio ya mtaji. Uzalishaji katika sekta ya kilimo, ambao ndio ufunguo wa Pato la Taifa na ajira, hata hivyo ulisalia kuwa mdogo kutokana na hali iliyopo ya ukame pamoja na kupanda kwa gharama za uagizaji mbolea. Kwa hivyo, kilimo kilitarajiwa kupungua kwa takriban 0.6%.

Wakati huo huo, sekta ya viwanda iliendelea kujitoa kutoka kwa misukosuko inayohusishwa na uhaba wa usambazaji, kupanda kwa gharama za pembejeo na vikwazo katika usafirishaji. Hata hivyo, ufufuzi huu ulipunguzwa kasi kutokana na shinikizo la kudumu la gharama ya malighafi muhimu zilizoagizwa kutoka nje pamoja na kushuka kwa shughuli za kilimo ambazo bado ndio mchangiaji muhimu wa shughuli za viwanda.

Kwingineko, mizania ya bidhaa za kutumika majumbani iliathiriwa vibaya na viwango vya juu vya mfumuko wa bei ambavyo havijawahi kushuhudiwa. Mfumuko wa bei ulikuwa kwa wastani wa 7.65% mwaka wa 2022 hasa kutokana na kupanda kwa bei ya vyakula na nishati ambayo ilizidi kuathiriwa kwa kiasi kikubwa na vita vinavyoendelea kati ya Urusi na Ukrenia.

Thamani ya Shilingi ya Kenya iiendeea kukabiiwa na shiniizo kubwa huku mahitaji ya Dola za kimarekani yakikiuka ugavi wake. Licha ya nchi hii kurekodi imariko dogo la mizania ya nafasi ya malipo hasa zaidi kutokana na utendaji mzuri wa fedha zinazotoka nje ya nchi, sarafu ya humu nchini bado ilizidi kushuka thamanii.

Matokeo ya utendaji wa Sekta ya Kifedha

Ukuaji chanya na endelevu wa uchumi ulitoa fursa kwa benki za biashara sio tu kuweza kupanua mizania yao ya kifedha, bali pia kuimarisha ubora wa rasilimali zao.

Katika kipindi cha mwaka unaomalizikia tarehe 31 Disemba 2022, jumla ya rasilimali ilipanda kwa kima cha 9.8% hadi KES Bilioni 6,596.2 ikilinganishwa na kipindi kama hicho katika 2021. Wakati huo huo, daftari la mkopo la sekta ya benki liliimarika kwa 13.2% huku uwekezaji katika dhamana za serikali ukipanda kwa 12.11%. Amana za wateja pia ziliongezeka kwa 6.5% na kufika KES Bilioni 4,730.

Katika muhula huo huo, mkopo kwa sekta ya kibinafsi ulikuwa kwa kima cha 12.8% kwa sehemu ikiakisia afueni iliyopatikana kwa shughuli za kiuchumi pamoja na ongezeko la mahitaji ya mtaji wa kuendesha biashara ikizingatiwa gharama za juu za pembejeo.

Ingawa ugavi wa mikopo uliongezeka, katika mwaka hadi kufikia Desemba 2022, uwiano wa mikopo isiyolipika (NPL) ulisimamia kwa 13.3% kutoka 13.1% katika kipindi linganishi cha 2021- kiasi kikubwa hii ikiwa ni bapa.

Takwimu za hivi karibuni kutoka Benki kuu ya Kenya, ziliashiria sekta ya benki iliyo imara na dhabiti katika mwaka wa 2022 na inayosalia na ukwasi mzuri na yenye mtaji wa kutosha. Kufikia mwisho wa Desemba ya 2022, mtaji wa msingi wa mali zilizowekewa kinga dhidi ya hatari ulisimama kwa 16.1% na ilibaki imara juu ya kiwango cha chini zaidi kinachokubalika cha 10.5%. Vile vile, jumla ya mtaji wa kuhatarisha mali zilizowekewa kinga ilisimama kwa 19.0%, ikishikilia kwa kiasi kikubwa juu ya kiwango cha udhibiti cha 14.5%. Hii kimsingi ilionyesha kuongezeka kwa mali. Uwiano wa ukwasi pia ulibaki thabiti na juu ya mahitaji ya chini ya kisheria ya 20.0%.

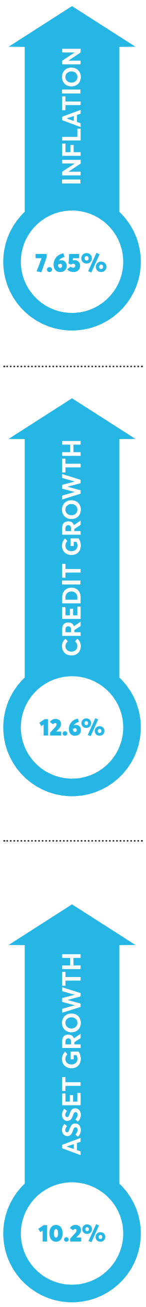
Kutokana na kufufuka kwa uchumi na mashaka kwa mtazamo huo, mahitaji ya mikopo na ufumbuzi wa usimamizi wa dhima yalikadiriwa kuwa yatabaki imara. Hata hivyo, hatari za uendeshaji shughuli na mikopo ziliendelea kuwa juu katika muda mfupi hadi wa kati kutokana na hali ya kutokuwa na uhakika na pia hali ibuka isiyotabirika katika mazingira ya biashara

UTHABITI KATIKA KUTEKELEZA MAJUKUMU YAKE YA KIMKAKATI UMEWEZESHA KUNDI LA NCBA KUFANIKIWA KUPANUA ZAIDI MTANDAO WA UTOAJI MIKOPO YA MAANA UPANDE WA BENKI YA MAKAMPUNI NA KUDUMISHA NAFASI YAKE YA UONGOZI KATIKA UTOAJI FEDHA ZA RASILIMALI

Uwajibikaji wa Shirika

Utawala na uongozi wa Bodi ulikuwa wa umuhimu mkubwa ili kuhakikisha kuwepo usimamimizi fanisi wa mkakati na utendaji kazi dhidi ya malengo ya kampuni. Sisi kama bodi, tulihakikisha mwelekeo na uamuzi wetu ulifanyika kwa wakati muafaka, unazingatiwa vyema na uwiano kwa manufaa ya wadau wetu wote.

Kamati za Ukaguzi na Dhima, Utendaji na Mikakati, Utawala na Uteuzi na pia kamati za Teknolojia ya Habari na Mawasiliano (ICT) ziliunga mkono usimamizi wa shirika katika kutekeleza wajibu na majukumu, zikatoa mwongozo kuhusu matokeo muhimu ya kimkakati na kusaidia kuasisi mfumo thabiti wa usimamizi wa hatari na udhibiti wa ndani.



TAARIFA YA MWENYEKITI WA KUNDI (KUENDELEA)

Mtazamo thabiti wa utekelezaji wa mkakati wa Kundi uliifanya benki kufuatilia vyema kueneza mtandao wake, kukuza shughuli za benki kwa mashirika na kuongeza uongozi katika kutoa fedha za Malipo ya Mali. Uboreshaji wa huduma zetu za kifedha za kidijitali uliweka msingi thabiti wa upanuzi barani kote Afrika. Kuendelea kusisitiza juu ya utamaduni wa utendaji wa hali ya juu na imani katika kusudi letu la Kuhamasisha Ukuu kuliwahimiza watu wetu kuwahudumia wateja wetu vyema na kuwafaa. Ufuatiliaji na utathmini wa utiifu wa sera ulikuwa jambo muhimu katika kuandaa mikakati ya kukabiliana na mashaka na mipango kabambe ya urekebishaji.

Katika kipindi cha mwaka tunaouangazia, Wakurugenzi walishiriki katika mafunzo ya kitaaluma yanayohusu mada muhimu za maendeleo kama vile Kuelewa Teknolojia ya kifedha (Fintechs), Ukuaji na Mahitaji ya Biashara Ndogo ndogo na za Kati (MSMEs), kutafsiri mtazamo wa kiuchumi na mada ibuka zinazohusu utawala. Katika juhudi zetu za kuendelea kuwa kiongozi katika utawala bora, tofauti za kijinsia zilitambuliwa kama eneo la kuzingatiwa na kupangwa ili yashughulikiwe na Bodi.

Mtazamo wa Siku zijazo

Tunapotazama mbele, Shirika la kifedha Duniani (IMF) sasa linakadiria kuwa kasi ya ukuaji wa kimataifa utapungua hadi takriban 2.9% mnamo 2023, kutoka ukuaji wastani wa 3.4% mwaka wa 2022. Kwa jambo la matumaini, mtazamo huu ni 0.2% juu kuliko makadirio ya awali kwa kuzingatia kupungua kwa mashaka ya mfumuko wa bei. na matarajio ya hatua kali ya sera za fedha kama suluhisho. Zaidi ya hayo, "kurudi tena kikamiifu" kwa Uchina kwenye uchumi wa dunia baada ya kubatilishwa kwa sera zake za hapo awali za COVID-sifuri yapaswa kutoa msukumo wa kuurudisha tena ukuaji.

Mashaka makubwa yanasalia kwenye vita vilivyodumu kwa mwaka mmoja sasa kati ya Urusi na Ukraine na vile vile athari za soko finyu zaidi la kifedha sababu ya na kubanwa kwa sera ya fedha na benki kuu za nchi za OECD. Benki ya Hifadhi ya nchi ya Marekani, kwa misingi ya mwongozo wa kimbele, sasa inapanga kiwango cha Fedha za Shirikisho (Fed Funds) kutamatika kwa takriban 5.2%.

Katika 2023, Pato la Taifa la Kenya linatarajiwa kuongezeka kwa karibu 5.1%. Mtazamo huu unachangiwa pakubwa na ufufuzi endelevu unaotarajiwa katika sekta za huduma na viwanda hata wakati kilimo kinapoendelea kudorora. Kama vile ilivyokuwa katika 2022, mashaka ya mtazamo huu kwa kiasi kikubwa ni ya kutoka nje.

Kuwepo vita vya Urusi na Ukraine ambavyo kwa kiasi kikubwa havijatatuliwa, athari zake zipo kwenye mtazamo wa mfumuko wa bei kupitia nishati, mafuta na huku njia za upatikanaji mbolea zikisalia kuwa juu huku kuagiza kutoka nje kukiwa na muhimu kwa sera ya fedha ya nchi hii.

Zaidi ya hayo, mazingira magumu ya nje yanayosababishwa na vita vinavyoendelea dhidi ya mfumuko wa bei yana uwezekano wa kudumishwa kwa muda mrefu zaidi. Msimamo huu utakuwa na athari hasi mno kwa gharama za kulipia deni la Kenya na unaweza kudhoofisha mizania ya serikali huru.

Kwa usawa, uchaguzi uliomalizika hivi majuzi na upokenezaji wa mamlaka kwa njia ya amani, kunaashiria uwezekano wa 'gawio la mpito' ambalo linafaa kuleta afueni kwenye matarajio haya ya ukuaji.

Uongozi huu mpya umekwenda kwa kasi kufafanua ongezeko la uwekezaji katika sekta tano muhimu zinazostahii kipaumbele; tija ya kilimo, biashara ndogo ndogo na za Kati (MSME), Nyumba na makazi, Huduma ya Afya na Mfumo mkuu ya Dijitali na uchumi bunifu, hata kama zinaendelea na ujumuishaji wa kifedha kama kipaumbele cha sera muhimu kushughulikia udhaifu wa deni la nchi.

Yote haya yakizingatiwa, na kama dalili zinavyoonyesha, changamoto ya gharama ya juu ya maisha inaweza isitatuliwe kutokana na ukweli wa mambo kwamba shinikizo la kuongezeka kwa mfumuko wa bei kwa kiasi kikubwa hasa ni la nje.

Kutamatisha

Katika sehemu zote, tunapiga hatua maridhawa katika mkakati wetu na Bodi inahimizwa kuwa na matumaini ya mapato yaliyoboreshwa huku biashara zote zikichangia kasi hii ya ukuaji.

Mafanikio na utendakazi bora katika mwaka wa 2022 yamewezeshwa na usaidizi wa biashara na wateja wetu wote, Kwa niaba ya Bodi na Kikundi, ningependa kutoa shukrani zangu za dhati kwa wateja wetu waheshimiwa na kuwahakikishia kujitolea kwa NCBA kuthamini Imani na matumaini yao kwetu kama inavyostahili.

Pia tunathamini usaidizi na mwongozo wa wadhibiti mbalimbali wa biashara za NCBA na bila kusita hapo, tunawahakikishia azimio letu la kufuata viwango vya juu zaidi vya taaluma, utendaji mzuri na uongozi wenye kielelezo.

Mwisho ningependa kutoa pongezi kwa wanahisa wetu kwa msaada na imani yao kwetu, kwa wakurugenzi katika Halmashauri na wale wa mashirika yetu tanzu pamoja na washirika wetu kwa ushauri wao wa busara na bidii yao, Wasimamizi Watendaji wa Kundi na wafanyikazi wote wa NCBA katika Shirika hili lote kwa juhudi zao, shauku, na kujitolea kwao katika kufikia malengo na maono yetu.

Pamoja hebu ***"Twende tutimize"***!

J P M Ndegwa
Mwenyekiti wa Kundi

OUR VISION & VALUES

OUR VISION

To be the Financial Services Partner that **Inspires Your Growth**

OUR GOAL

Our 2020-2024 GOAL

WHO WE ARE

Our Purpose
Our Values
Our Customer Promise
Our Culture

WE ARE DRIVEN

BY BEING
- DECISIVE
- PASSIONATE
- BOLD

WE ARE OPEN

BY ALWAYS BEING
- HONEST
- TRANSPARENT
- INCLUSIVE

WE ARE RESPONSIVE

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

WE ARE TRUSTED

BECAUSE WE VALUE
- TEAMWORK
- INTEGRITY
- ACCOUNTABILITY

BOARD OF **DIRECTORS**

JAMES P.M. NDEGWA

GROUP CHAIRMAN
NON-EXECUTIVE

DESTERIO A. OYATSI

DEPUTY GROUP
CHAIRMAN

Other NCBA Directorships and responsibilities:

Chairman, Board Governance and Nominations Committee

JOHN M. GACHORA

GROUP MANAGING DIRECTOR
& CHIEF EXECUTIVE OFFICER

Other NCBA Directorships and responsibilities:

ED of NCBA Bank Kenya PLC
NED of NCBA Investment Bank Limited, NCBA Bancassurance Intermediary Limited, LOOP DFS Limited and NCBA Leasing LLP (Chairman)

HON. ABDIRAHIN H. ABDI

INDEPENDENT, NON-EXECUTIVE

Other NCBA Directorships and responsibilities:

INED of NCBA Bank Kenya PLC and Chairman, Bank Board Risk Management Committee, and NED of NCBA Bank Rwanda PLC and NCBA Bank Tanzania Limited

DAVID ABWOGA

EXECUTIVE

Other NCBA Directorships and responsibilities:

Group Director Finance, NED of NCBA Bancassurance Intermediary Limited and NED NCBA Leasing LLP

JOHN S. ARMITAGE

NON-EXECUTIVE

Other NCBA Directorships and responsibilities:

NED of NCBA Bank Kenya PLC and LOOP DFS Limited

ISAAC O. AWUONDO

NON-EXECUTIVE

Other NCBA Directorships and responsibilities:

Chairman (NED) of NCBA Bank Kenya PLC, Chairman of LOOP DFS Limited and Chairman, Board Executive and Strategy Committee

PHILIP R. LOPOKOIYIT

INDEPENDENT, NON-EXECUTIVE

Other NCBA Directorships and responsibilities:

INED of NCBA Investment Bank Limited and NED of NCBA Bank Uganda Limited

ANDREW S. M. NDEGWA
NON-EXECUTIVE

ESTHER N. NGAINE
INDEPENDENT, NON-EXECUTIVE

MUKESHCHANDRA K. R. SHAH
INDEPENDENT, NON-EXECUTIVE

WAWERU MATHENGE
GROUP COMPANY SECRETARY

Other NCBA Directorships and responsibilities:

NED of NCBA Bank Kenya PLC and LOOP DFS Limited

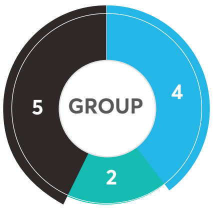
Other NCBA Directorships and responsibilities:

INED of NCBA Bank Kenya PLC and Chairman, Bank Board Credit Committee, and NED of NCBA Bank Tanzania Limited

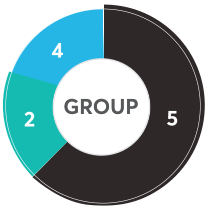
Other NCBA Directorships and responsibilities:

INED of NCBA Bank Kenya PLC and Chairman, Group Board Audit and Risk Committee and Bank Board Audit Committee

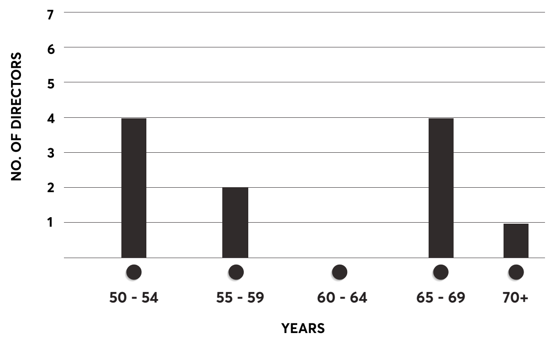
DIRECTORS' INDEPENDENCE



DIRECTORS' LENGTH OF SERVICE



DIRECTORS' AGE DISTRIBUTION



Notes:

- INED means Independent Non-Executive Director; NED means Non-Executive Director; and ED means Executive Director. 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.
- The abridged biographies of the Board are accessible through **https://ncbagroup.com/board/**

SENIOR **MANAGEMENT**

John M. Gachora, MBS
Group Managing Director & Chief Executive Officer

Waweru Mathenge
Group Director, Governance, Legal & Company Secretary

Monicah Kihia
Group Director, Human Resources & Culture

Julius Kamau
Group Director, Technology and Operations

Lennox Mugambi
Group Director, Asset Finance and Business Solutions

David Abwoga
Executive Director, Finance

Tim Armitage
Group Director, Risk & Controls

Louisa Wandabwa
Director of Strategy & Chief of Staff

Eric Muriuki
Group Director, Digital Business

Pauline Ndote
Group Director, Credit Risk Management

Gift Shoko
Group Director, Regional Business

Nelly Wainaina
Group Director, Marketing, Communication & Citizenship

Tirus Mwithiga
Group Director, Retail Banking

John Okulo
Group Director, Corporate Banking

Michael Wachira
Group Director, Global Markets

GROUP MANAGING DIRECTOR'S STATEMENT

JOHN **GACHORA**
GROUP MANAGING DIRECTOR

POSITIVE OPERATING RESULTS DRIVEN BY A DIVERSIFIED AND SOLID BUSINESS MODEL, STRONG EXECUTION OF THE STRATEGIC PRIORITIES AND RELENTLESS SUPPORT FOR OUR CUSTOMERS AMIDST MACRO-ECONOMIC PRESSURES

Dear Shareholder,

On behalf of the Board of Directors and the Group's senior leadership team, I would like to extend our deepest appreciation for your continuous support.

I am very pleased to present a brief summary of the Group's operating results and major achievements for the financial year ended 31st December 2022.

Strategic Imperatives

2022 was indeed a pinnacle year for our business.

The financial outcomes across the Group, three years post-merger are a clear demonstration that we are on track with our strategic priorities and have successfully built a bigger and more profitable Business.

Our NCBA 1.0: Going for the Top 2020-2024 strategy calls for investment and focus towards 5 strategic pillars: Become a distinguished brand known for customer experience, scale retail banking to expand our distribution network, deepen leadership in corporate banking & asset finance, drive digital transformation, and develop a high-performance employee culture. We have thoughtfully and progressively invested towards this plan and are beginning to see the returns.

In 2022, we scaled up the Retail Banking network to a total of 85 branches by opening 6 new branches across key strategic locations. We solidified our position as the #2 corporate bank and maintained our position as the undisputed leader in Asset Finance; in fact, we strengthened our market share from 33% to 36% compared to previous year on the back of digital innovation to approve asset finance loans within 15 seconds – a market first!

We continued to enhance our digital transformation leadership and disbursed a whopping KES 729 billion in digital micro-loans in 2022. These loans are the engine of financial inclusion and support small business owners across the region to access working capital and growth capital at a touch of a button. This is very much in line with the government's agenda to spur growth from the bottom of the pyramid.

Employee learning hours focused on customer experience, robust controls, growth and regional business development grew significantly by 300% compared to the prior year. On leadership development, we launched the NCBA Senior Leadership Development Programme for our top 100 leaders in line with the succession planning agenda.

While only 3-years old, our NCBA brand is now well renowned and regarded. In 2022, our brand received many notable awards: We were recognized as one of the Top 10 Most Valuable Brands in Kenya by Brand Finance, were named the Best Bank in Kenya by the prestigious Global Finance magazine, the Best Financial

GROUP MANAGING DIRECTOR'S STATEMENT

Services Group in East Africa 2022 by Global Banking Finance and highlighted by LinkedIn as one of the Top 5 best workplaces to grow your career in Kenya. These recognitions are on the back of significant effort to elevate our brand presence, recognition and ultimately consideration.

2022 Priorities & Financial Outcomes

At the beginning of 2022, I outlined five key priorities that would shape the organization's focus and attention for the year to deliver elevated financial outcomes. I am proud to say that we have made significant progress across each of these priorities being:

- Enhance Business Growth
- Drive Customer Experience
- Regional Subsidiaries Performance
- Implement Robust Controls
- Improved Shareholder returns

On business growth, the Group's compounded lending to all segments grew deposits and improved loan performance. As at December 2022, the Group's total assets increased by 5% to close at KES 619.7 billion and maintained a strong core capital position of KES 81.7 billion and a liquidity ratio of 53.2%. Continued balance sheet strength is critical to our ability to serve our customers, drive core business outcomes and deliver strong and sustainable returns for our shareholders.

Driven by the strong momentum, the Group recorded a pre-tax profit of KES 22.5 billion for the year ending December 31st 2022 up 49.6% year-on-year. Total operating income was KES 59.9 billion, a year-on-year growth of 26.8%. The Group's operating profit (before credit provisions) increased by 32.9% to KES 34.8 billion compared to the same period in the prior year.

On customer experience, the Group's efforts to strengthen customer relationships, scale our service teams and deliver a superior customer experience are bearing fruit. The Group was honored as the 3rd Best in Customer Experience by the Kenya Bankers Association. Furthermore, our customer Net Promoter Score (NPS) improved from 32 to 80 year on year - a remarkable enhancement on the gold standard measure for customer experience!

On regional subsidiaries, we had an agenda to improve performance across all markets that we operate in and reduce the drag on our bottom line. In our most affected market, Tanzania we defined a new corporate led strategy, rationalized the operations and addressed key credit concerns. As a result, our regional businesses collectively contributed a more muted loss of KES 545 million in 2022 vs an elevated KES 1.7 billion in 2021. Through the actions taken, we believe that we now have a more fit for purpose model and have laid the foundation for profitability in 2023.

On controls we made good progress on remediating and recovering impaired credit portfolios in 2022. The Group's non-performing loan ratio (NPL) reduced from 16.5% to 14.0%, whereas the loan impairment expense increased by KES 1.25 billion.

All these actions and results led to very positive outcomes for our shareholders. The NCBA stock was rated the best performing stock at the Nairobi Securities Exchange delivering a 56% increase during the year. Our dividend yield remained one of the best in the market.

Citizenship

At NCBA, our purpose is to Inspire Greatness and our business philosophy appreciates that we have a responsibility to act as a good corporate citizen. As part of our sustainability agenda and commitment to addressing the impact of climate change, NCBA in 2022 was the first bank to finance electric vehicles by creating a KES 2 billion fund to finance 5,000 electric vehicles. These funds are already being disbursed alongside ongoing investments in alternative energy solutions. This is in addition to our hallmark sustainability program "Change the Story", through which the bank has established a 1 million indigenous seedling nursery at Karura forest and contributed directly to planting of over 150,000 trees across the country so far.

Looking Forward

I am proud of what our company and employees across the region have achieved, collectively and individually.

I want to express sincere gratitude to the Group board of directors as well as boards of directors of our various operating entities for their counsel, guidance and commitment to our various stakeholders.

I extend sincere appreciation to our executive leadership team and our more than 2,800 colleagues for their continued dedication and their unwavering focus on strategy, customers and our respective communities.

Finally, I would like to express my sincere gratitude to our esteemed customers for banking with us, the bank's shareholders for their support, and our other stakeholders who continue to walk the journey with us.

With continued laser focus on sustainable growth, I am confident that our best days are ahead.

John Gachora
Group Managing Director

TAARIFA YA MKURUGENZI MKUU

JOHN **GACHORA**

MKURUGENZI MKUU WA KUNDI

MATOKEO MAZURI YALIYOPATIKANA YALICHOCHEWA NA MTINDO MSETO NA THABITI WA BIASHARA, UTEKELEZAJI IMARA WA MAMBO YALIYO MUHIMU KIMKAKATI NA USAIDIZI USIOKOMA KWA WATEJA WETU LICHA YA KUWEPO SHINIKIZO LA UCHUMI MKUU.

Mpendwa Mwanahisa,

Kwa niaba ya Bodi ya Wakurugenzi pamoja na timu ya viongozi wakuu wa Shirika hili, ningependa kutoa shukrani zetu za dhati kwa usaidizi wenu wa kila mara.

Niko na furaha kubwa kuwasilisha kwenu muhtasari mfupi wa matokeo ya uendeshaji shughuli za Shirika hili na mafanikio makubwa ya mwaka wa kifedha uliomalizikia tarehe 31 Disemba 2022.

Maagizo ya Kimkakati

Kwa kweli, 2022 ulikuwa mwaka wa biashara yetu kukwea kileleni.

Matokeo ya kifedha ya Shirika hili, miaka mitatu baada ya muungano wetu, ni dhahirisho wazi kuwa tunaelekea vizuri na vipaumbele vyetu vya kimkakati na hivyo basi tumefanikiwa kujenga Biashara kubwa na yenye faida zaidi.

Mkakati wetu wa NCBA 1.0 wa 2020-2024 wa kutaka kufikia mafanikio bora zaidi unahitaji wito wa uwekezaji na kuzingatia nguzo tano za kimkakati: Kuwa chapa mashuhuri inayojulikana kwa uzoefu wa wateja, kuongeza huduma za benki ya reja reja ili kupanua zaidi mtandao wetu wa usambazaji, kuimarisha uongozi katika shughuli za benki ya kibiashara na utoaji fedha za mali, kusisitiza mageuzi ya kidijitali, na kuendeleza utamaduni wa wafanyakazi wenye ari ya utendakazi wa hali ya juu. Tumewekeza kwa umakini, hatua kwa hatua, ili tuweze kufanikisha mpango huu na sasa tayari tumeanza kuona faida.

Katika 2022, tuliongeza matawi yetu ya huduma ya benki za Rejareja hadi kufikia jumla ya matawi 85 wakati tulipozindua matawi 6 mapya katika maeneo muhimu kimkakati. Tuliimarisha msimamo wetu kama benki iliyo katika nafasi ya 2 kwa kutoa huduma kwa mashirika na kudumisha nafasi yetu kama kiongozi asiye na upinzani katika huduma ya utoaji Fedha za kulipia Mali; kwa hakika, tuliimarisha nafasi yetu katika soko kutoka 33% hadi 36% ikilinganishwa na mwaka uliopita kwa kutegemea ubunifu wa kidijitali kama njia ya kuidhinisha mikopo ya fedha za mali ndani ya sekunde 15 – hii ikiwa ni ya kwanza kabisa katika soko hili!

Tuliendelea kuimarisha uongozi wetu katika mageuzi ya kidijitali kwa kutoa kitita cha shilingi bilioni 729 kama mikopo midogo ya kidijitali katika 2022. Mikopo hii ndiyo hasa ya kuasisi ushirikishwaji wa kifedha na usaidizi kwa wafanyabiashara wadogo kote katika kanda ili waweze kupata mtaji wa kufanya kazi na mtaji wa kuwakuza kwa haraka kwa kubofya kitufe tu. Hii inaendana sambamba na ajenda ya serikali ya kuchochea ukuaji kuanza na waliyo tabaka ya chini kabisa.

Muda wa mafunzo za wafanyikazi uliangazia uzoefu wa wateja, udhibiti imara, ukuaji na maendeleo ya biashara ya kikanda yalikua kwa 300% ikilinganishwa na mwaka wa awali. Kuhusu maendeleo ya uongozi, tulizindua Mpango wa Maendeleo ya Uongozi wa NCBA kwa viongozi wetu 100 wakuu kulingana na ajenda ya upangaji wa upokezaji hatamu.

Ingawa tuko na miaka 3 tu, chapa yetu ya NCBA sasa inatambulika na kuzingatiwa zaidi. Katika 2022, chapa yetu ilipata tuzo nyingi muhimu: Tulitambuliwa miongoni mwa Chapa 10 Bora za Thamani nchini Kenya na Brand Finance, tulitajwa kuwa Benki Bora zaidi nchini Kenya na jarida maarufu la Global Finance, Kundi Bora la Huduma za Kifedha Afrika Mashariki katika 2022 na asasi ya Global Banking Finance na kuangaziwa na LinkedIn kama mojawapo ya maeneo 5 bora zaidi ya kazi unapoweza kukuza taaluma yako nchini Kenya. Kutambulika huku kunatokana na juhudi kubwa za kuinua uwepo wa chapa yetu, ijulikane na hatimaye izidi kuzingatiwa.

Vipaumbele vya 2022 na Matokeo ya Kifedha

Pale mwanzo wa 2022, nilifafanua vipaumbele vitano viilivyo muhimu katika kuunda mwelekeo na mazingatio ya shirika hili ndani ya mwaka huo ili tuweze kuwasilisha matokeo bora zaidi ya kifedha. Ninajivunia ninapowaeleza kuwa tumetimiza mafanikio makubwa katika kila moja ya vipaumbele hivi.

- Kuimarisha Ukuaji wa Biashara
- Kuhifadhi Uzoefu wa Wateja kwa huduma zetu
- Utendaji wa Kampuni Tanzu za Maeneo
- Kuimarisha faida ya Mmiliki hisa

Upande wa ukuaji wa biashara, Kundi kuongeza utoaji wake wa mikopo katika vitengo vyote kulikuza amana na kuboresha utendaji wa mkopo. Kufikia Desemba 2022, jumla ya rasiimali ya Shirika hili iliongezeka kwa 5% hadi kufikia KES bilioni 619.7 na kuendeea kushikilia nafasi kuu ya mtaji ya KES bilioni 81.7 na uwiano wa ukwasi wa 53.2%. Kuendelea kuimarika kwa mizania ya hesabu ya kifedha ni muhimu kwa kuimarisha uwezo wetu wa kuwahudumia vyema wateja, kuimarisha matokeo ya msingi ya biashara na kuwaletea wanahisa wetu faida imara na endelevu.

kutokana na maendeleo yenye kasi, Kundi lilirekodi faida ya kabla ya kodi ya KES bilioni 22.5 katika mwaka unaomalizikia tarehe 31 Disemba 2022 hadi 49.6% mwaka baada ya mwaka. Jumla ya mapato ya uendeshaji shughuli yalikuwa KES bilioni 59.9, ukuaji wa mwaka hadi mwaka wa 26.8%. Faida ya uendeshaji wa Kundi (kabla ya malimbikizo kwa ajili ya mikopo) iliongezeka kwa 32.9% hadi KES bilioni 34.8 bilioni ikilinganishwa na kipindi kama hicho katika mwaka uliotangulia.

Kuhusu hisia za wateja kwa huduma zetu, juhudi za Shirika hili za kuimarisha uhusiano mwema na wateja, kuongeza timu zetu za huduma na kutoa huduma bora kwa wateja haya yote yameanza kuzaa matunda. Kundi hili lilitunukiwa kuwa la 3 Bora katika Uzoefu wa Mteja na Chama cha Mabenki cha Kenya (KBA). Isitoshe, Alama yetu ya Upendekezaji wa Mteja (NPS) imeboreshwa kutoka 32 hadi 80 mwaka hadi mwaka - uboreshaji huu ukiwa ni wa kustahii sifa katika kipimo cha kiwango cha dhahabu kwa uzoefu wa wateja!

Tukiangazia kampuni zetu tanzu za kikanda, tulikuwa na mswada wa kuboresha utendakazi katika masoko yote tunakoendesha biashara zetu na kupunguza yanayokwaza juhudi zetu za kupata faida. Kwenye soko letu lililoathiriwa zaidi, nchini Tanzania tulifafanua mkakati mpya unaoongozwa na mashirika, kusawazisha shughuli na kushughulikia masuala muhimu ya mikopo. Kutokana na hilo, biashara zetu za kikanda kwa ujumla zilichangia hasara iliyozidi kupungua ya KES milioni 287 katika 2022 dhidi ya KES bilioni 1.7 za mwaka wa 2021. Kupitia hatua zilizochukuliwa, tunaamini kwamba sasa tuna muundo unaofaa zaidi kwa madhumuni haya na tumeweka msingi imara wa kupata faida katika 2023.

Tukigeukia udhibiti, tulipiga hatua nzuri katika kurekebisha na kupatia afueni jalada za mikopo zilizoharibika ndani ya 2022. Uwiano wa mikopo isiyolipika liiyotolewa na Kundi (NPL) ulipungua kutoka 16.5% hadi 14.0%, ambapo gharama ya kuharibika kwa mkopo iliongezeka kwa KES bilioni 1.25.

Juhudi hizi zote zillisababisha sisi kuwaletea wanahisa wetu matokeo chanya. Hisa za NCBA zikakadiriwa kuwa hisa zilizofanya vizuri zaidi katika Soko la Hisa la Nairobi na kuwasilisha ongezeko la 56% katika mwaka huo. Faida yetu ya mgao ilisalia kuwa miongoni mwa bora zaidi katika soko.

Uraia

Hapa NCBA, madhumuni yetu ni Kuhamasisha Ukuu na falsafa yetu ya biashara inatambua kwamba tuna jukumu la kutekeleza shughuli zetu kama shirika raia mwema. Kama sehemu moja ya ajenda yetu ya uendelevu na kujitolea kwetu kushughulikia athari za mabadiliko ya tabia-nchi, Mnamo 2022 NCBA ilikuwa benki ya kwanza kufadhili magari yanayotumia umeme pae tulipounda hazina ya KES bilioni 2 ya kufadhili magari 5,000 ya umeme. Fedha hizi tayari zimetolewa sambamba na uwekezaji uliyopo wa kutafuta njia mbadala za nishati. Hii ikiwa ni pamoja na mpango wetu wa uendelevu wa "Change the Story", ambapo benki hii imeanzisha kitalu cha miche milioni 1 kwenye msitu wa Karura na moja kwa moja hadi sasa kuchangia upandaji wa miti zaidi ya 150,000 kote nchini.

Tunapotazama Mbele

Ninajivunia kile ambacho shirika hili na wafanyikazi wetu kote katika kanda walivyofanikisha kazi yetu, wote kwa pamoja na pia kila mmoja binafsi.

Ningependa kutoa shukrani za dhati kwa bodi ya wakurugenzi ya Kundi pamoja na bodi za wakurugenzi za idara zetu tofauti tofauti za uendeshaji shughuli kwa ushauri wao, mwongozo na kujitolea kwao kwa wadau wetu mbalimbali.

Ninatoa shukrani za dhati kwa timu yetu ya uongozi na wafanyikazi wenzetu ambao ni zaidi ya 3,022 kwa kuzidi kujitolea kila siku na kwa umakini wao usioyumbayumba katika mkakati wetu, wateja na jamii zetu husika.

Mwisho, ningependa kutoa shukrani zangu za dhati kwa wateja wetu waheshimika kwa kuchagua kufanya nasi shughuli za benki, wanahisa wa benki kwa usaidizi wao, na wadau wetu wengine wanaodumu nasi kwenye hii safari.

Kukiwa na umakini wa kipekee unaoelekezwa kwenye kudumisha kasi hii endelevu ya ukuaji, nina matumaini kuwa mustakabali wetu utakuwa bora zaidi katika masiku yajayo.

John Gachora

Mkurugenzi Mkuu wa Kundi

THEMES AFFECTING OUR BUSINESS IN 2022

Volatile Macro-Economic Conditions

Global GDP weakness in 2022 was underpinned by tightening financial conditions, lingering COVID-19 waves and sustained geopolitical tensions in the form of the Ukraine-Russia War. Central Banks across the Globe responded by rapidly tightening monetary policy to stem risks from persistently high inflation.

Equally, East African economies faced headwinds from the global slowdown and tighter financial conditions. Specifically, the Federal Reserve response to hike interest rates led to a general flight to safety by foreign investors from emerging markets (in Kenya, foreign investor participation in the equity markets reduced by 32%) which contributed to foreign exchange supply gaps and a prolonged depreciation of emerging market currencies including the Kenya Shilling. Additionally, slower foreign direct investment and diaspora remittances negatively impacted the local currency already reeling from a negative shift in terms of trade and a strengthening US dollar.

Further, we continued to see debt pressures rising in the region as tax revenues underperformed, sovereign spending needs rose and cost of debt and debt service escalated. Debt as a percentage of GDP for the markets that we operate in increased significantly; Kenya now has a debt to GDP ratio of 68.4% from 65.6% in prior year. The debt service concerns led global rating agencies to downgrade Kenya from B+ to B.

In reaction, we saw Central Banks in Rwanda, Uganda and Kenya taking on aggressive monetary policy stance. Uganda, Kenya and Rwanda raised their interest rates by 350bps, 175bps and 200bps respectively in a bid to contain inflation. We expect further hikes in Uganda, Kenya and Rwanda in 2023 which will push up yields across the curve.

As the 2nd largest corporate bank in the region, we remain committed to serving our customers FX needs during these uncertain times. We put to use our substantial dollar balance sheet and this resulted in a triple win for the business as we were;

1. Able to meet the demands of our customers
2. Attract new corporate customers whose primary banking partners were not in a position to meet their needs and
3. Substantially grow our FX market share and emerge as the #1 FX provider in the market.

Privacy, Data Protection and Cyber Security

As the delivery of banking services becomes more digitized, there is an increasing need for banks to implement policies, frameworks and technologies that protect data of the customers that they serve and guard the bank from Cyber-attacks. Our regulators are increasingly focused on ensuring that our privacy, data protection, data governance and cyber security related policies and practices are adequate to safeguard our customers' personal information and accounts. We have also seen regulators across all our East African markets introduce some requirements for in-country processing and storage of customer data. Compliance with such laws results in higher technology, administrative and other costs for us and could limit our ability to optimize a Group Shared Service.

As NCBA, we are making extensive cyber security investments including the implementation of a state of the art 24/7 Security Operations Center (SOC) to improve our ability to monitor and guard sensitive data and information. We are also committed to constantly sensitizing our customer on the actions they need to take to protect access to their accounts.

As our business continues to digitize, we believe these risks continue to grow day by day but are confident that the risk management framework in place and the resources we are investing in strengthen controls will contain business disruption to a minimum.

THEMES AFFECTING OUR BUSINESS IN 2022

Climate Risk

Climate change is one of the most consequential threats facing the world. Despite the growth in well-intended climate pledges from global actors, the world is well short of meeting its net zero commitments by 2050. In Africa, while we contribute less than 4% to global Green House Gas ("GHG") emissions, our fragile economies that are highly dependent on agriculture leave us significantly exposed.

The African Climate Policy Center has calculated that an increase in global temperatures of 1 °C would lead to a 2% contraction of Africa's gross domestic product (GDP). Over 2022, we saw unfavorable weather conditions in the East African region undermining agriculture output and agro-processing. This inadvertently filtered to lower purchasing power for a dominant agrarian regional economy.

The war in Ukraine and sanctions on Russia are driving fuel prices up and threatening Europe's access to natural gas. Resource scarcity leads to higher energy costs and hurts the most vulnerable. Disruptions to the global energy system highlight the need for nations to continue to seek opportunities to secure affordable energy access and at the same time, address long-term clean energy solutions to reduce our carbon footprint. These are not mutually exclusive agendas.

We define climate-related risk as: (1) risks related to the transition to a low-carbon economy, which may include extensive changes pertaining to policy, legal, technology, market and reputational risks, and (2) risks related to the physical impacts of climate change, typically driven by acute physical risk such as increased severity of extreme weather events (e.g., drought). In the banking sector, climate-related risk is interconnected and may manifest as credit risk, operational risk, market risk, liquidity risk and other risk types. As such, it is increasingly important that banks build an understanding of how climate risk will impact their operations and the operations of their customers.

As NCBA, we are committed to doing our part to build a more resilient future.

We have embarked on a Group-wide initiative to define a meaningful and impactful climate risk agenda. As part of our climate risk initiative, we will seek to measure our climate related exposure and define an action plan. Additionally, we are committed to directing capital (our own and/or in partnership with others) towards helping our customers make the low carbon transition; the beginning of this movement is our KES 2bn investment towards electric vehicle financing.

There is no silver bullet to meet the world's climate goals. But we can start by developing a deep understanding of our climate related risk and crafting innovative solutions towards mitigating the risk.

The War for Talent

Our colleagues are our greatest asset in achieving the strategic goals we set. From a talent perspective, 2022 was a challenging year for organizations across the globe amidst the undertones of the "Great Resignation". Employers were under immense pressure to compete for scarce skills particularly in technology. NCBA was not spared from these pressures.

As NCBA, we have doubled down on our commitment to bring in and keep the best talent by providing a meaningful and rewarding work experience. We increased opportunities for internal mobility and development, and enhanced the competitiveness of our compensation. In 2022, nearly 486 colleagues moved into new roles. Our results have shown that we were more successful and efficient than ever; we maintained a market leading staff intensity ratio (ie staff cost to operating income) at 17% a demonstration that it is possible to balance fostering an environment which allows us to attract and retain the best talent with top line growth expectations.

We are building the bank of the future and retaining our best talent is essential to our success.

486
STAFF PROMOTED

17%
STAFF INTENSITY RATIO

ELECTRIC VEHICLE FINANCING
KES**2Bn**
INVESTMENT

OUR STRATEGY

Strategic Focus

NCBA Group's key strategic focus from 2020 to 2024 is clear. The Board, together with management, are focused on:

1. **An Enhanced Customer Experience** through distinguishing ourselves as being the brand known for offering the best customer experience. NCBA is achieving this through ensuring the customer is at the forefront of everything we do. Furthermore, we cascade this through relevant product designs that match the needs of our customers, better customer experience with new and stable channels and skilled value additive customer management
2. **Scale of our Retail Banking** and expanding our distribution channels to offer better points of sale for all financial products and services. This is being achieved through a thoughtful branch expansion strategy offering our customers accessibility to our services while ensuring our network matches our vision for an unmatched customer experience. We are also enhancing our channels digitally to allow faster on boarding and servicing of our customers through nonphysical channels.
3. **Deeper leadership in Corporate Banking and Asset Finance** by continuing to strengthen our expertise in servicing clients through product design, agility in relationship management, enhancing our tools available to our customers and building strategic partnerships to grow our and our clients' businesses.
4. **Digital Transformation** which includes digitizing the Core Bank, developing the Financial Services Platform and expanding in new markets. To deliver on our promise on customer experience we are digitizing the end to end customer journey. We also see adjacent and emerging revenue pools in the region for customers and merchants.
5. **High performance culture** of our employees. Our employees, our "Go Getters" are our greatest asset in achieving our strategy. The Board strongly believes that our strategic goals can only be achieved if we increase the well being of our employees, build their capacity, embed the right culture and reward employees for their productivity.

Key Focus Areas in 2022

NCBA Group assessed the external environment vis-à-vis the 2020-2024 Strategic Road Map. Based on this the following areas received heightened focus in 2022:

1. Customer Experience

In 2022, the Board together with Management highlighted that one of the areas of focus is to "Deliver Brand Love".

This required the Bank to focus its energies on rolling out Group wide Customer Experience Training to cement the NCBA Way of doing things. This also led to deepening our pools of relationship managers which included better focused and value-added consultations to our customers and overall responsiveness to customer's needs.

Our corporate businesses refocused its approach and reorganized its team members to develop sectoral expertise that would allow for deeper engagement and solutioning for customers in key sectors of the economy namely: agriculture, manufacturing, trading, communications, transportation, energy and non-bank financial institutions. This approach allowed us to focus on what mattered to our customers in their respective sectors and ensured that their voices were heard both internally and in broader sectoral fora leading in most cases to relevant solutions being provided.

The focus on channels included stabilized systems which enabled our teams to have better focused approaches to quicker resolution of customer needs. This enabled our customer contact center to better understand customer issues and improve turn around times.

Overall this strengthened the NCBA's Net Promoter Score to 80 which was a strong improvement from a previous score of 40. We believe that the work still continues to strengthen our business to really achieve the NCBA Way.

2. Business Growth

The revamp of our corporate business towards a sector focused approach has shown increased momentum in capturing opportunities with our corporate loan book closing the year at Kshs.171bn from 162bn the previous year.

The retail business has continued to demonstrate strong growth over the year, reinforcing Our decision to increase our branch footprint. We closed the year at 85 branches adding 6 in 2022, with an expectation that we will continue with these efforts to ensure better and smarter coverage of our network, as well as ensure that we are in the majority of counties in Kenya. Retail Banking ended 2022 with loans worth Kshs.89bn from Kshs.79bn the previous year. The branch networks have also enhanced our services to regional corporates and this has enhanced our growth in that business.

3. Controls

We set off in 2022 with the aim of enhancing the robustness of our controls, culture and practices at NCBA. We are seeing improvement in this journey, but we will double down on our efforts to achieve this in 2023. We closed the year with NPL Ratio of 12.3% which is below the industry average of 13.3%. The Bank is focused on delivering cultural shifts in the day to day activities of all of NCBA's staff in order to bring a different perception of risk as an opportunity. This cultural shift should manifest a more pronounced ability to identify risks early, proactively action any issues and track these to closure which strengthens our NCBA Way.

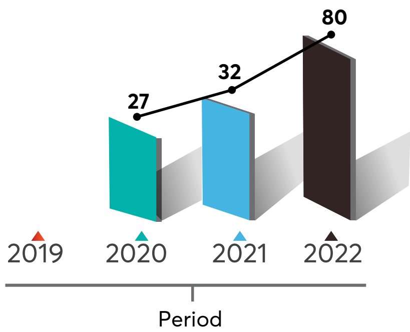
4. Regional Subsidiaries

The regional businesses have continued to grow steadily over time and in 2022, we challenged our selves to ensure that these regional subsidiaries become significant contributors to the Group. This is a challenge that was met with significant vigor in 2022, with Uganda posting profit before tax (PBT) of Kshs.726mn from a previous loss-making position. Our Rwanda business continues to show strong performance producing strong y-o-y growth in profitability to post a PBT of Kshs.552mn. Our Tanzania business has lagged behind its regional peers over time but we set in place a turnaround strategy for the business in the 2nd half of 2022 and this has seen better outcomes in the business with signs of overall profitability in 2023.

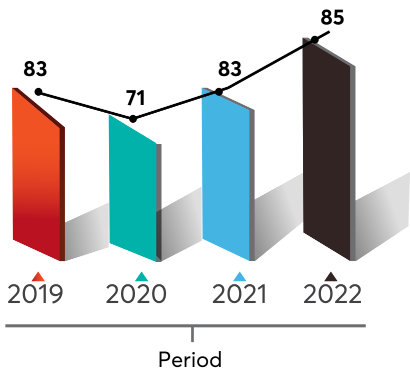
This also diversifies our business greatly and enhances our ability to service our regional customers better in the countries of their choice.

OUR STRATEGY CONTINUES TO DELIVER **RESULTS**

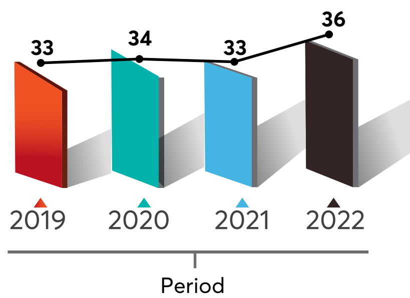
1. Become a distinguished brand (NPS Score)



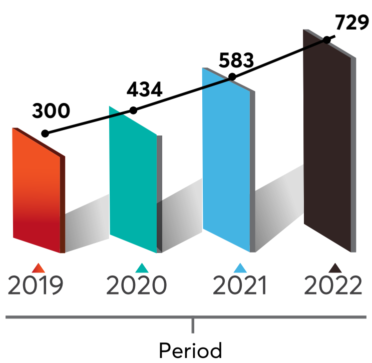
2. Scale up Retail Banking (# of branches)



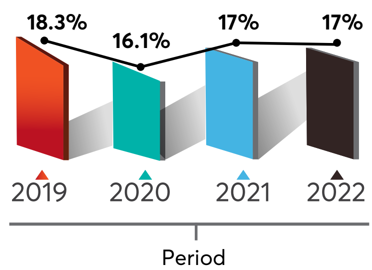
3. Deepen Leadership (Asset Finance Market Share)



4. Digital Transformation (Digital Loans Disbursed (KES Bn)



5. High Performance Culture (Staff cost to Operating Income)



OUR DIVERSIFIED BUSINESS MODEL

We have a healthy and performing universal banking business at NCBA.

RETAIL BANKING

30%

CONTRIBUTION TO TOTAL LOAN BOOK

We have a retail banking business which is growing with a footprint of 85 branches across Kenya, contributing 30% of our total loan book and growing 19% y-o-y. We continue to focus our efforts on growing a smart network of branches across the region and this has proven useful in on boarding both our retail and corporate customers.

CORPORATE BANKING

TOP 2

CORPORATE MARKET SHARE

Our corporate banking entity has continued to show leadership in products, advisory and convenience to our customers and this allows us to bank a majority of the regional corporate businesses. These strengths allow us to maintain our top 2 position in both the private and public sector corporate customer base. We deepened our leadership through our refocused approach based on sectoral expertise.

ASSET FINANCE

36%

MARKET SHARE

NCBA is Kenya's leader in asset finance and our Group controls 36% of the market. This outcome is borne out of a 60-year heritage in delivering on our promises to our customers and our continued product innovation in this business. We continue to support customers acquire moveable assets mainly motor vehicles (both new and used) through fast and flexible financing terms. We are also financing other types of assets like machinery and equipment in support of the manufacturing and construction industry across the region.

DIGITAL BUSINESS

65M

CUSTOMERS ACROSS SUB-SAHARAN AFRICA

Our digital business is substancial with over 65mn customers spread across East Africa and West Africa. Our businesses in the region continued to perform well with Uganda digital business delivering strong profitability in 2022. We are also continuing to explore new markets and our decision to spin off/ separate our digital business from the core bank is premised on allowing this financial technology platform to enhance its agility to capture new growth markets.

VIBRANT NON-BANK SUBSIDIARIES

Our Investment bank, is delivering strong profitability from its three key units:

a. ***Advisory unit*** which provides specialist value-add corporate finance advisory, capital raising services and project finance solutions.

b. ***The Brokerage unit*** is licensed as a trading member of the Nairobi Securities Exchange (NSE), and this enables us to offer investors a convenient way to invest in marketable securities, including equities, fixed income securities and derivatives.

c. ***The Wealth Management unit*** has developed fit-for-purpose investment solutions to meet our customers' short to long-term investment goals that reflect their financial status, risk preferences, liquidity needs, investment horizon and other unique factors.

Our Bancassurance business offers customers a one stop shop to a wide range of general and life insurance products. Due to the NCBA Group network of digital channels and branches we continue to deliver steady growth in premiums and operating profit.

Our Leasing business has the expertise to assist customers in reducing asset-related operational expenses and improving cash flow. NCBA Leasing is a market leader in development and deployment of innovative be-spoke operating lease solutions. We offer full asset life-cycle management from acquisition, operation, maintenance and end of-term management.

OUR WORK LENDS PARTICULAR SUPPORT TO THE BELOW SEVEN SUSTAINABLE DEVELOPMENT GOALS.

SUSTAINABLE DEVELOPMENT GOALS

OUR VALUE CREATION MODEL

HOW WE CREATE VALUE

We aim to create value for our stakeholders, having a positive impact on our environment and wider society.

CAPITALS	INPUTS	KEY THEMES AFFECTING OUR CAPITAL
FINANCIAL CAPITAL Our financial capital strength which comes from our strong capital base, as well as diversified sources of deposits and funding from investors and customers are used to support our customers working capital challenges, providing efficient cash management and servicing FX requirements. Our role also commits to finance sustainable businesses through our sustainability agenda and rewarding our shareholders.	▶ We began the year with KES.83.8bn in Capitalization distributed as equity capitalization of KES.77.8bn and KES.6bn amount of borrowing. ▶ We support the financial lives of our customers and drive economic growth through our well-known brands. ▶ We are committed to sustainability as a driver of value creation through our investments, products and services.	**Volatile Macro Environment**
HUMAN CAPITAL Our employees, our 'Go Getters', are our greatest asset in achieving our strategic goals and we progressively focus on enriching our people, our culture, our collective knowledge, and our skills and experience to enable development of innovative and competitive solutions for our customers and create value for all stakeholders.	▶ We began the year with 2,635 employees across the Group. ▶ Our staff productivity began 2022 at 17%. ▶ NCBA hired 26 Interns	**The War for Talent**
MANUFACTURED CAPITAL Our business structure and operational processes, including our fixed assets such as property and equipment, and digital assets, including digital products and information technology (IT) systems, provide the framework and mechanics of how we do business and create value. We continued to expand our network reach across the country through the opening of an additional 6 branches, growing our network to 85 branches. We intend to continue with branch network expansion within this strategic cycle	▶ Smartly designed network of 103 branches, 93 ATMS and 86 cash deposit machines ▶ Our digital, internet and agent networks	**Privacy, Data Protection and Cyber Security**
INTELLECTUAL CAPITAL We have built significant knowledge over time to increase leadership in various business segments. NCBA Group was at the advent of providing organized mobile money solutions in 2007 through our relationships with Telcos. We are now the leader in mobile money by numbers and customer base regionally. Our intangible assets, including brand, reputation and franchise value, research and development capabilities, innovation capacity, knowledge and expertise, as well as strategic partnerships help us grow our business.	▶ Our people are our greatest asset ▶ LOOP DFS ▶ Our Dynamic strategy ▶ Our products: Lending: mortgages, credit cards, personal and business loans Deposit taking: current accounts, savings accounts ▶ Insurance: home, motor and health protection ▶ Investment: pensions and investment products ▶ Commercial financing: lending, debt capital markets, private equity ▶ Risk management: interest rate hedging, currency, liquidity	**The War for Talent**
SOCIAL & RELATIONSHIP CAPITAL NCBA Group operates in numerous communities and these are central to how we operate. Our teams recognize the role NCBA has to play in building a thriving society. Our platforms are increasing financial aptitude for many members of society in Sub Saharan Africa and bringing unbanked customers to the financial eco-system through digital banking.	▶ We began the year with 60m customers. ▶ Our business began with a customer NPS Score of 32.	**The War for Talent**
NATURAL CAPITAL The direct use and impact we have on natural resources through our own operations, including energy, water and climate, and our influence through our business activities.	▶ Invested Kshs.23mn in 2022 in planting trees ▶ Invested Ksh. 2Bn towards electric vehicle	**Climate Risk**

VALUE ADDING BUSINESS ACTIVITIES

ASSET AND WEALTH MANAGEMENT

Provide solutions to manage, protect and grow wealth.

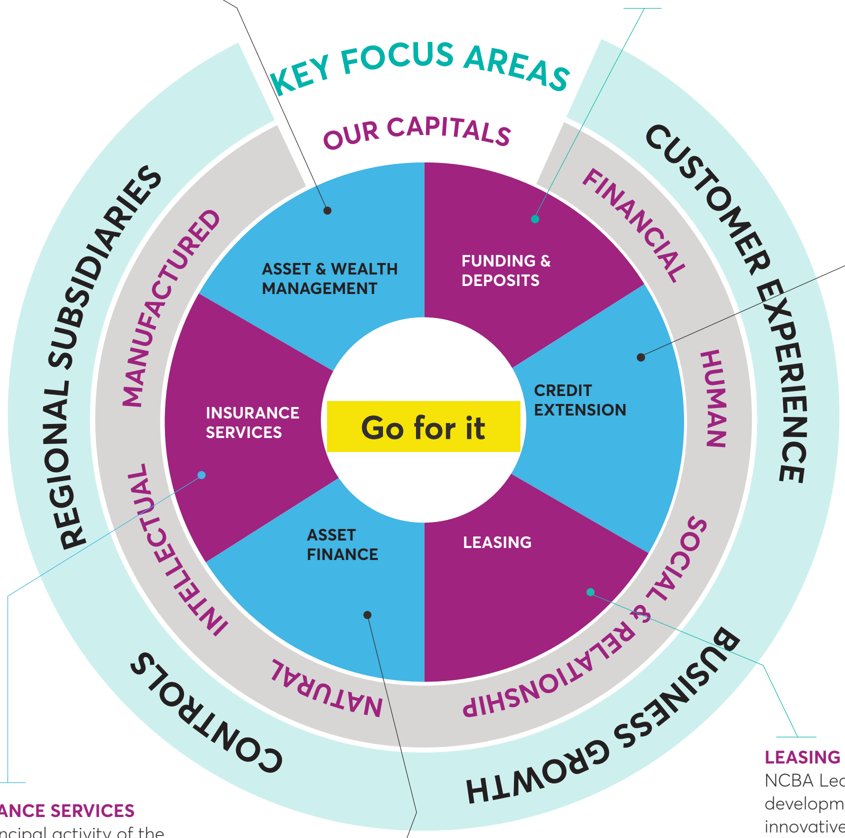
▲ 16% KES **42bn**
ASSETS UNDER MANAGEMENT

FUNDING AND DEPOSITS

Raise funding, and provide savings and investments products. Generation of yields for our wide ranging 60mn clients by way of:

- Fixed Deposit Receipt
- Call
- Mobile
- Custody
- Transactional
- Savings products

▲ 7% KES**503bn**
TOTAL DEPOSITS



CREDIT EXTENSION

Extend credit through responsible lending practices (eg mortgages, credit cards, asset finance, leasing products, digital lending, personal and business loans).

▲ 9% KES **308bn**
GROSS LOANS

INSURANCE SERVICES

The principal activity of the Company is the provision of Bancassurance Intermediary services (eg life, home and personal-lines insurance).

▲ 11% KES **1.7bn**
GROSS PREMIUMS UNDERWRITTEN

ASSET FINANCE

We continue supporting customers acquire moveable assets mainly motor vehicles (both new and used) through fast and flexible financing terms. Additionally We are also financing other types of assets like plant and machinery and other form of equipment in support of all industries across the region.

▲ 20% KES**20bn**
DISBURSMENTS

LEASING

NCBA Leasing is a market leader in development and deployment of innovative be-spoke operating lease solutions. We offer full asset life-cycle management from acquisition, operation, maintenance and end of term management. Our stakeholders include Corporates, SME and Government entities.

▲ 31% KES **4.49bn**
VALUE OF LEASED ASSET

	PROCESS	OUTCOMES
FINANCIAL CAPITAL	▶ We opened 6 branches in Kenya in 2022 ▶ We intensified our investments in IT with a 22% increase in IT CAPEX to Kshs.2.8bn ▶ We have a retail banking business which is growing and now provides us with a footprint of 85 branches in Kenya and 16 across the region	• We closed the year with 9% growth in customers • Our digital, internet and agent networks has allowed 89% of transactions to be handled out of branch • Our net loan book expanded by 14.3% to Kshs. 276bn • Our profitability (PAT) grew by 35% and ROE enhanced from 13.1% to 17.2%
HUMAN CAPITAL	▶ Our relationships with all stakeholder groups helped to shape and support our strategy and operations. This includes our shareholders and regulators, suppliers, consumer and campaign groups, local communities and more ▶ We are also enlisting risk champions as part of our day to day operations	• We now have 2596 staff in Kenya, 155 in Uganda, 171 in Tanzania and 100 in Rwanda • Staff retention closed the year at 90% • Our staff are more productive with our staff costs to income ratio remaining flat at 17% • Gender Diversity: Ratio of Men to Women – 49:51 • We achieved a total of 110,365 learning hours across the group against a total of 35,328 in 2021 representing a growth of 300%. • We trained a total of 460 leaders in targeted leadership development interventions aimed at equipping them to lead their teams to success. • 30 members of our rolling intern pool were promoted into entry level roles
MANUFACTURED CAPITAL	▶ Enhanced system architecture ▶ We are now in 22 counties in Kenya compared to 15 counties in 2021	• KES.729bn of disbursed digital loans • We are now digitally handling 89% of transactions • We saved KES.45mn as a result of man hours saved through automation and KES.35mn of paper and stationery costs
INTELLECTUAL CAPITAL	▶ Our corporate banking entity has continued to show leadership in products, advisory and convenience to our customers ▶ NCBA is Kenya's leader in asset finance, our Group controls 37% of the market. We believe this is as a result of a rich 60 year heritage in delivering our promises to our customers and our continued product innovation in this business. ▶ Our digital business is vibrant with over 65mn customers spread across Sub-Saharan Africa, through well -tailored solutions for our customers and merchants ▶ NCBA has vibrant non- bank subsidiaries. Our bancassurance business continues to grow and allows us to offer protection solutions to our clients given our relationships with our partners. Our investment bank provides has three key units in advisory, trading and wealth management	• KES.308bn amount lent to the economy • 24k new core bank customers who are able to seamlessly transact regionally • 65mn digital customers
SOCIAL & RELATIONSHIP CAPITAL	▶ Our digital business, LOOP DFS, provides access to credit to millions of customers through B2B and B2C platforms fostering financial inclusion ▶ We invested Kshs.33mn in mentoring students through our Youth Enterprise and our Innovation Pillar ▶ The Group focused its energies on rolling out Group wide Customer Experience Training to cement the NCBA Way of doing things. This led to deepening our pools of relationship managers which resulted in better focused and value-added consultations with our customers and overall responsiveness to customers' needs. ▶ The focus on channels included stabilized systems which enabled our teams to have better focused approaches on quicker resolution of client needs.	• Our customer Net Promoter Score (NPS) improved from 32 to 80 year on year • We are now servicing 65mn distinctive customers across Sub-Saharan Africa, spread across Kenya, Uganda, Rwanda, Tanzania and Cote d'Ivoire. • We closed the year with 260K retail customers • NCBA has worked with women suppliers and provided procurement contracts worth KES.100mn towards women-owned businesses
NATURAL CAPITAL	▶ We established a 1 million indigenous seedling nursery in partnership with Kenya Forest Services ▶ We were the first bank to launch financing of electric vehicles, where we have set aside Kes 2bn towards growing financing of e-mobility ▶ Our solar leasing product offers lower cost of power compared to the grid and increases reliability while eliminating the capex requirements for the acquisition of the solar systems	• 150,000 of trees planted with consequent carbon sequestration effects • We are the largest financier of renewable energy sources via our customers. We continue to drive solar energy financing as a priority.

Focus areas of the board in 2023

Many of the key focus areas of 2022 will continue to be a priority in 2023, particularly as our strategy execution accelerates.

Key focus areas for 2023 include the following:

- **a.** ***Balance sheet optimization*** - In our hero market, we have a goal to solidify our #3 banking market position, while markedly improving returns by focusing on our top line growth levers including cross-selling, pricing and optimization of funding.
- **b.** ***Customer Growth:*** Management believe that building on the gains of our customer experience efforts in 2022, we can accelerate customer acqusition to the core bank.
- **c.** ***Controls-*** We are building a larger and more complex business. This requires enhanced focus on embedding the right risk culture and routines that will further secure our business and enhance our operationstions.
- **d.** ***Subsidiary contribution-***Following good success in stabilizing the performance of our regional subsidiaries, we are expanding our scope to all our non-banking subsidiaries to enhance their outcomes and strengthen the diversification of our revenue streams.
- **e.** ***Sustainability –*** Building on our existing strong citizenship agenda, we are refining our ESG strategy to enhance our outcomes and more specifically outline our response to the Climate Risk crisis.

Management Guidance

We are on track to meet our medium-term targets set for 2024, delivering high teens top line CAGR, a sub 45% cost to income ratio, a sub 1.5% cost of risk and an ROE above 20%.

RETAIL BANKING

Retail Banking is the business division in NCBA Group that provides banking services to individual customers under Consumer Banking (Personal and Premier Customers) and small and medium enterprise customers under Business Banking. The branch network and digital mobile and online banking platforms are also managed under this division, as a shared utility channel that serves all customers of the bank.

In 2022, we focused on building and deepening our relationships with existing customers as well as continued investment in our digital platforms, network coverage and service quality.

Our Retail Banking business is substantial to the Group's performance, achieving a y-o-y PBT growth of over 50%. The retail loan and deposits book contributes over 30% of the Group's profit and has grown by 13% from the previous year.

In the year, we continued to focus our efforts on growing our customer base, and on-boarded 60,000 new-to- bank relationships, a 50% increase from the previous year. Customer surveys indicate that we continue to make steady progress in enhancing service quality.

BRANCH NETWORK GROWTH

The branch network enhances our ability to meet corporate and retail customer needs by offering greater convenience by enabling access and building trust, as customers still rate access to a nearby branch as critical in selecting their bank of choice.

We have continued to expand our branch network reach across the region. In Kenya, we opened an additional 6 branches bringing our branch network to 85 branches.

At the beginning of the Branch Expansion programme in 2021, we were present in 15 counties (32%) in Kenya, with most (>75%) of these branches concentrated around Nairobi and its environs, Mombasa and Kisumu cities.

We are now present in 22 counties with a goal to achieve a 70% coverage of the 47 counties. Most importantly, all of the branches we have opened are 33% smaller than pre-existing branches, reflecting the expected lower footfall due to digitization. Consequently, we are deploying them at a lower cost to reduce on our capital expenditure and deliver greater cost efficiency. We intend to continue with branch network expansion within this strategic cycle and will deliver an additional 10 new branches in 2023.

We have positioned the new branches as business development centers and deployed 60% of the branches' headcount to be sales focused. Consequently, the branches' performance is 'on plan' with consistent lending and income growth and a steady buildup of the customer base and deposits. We expect that the 18 branches opened thus far (12 in 2021 and 6 in 2022), will be collectively profitable by the end-of-year 2023.

We also made progress in rationalizing our existing branches in duplicated locations and closed four branches during the year. We have also continued to refurbish our branches to create a similar look and feel with the new branches; we refurbished 18 branches in 2022. We are collecting and monitoring customer feedback regularly and with the aforementioned branch infrastructure, this allows more engaged and focused conversations with our customers.

CONSUMER BANKING

Our workplace banking teams made significant progress in the year as we onboarded over 44 schemes within government ministries, state corporations and private sector entities particularly supported by our growing presence through our new branch locations.

Housing finance is a key opportunity for this segment. We run a very successful mortgage acquisition finance project with over 500 applications accessing our innovative and unique 3-year fixed-rate campaign offer. We plan to continue enhancing our propositions with an affordable housing product launch in line with the government agenda to develop the affordable housing sector, as we have successfully applied for and drawn funding under the Kenya Mortgage Refinance Scheme (KMRC) programme.

We held our first ever Diaspora Banking market activation in the United Kingdom with targeted sales and customer engagement events being held to engage existing customers and attract new customers.

Our affluent segment consists mostly of the high earning and wealthy households in Kenya and we continue to tailor-make solutions that suit their needs, gaining steady recognition as a bank that offers convenience and lifestyle

2022 PERFORMANCE

▲ 50% Profit Before Tax

▲ 13% Retail Loan & Deposit Growth

BRANCH NETWORK GROWTH

▲ 6 New Branches

85 Total Branches

DIGITAL & ONLINE BANKING

▲ 54% Active Customers

benefits resulting in an increase in our share of wallet. Our affluent customers were invited to exclusive events and offered lifestyle privileges through our card offers and solutions which increased both uptake and usage. We however recognize that we do not have a proportionate share of their investments and therefore intend to develop a full suite of Retail Wealth (investment products) offerings across products, processes, operations and advisory, leveraging on partnerships to drive scale and unlock new revenue opportunities.

BUSINESS BANKING

We are steadily growing our business banking portfolio by creating products (agribusiness, receivables financing) and faster loan processing to respond better to customer needs, including in our new branch locations.

We have additionally engaged with our Business Banking customers through various forums such as thought leadership webinars on topical issues such as tax, property finance as well as breakfast events and participation in global forums such as with the IFC.

DIGITAL AND ONLINE BANKING

The NCBA Online and Mobile Banking platforms provide convenience by offering digital banking services that enable seamless payments and account management capabilities. Approximately 54% of our Personal and Business Banking customers are active on these channels on a regular basis, compared to 25% in 2021.

In 2022, we completed the consolidation of our mobile banking applications into a unified platform and successfully migrated 100% of our customers onto one platform. The new platform delivered unique additional functionality (e.g. Lipa na Mpesa, MOJA expressway top-ups and WhatsApp chat) in addition to security and service stability enhancements. The NCBA Mobile Banking app is one of the highest rated in Kenya indicating that our users are recognizing and appreciating the improvements. We are also scaling supply chain financing to enhance on the ecosystem

We continue to focus on improving productivity and customer experience through digitization of branch services to drive cost efficiencies and simplify processes and expect to deploy a complete revamp of our Digital and Online Banking platform in 2023.

CORPORATE BANKING

The challenging economic environment in 2022 meant that our customers required significant increases in their working capital, trade finance facilities as well as foreign exchange hedging solutions that solved for some of the unique challenges in their respective sectors.

The COVID-19 instigated global supply chain challenges exasperated by the war in Ukraine led to an increase in prices of fertilizer, wheat and other essential commodities. We provided our customers who trade in these commodities with enhanced overdraft limits as well as extending the tenors of letters of credit so as to allow them to continue importing the required quantities of produce and material.

The shortage of foreign currency and the resultant exchange rate depreciation began to impact our customers in March 2022 at about the same time as the war in Ukraine evolved. We immediately provided our customers with sector specific support that allowed petroleum traders, manufacturers and other regular importers to access foreign currency through spot, forwards, swaps and other derivative structures. We were and remain very deliberate in ensuring that we prioritize our customers' needs in meeting their foreign payments obligations.

Delays by the government in settling pending bills, a problem that was further compounded by the general elections held in August 2022, led us to provide a number of customers with supply chain financing, receivables discounting and local letters of credit (LC) facilities that allowed them to manage their cashflow requirements through the extension of supplier credit terms and injecting cash through the discounting of open account receivables and LCs.

Within our 2020-2024 strategy, one of the key pillars enumerated our need to deepen our market leadership in corporate banking and with this in mind, the leadership of our corporate banking businesses changed approach in February 2022. The Corporate bank reorganized its team members to develop sectoral expertise that would allow for deeper engagement and more insightful relationship management for our corporates in key sectors of the economy namely:

- Agriculture
- Manufacturing
- Trading
- Communications
- Transportation
- Energy
- Non-bank financial Institutions

This approach allowed us to focus on addressing sector specific financial services requirements of our customers giving them confidence that the bank has the depth and expertise to provide solutions that are relevant to their respective industries. NCBA Group believes that this approach yielded the strong results posted in 2022 by:

1. Enhancing our collective knowledge and understanding of the core sectors of the economy thus allowing our team members to develop expertise and position themselves as thought leaders and subject matter experts. We reengineered our processes and reorganized the client coverage team by increasing the percentage of relationship managers to 64% of the total staff complement up from 33%. With continuous training, our relationship managers are equipped to be universal bankers capable of engaging with our clients as thought leaders and providing solutions to the financial and technical challenges that they face.
2. Understanding the level of our market presence in specific sectors and allocating resources accordingly to increase our market penetration.
3. Enhancing our interactions with customers through economic fora, engagements with industry bodies and focus groups. Notable engagements have been with Kenya Association of Manufacturers, Cereal Millers Association, Petroleum Institute of East Africa, Kenya Private Schools Association, SACCO Conventions amongst many others.
4. Designing products and solutions using insights from our engagements to enhance the relevance and success of our sales and marketing activities.

In 2022, we successfully on boarded 146 new corporate customers, growing our gross loan book by KES 8bn to KES 171bn, our deposits by KES 6bn to KES 243bn and increased the division's operating profit by 87% to KES 10.5bn.

This has been the strongest growth in the corporate business since the merger, not only in topline revenue but also by vastly improving the quality of our loan book from a non-performing loan (NPL) ratio of 17.8% as at Dec 2021 to 12.6% as at Dec 2022.

We continued to provide our institutional clients namely religious organizations, non-governmental organizations, diplomatic and multilateral agencies with cash management, foreign exchange and online banking solutions in line with our tradition of ensuring that our services are delivered in a manner that is aligned with the missions and goals of the respective institutions that we serve. We regularly delivered select cash management services to our institutional banking customers with operations and missions in South Sudan. We maintained our market leadership in serving this sector due to our tailored products and solutions built over many years of being sensitive and understanding the requirements of the sector whose activities are primarily geared towards fostering socio-economic development.

Our deep heritage in focused customer service allowed us to develop eco-systems that enabled us to be the #1 FX provider in the region; a position we are most proud of. This inherent strength created a positive feedback loop, allowing us to acquire new customers whilst providing enhanced FX solutions to our existing customers.

In 2022, we continued to enhance our digital offering by innovating and connecting our customers to new digital channels thus improving efficiency for day to day transactions, customer service and liquidity management.

With customer experience being at the forefront of our strategy, we listened to our clients feedback and are developing an optimized, intuitive, user friendly, resilient internet banking system that works well at scale allowing for a seamless User Experience for our customers across the region.

We recognize that we cannot afford to be complacent when it comes to technology. We are investing significantly towards modernizing our infrastructure and using the cloud to increase our speed, output and agility so we can serve our clients better and faster.

We have embedded a corporate banking led business model for our Uganda, Tanzania and Rwanda subsidiaries where our primary focus is to bank corporate customers, their entire eco-system of suppliers, distributors and employees by offering our full suite of commercial banking products, bancassurance, asset finance, leasing and investment banking solutions.

Our unique combination of heritage and innovation, coupled with our unwavering focus on putting our customers first, gives us great confidence that we are building an enduring business. Our loyalty and commitment to our customers remains our greatest obligation and our greatest strength.

2022 HIGHLIGHTS

146 ▲ New Corporate Customers

171 BILLION ▲ 2022 Loans

243 BILLION ▲ Total Customer Deposits

KEY ASSET FINANCE HIGHLIGHTS FOR THE YEAR 2022

The NCBA Group strategy calls for the organization to "Deepen its leadership in Corporate Banking and Asset Finance". We are proud that in 2022, the Asset Finance business made significant progress against this priority and successfully increased its market share to 36% up from 33% the previous year.

Our Asset Finance business supports individual customers, small and medium enterprises and corporate organizations to acquire motor vehicles and other assets through fast and flexible financing terms.

The significant enhancement in our market share within an increasingly competitive environment reflects our focus in executing the levers for growth that we had identified for 2022.

Digitization:

We are now the only bank in the market with a fully digitized end-to-end customer acquisition and onboarding process. We have invested in building a market leading process to ensure that customers are served easily and at their convenience.

Auto–Credit Approvals:

We understand that getting a new car is an exciting moment in the lives of our individual customers – a true growth milestone! And for our business and corporate customers, the trucks that we finance are truly the engines that drive their businesses forward. Across all segments, the time between financing and driving off is critical. For this reason, in 2022 we invested in rolling out capabilities that allow us to give conditional approvals within 15 seconds of an online application. Our turnaround time (TAT) remains the best in the market – we are able to issue offer letters within 12 hours of receipt of full documentation - this is seven (7) times faster than the next bank! Additionally, this initiative led to a 47% increase in uptake of approved facilities. We will continue digitizing our processes to enhance our customers experience and create efficiencies around our processes.

Strategic Partnerships:

Our unique strategic partnerships in the asset finance industry, mainly with motor vehicle dealers, original equipment suppliers and manufacturers, regulators and other players in the ecosystem has enabled us to increase new asset disbursements by 17%.

Green Financing:

We are proud to be the first bank in the market to provide electric vehicle financing and have set aside KES2bn towards financing of e-mobility. This is the beginning of our commitment towards a more robust climate risk action plan.

Sectoral Focus:

As schools reopened post COVID-19, we saw an opportunity to support our customers in this key sector to rebuild and to continue doing the meaningful work of building the future of our nation. In 2022, we launched a product to provide schools 100% financing of school buses in partnership with various key motor vehicles dealerships. Incrementally, we modified the repayment terms to match termly fees collections and provided a one-term repayment holiday. We are proud to report that by tailoring our solutions to match the needs of our customers, in this moment, we have supported a number of schools to acquire buses and increased our disbursements to this sector by KES100mn year on year.

Pre-approval of loans to Bank customers:

We value our long-term relationships with our customers and are committed to using the data we have on their credit history with us to make access to credit seamless. In 2022, we put in place the capabilities to pre-approve customers with good credit history for asset finance loans. By pre-empting our customer's needs, we have increased our disbursements and more importantly, enhanced the customer experience. During the year, we managed to disburse KES 1.3bn through pre-approved asset finance loans and our goal is to consistently seek to increase this further.

Carduka:

Carduka is an e-commerce website owned by NCBA Group and the only one of its kind where one can do a free desktop valuation of their personal vehicle. The platform also enables customers buy cars, apply for a car loan, buy insurance, apply for insurance premium finance, participate in car auctions, buy vehicle parts and accessories, and buy service for their cars. The platform is also used as a lead generation platform and during the year, the website generated more than 5,000 asset finance and insurance leads. Additionally, we managed to dispose more than KES 500mn worth of vehicles on the e-auction platform.

Johari Awards:

After a two-year break occasioned by the COVID-19 pandemic, the annual Johari awards resumed during the year. Johari awards is an event hosted for our dealers and insurance partners to recognize them for the support given during the year. The 16th Johari awards ceremonies were held in Mombasa, Kisii, Kisumu, Eldoret, Nakuru, Meru and Nanyuki with the grand finale held in Nairobi. The events were very well attended and from a target of 900 partners, we hosted approximately 1,500 partners. We will continue recognizing and appreciating our partners as they form an integral part of our business.

In 2022, the Asset Finance business disbursed KES 24bn in loans (up 20% year-on-year). This was a commendable outcome against the background that new motor vehicle sales in the market declined year- on –year by 6% to 13,352 units. As a result, our balance sheet grew by 5% to KES 40.4bn.

We are proud that the Asset Finance business is a significant contributor to the overall Group Income at KES 5bn in 2022 (up 11% year on year) and that our prudent focus in efficiency and credit quality has resulted in improving the portfolio quality by 5% bringing down non-performing loans to well within industry standards.

We remain committed to building a moat around this market-leading proposition by relentlessly innovating to provide world-class service and by leaning forward to fund the transportation models that address our pressing climate risk issues.

The future is now and we are ready for it.

NCBA LEASING

NCBA Leasing is a market leader in development and deployment of innovative be-spoke operating lease solutions. We offer full asset life-cycle management from acquisition, operation, maintenance and end-of-term management. Our stakeholders include Corporates, SME and Government entities. We have, and continue to partner with motor vehicle dealers to lease vehicles to notable stakeholders such as the National Police Service. These transactions drawn over a period of 10 years have contributed to improved police presence and response time, has led to a reduction in crime rate by an estimated 32% over the same period.

Our highly skilled asset management team provide expertise to ensure our customers focus on their core business while we look after their assets. Our scale and expertise has reduced customer asset-related operational expenses, leading to increased efficiencies.

In 2022, the business grew its disbursements by more than 500% and is on track to becoming the market share leader in the leasing industry in the next 3 years. Through the leased assets, we participated in capacity building for our partner service providers like vehicle service centers and IT service providers through trainings and contracting them to provide equipment and vehicles maintenance services. This was made possible through partnerships with Original Equipment Manufacturers.

We developed bespoke green energy leasing solutions for the commercial and industrial sector and other energy heavy customers as part of our green finance strategy. The Solar PV leasing product offer lower cost of power per unit compared to the grid and increases power reliability while eliminating the capex required for acquisition of the solar equipment. The Leasing business gross rental margin revenue increased by 200% to KES 315mn and contributed a profit before tax (PBT) of KES 105mn to the group. Key success factors that boosted this outstanding performance included rentals from increased new leases and end of lease extensions. The business is automating its processes by launching a leasing system that will provide enhanced customer experience by providing 360-degree view of their leased assets and contract performance real time.

NCBA BANCASSURANCE INTERMEDIARY LIMITED

The principal activity of the NCBA Bancassurance Intermediary Limited (BIL) is the provision of Bancassurance Intermediary services.

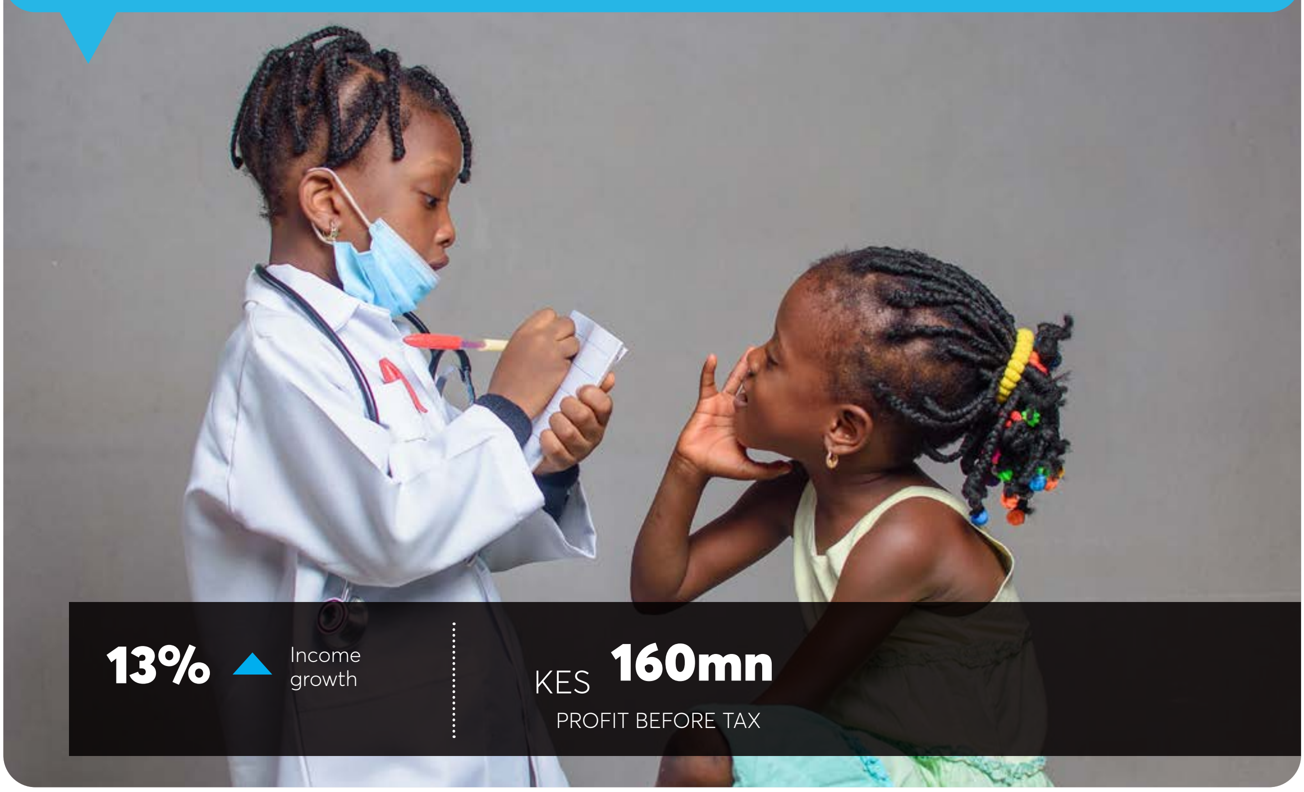
NCBA BIL is licensed and regulated by the Insurance Regulatory Authority (IRA) to provide insurance and risk management solutions to the Group's customers and the general public through partnership with reputable insurance companies in the market. Customers can conveniently access a wide range of health, general and life insurance products, both at a personal level and at company level.

The business reported year on year operating income growth of 13% and 2% growth in customer base despite a difficult operating environment coupled with operational changes and the 2022 general elections. NCBA BIL contributed KES 160mn to the overall Group's PBT.

In 2022, NCBA BIL launched 'NCBA Educator', a retail life product in partnership with ICEA Lion Life Assurance. The retail proposition was further strengthened by rich medical solutions dubbed 'NCBA Health' in partnership with Jubilee Insurance and 'NCBA Thrive' in partnership with Old Mutual. The education policy and Medical covers are both positioned to scale up in 2023 and drive substantial growth in income together with a unique franchise distribution model supported by the planned exponential growth in bank branch footprint.

Over the next 3 years, the bancassurance sector is expected to make the big digital shift into fully automated business as demonstrated by the inroads made by tier 1 banks into the digital space. This is largely driven by the increasing customer demand for an optimized self-service experience that customers are pre-disposed to within the core banking service that is now maturing digitally.

NCBA Bancassurance intermediary is currently among the top five Bancassurance players in the market and is on track to becoming the market leader in the next 3 years. The ambition of the intermediary is to become a distinguished brand known for customer excellence that is supported by fully digital services covering onboarding, claims and renewals management. The intermediary expects more than 60% of claims to be facilitated digitally over the next one year as it moves to resolve the industry's biggest pain point through the launch of a digital claims service in 2023.



13% ▲ Income growth

KES **160mn** PROFIT BEFORE TAX

INVESTMENT BANK

We are proud that NCBA Investment Bank has made significant progress in cementing its market position and continues to produce positive contribution to Group performance. In 2022, we recorded strong growth in revenues and profitability, underscoring the confidence our customers have in us as their preferred financial partner with revenues of KES 634mn in 2022 up from Kes 580mn in 2021 representing a 9% increase; and a 12% growth in profit before tax of KES 380mn in 2021 up from KES 340mn in 2021. This was supported by strong growth in assets under management from KES. 36bn in 2021 to KES. 42bn in 2022 cementing our #2 position in the market.

We support a wide array of customers through our three core service offerings in advisory, brokerage and wealth management services which are licensed by the Capital Markets Authority, Nairobi Securities Exchange (NSE) and the Retirement Benefits Authority.

We continue to be the go-to financial partner for specialist value-add corporate finance advisory, capital raising services and project finance solutions. We bridge the gap between investors and issuers by providing a platform for debt and equity issuances, helping our customers meet their financing needs and helping investors meet their return objectives through a diversified product array. We can only do this through our specialist team who bring strategic and pragmatic solutions in advisory and through the capital raising process.

We have also continued to leverage on our universal banking model and based on our regional presence this has unearthed strong pipeline of opportunities for us solidifying our position in the market as the leader in debt capital markets transactions.

We are proud of the services we offer by being a licensed trading member of the NSE. This enables us to offer investors a convenient way to invest in marketable securities in our capital market. In addition, we facilitate approvals for new issuers of securities on the NSE. We cannot service our customers efficiently without the robust research team that channels out actionable research reports to aid investors in forming views on regional economies and the investment landscape and the opportunities therein.

We leverage immensely on the powerful distribution channel in NCBA Group's vast growing branch network. This gives us a platform to offer well performing, differentiated products to a diverse customer base to effectively match their investment needs.

Our Private Wealth Management service, "NCBA Wealth" is a premier solution available to high-net-worth investors and institutional customers. NCBA Wealth offers bespoke and professionally managed investment portfolios comprising private and public, on-shore and off-shore debt, equities and commodity investments as well as other alternative investments.

We also offer high net-worth and mass affluent investors execution only services which provides our customers a platform to invest in government bonds, listed shares, offshore investments through our custodial accounts. Our customers access investments without the burden of administering the portfolios while retaining the decision-making control over buying, selling or re-investment.

Our array of solutions also includes; Collective Investment Schemes, comprising the Kenya Shilling-denominated NCBA Fixed Income Fund, the NCBA Dollar Fixed Income Fund, the NCBA KES Fixed Income Basket Note Fund, the NCBA Dollar Fixed Income Basket Note Fund and the NCBA Equity Fund. We are the

"Strong growth in Assets under Management from KES. 36bn in 2021 to KES. 42bn in 2022...

second largest unit trust service provider in the market despite having been in the market for less than 10 years. This embodies the trust our customers have in NCBA Investment Bank.

As a licensed pension fund manager, we offer corporate retirement planning solutions comprising segregated portfolio management services and the NCBA Umbrella Retirement Benefits Scheme.

For individual pension planning we offer an Individual Pension Fund ("the NCBA IPP) to facilitate pension planning for individuals and an Income Drawdown Fund ("the NCBA Income Drawn Fund") for post-retirement pension management. 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 and the fund's Investment Policy statements.

The wealth management industry continues to evolve and this continues to apply pressure on players while also offering opportunities. We continue to focus on customer experience; this being a part of NCBA Group's strategic priorities. We embarked on an automation journey to ease our customers' interaction with our unit trust products. The first phase of the project entailed an activation of a mobile based interaction through the NCBA Bank Kenya's mobile app "NCBA NOW". The capability has enabled our individual customers to open new unit trust accounts, link their existing unit accounts to their bank accounts, open sub-portfolios, facilitate investments and liquidations (or withdrawals), all through the mobile app. We launched the app in February 2023. The second phase of the automation will entail an online offering, to be rolled out at a later date.

We continue to offer our customer base with the insightful information through our research team offering our specialized view on topical issues facing investors. Finally, as part of our ongoing initiatives we are focused on ensuring we are offering relevant yet differentiated products to the market through the most effective channels backed by a team of solid investment professionals ensuring strong investment performance.

... Cementing our #2 position in the market

DIGITAL BUSINESS

Our digital Banking Business is, our fintech division within NCBA Bank Kenya over the last 9 years and was at the advent of providing organized mobile money solutions to unbanked customers through our relationships with Telcos. During this period, the unit has developed and taken to market various digital financial services and generated significant assets by way of a large customer base in five different markets. This has helped catapult us to Tier 1 status in the various jurisdictions of operation.

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 financial services to previously financially excluded market segments, addressing their cash flow management, savings/investment and credit needs.

Our financial services are primarily presented via electronic channels, unifying the mobile, card and internet channels. We are proud that our flagship product in Kenya, M-Shwari ©, offered through a collaboration with Safaricom has enrolled over 29mn customers since its launch over 10 years ago.

NCBA Group made a strategic decision in June 2020 that elected to pivot the fintech unit into a stand-alone wholly-owned LOOP DFS Limited, entity. Pivoting this unit will see it operate as a digital platform business that will benefit consumers and enterprises with payment and banking services.

This will increase our business's scalability and create new incentives to "enter and remain in the Loop ecosystem". We believe that Africa, having all the ingredients to have a robust fintech eco-system, the onus is on us to successfully execute in our existing and future growth markets. Our fintech unit allows us to increase operational excellence and enterprise agility and consequently attract the best talent allowing us to build a best in class Pan African platform.

LOOP DFS Limited ['LDFS'] has been mandated to operate in all countries where NCBA Group is licensed and also offer digital financial services through partnerships in markets where the group may not have a banking presence.

Product	Partner	Customer Number	Loans Disbursed (Inception to Date – Volume-Count)	Loans Disbursed (Inception to Date – Value)
M-Shwari	Safaricom	28.9mn	190bn	$5.85bn
Loop	A fully integrated digital platform with both payments and banking service delivered through mobile, web and card	268K	140	$58.4mn
Fuliza	Safaricom	33.9mn	3.6bn	$11.9bn
M-PAWA	Vodacom	6.8mn	14.4mn	$126.8mn
MoKash Uganda	MTN	9mn	25.2mn	$359.7mn
MoKash Rwanda	MTN	3.4mn	5.7mn	$ 91.9mn
MoMokash Ivory Coast	MTN	4.3mn	2.2mn	$35.2mn

Financial Performance

2022 was the first full year post Covid lock downs, that saw the country and businesses begin to pick up the pieces and focus on restoring the economy. We cautiously planned for business in 2022, keenly monitoring the key economic indicators [inflation, key economic sectors growth- such as education, agriculture, manufacturing and telecommunications] and the August national elections event. In response to the business climate and regulatory directives, we positioned ourselves to take advantage of emerging opportunities aimed at providing much needed loans to borrowing customers serving over 60mn customers across our operating markets in Sub Saharan Africa.

We delivered strong results in 2022 across all markets', especially, regionally in Uganda and Rwanda. Gross revenue was 2% above prior year attributable to growth in disbursement values which grew 25% from the prior year. Deposit values closed at 8% above plan and attributable to system stability, ease of access and trust.

The greatest risk to our business remains capital erosion from impaired loans due to the prevalence of unsecured digital loans in the Kenyan market. Statistics from the Central Bank of Kenya ('CBK') show that the non-performing loan ('NPL') for bank digital loans averaged 23%-25% in the Financial Year 2021 [2022 is yet to be published] driven by 'after effects' of the coronavirus pandemic. Non-bank digital lenders were still feeling the effect of 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 see the rollout of more digital financial solutions and Mobile Savings and Loan products, in partnership with Mobile Network operators, across Sub Saharan Africa in 2023 and beyond.

Key wins in 2022

- System stability in the Kenya environment that has resulted in steady growth in mobile savings. [25% YoY growth]
- Successfully implemented and deployed NEO system in Rwanda in June 2022. A Resilient, Reliable and Scalable Architecture that has significantly improved the MoKash processing performance.
- Rollout of the new platform to the rest of the markets is scheduled for 2023, Uganda and Ivory Coast in Quarter 2 and Quarter 4, respectively.
- Launch of the Loop Digital Platform on test in November- December 2022 with a market launch slated for 23rd January 2023.
- Jenga Jina - a credit repair campaign aimed at rehabilitating customers negatively listed on CRB. The need for Jenga Jina arose from a poor understanding of the mechanics of digital credit and the Kenya Credit Information Sharing infrastructure ('KCIS') by customers leading to an increase in negative sentiments from customers listed negatively at CRBs due to digital loans.
- Change in Fuliza Pricing – We have continued to assess the evolution of consumer behavior and the economic conditions to identify ways in which we can further enhance the utility of our digital financial services. Towards this end, we introduced changes to Fuliza pricing. We waived the daily maintenance fee, and up to 80% of Fuliza borrowers can now access the digital overdraft at zero maintenance fee.
- Recognised as the best Digital Bank in Tanzania
- We obtained our certification in Kenya, for data controller and processor as Loop DFS.
- Made significant progress in our journey to create a stand-alone fintech with Loop DFS being granted a payment service Provider lisence in Kenya.

We are excited about future prospects. We see ourselves as the leader in providing mobile money solutions to our customers and this has been built through our decade long experience in this space.

We are building our capability leveraging off our lessons we learnt on managing credit risk and deploying our services through the most effective partnerships in the markets we play as we drive towards becoming the most valued digital platform in Africa.

Lina Higiro
Chief Executive Officer
NCBA Rwanda

RWANDA - OVERVIEW

+6K	100	5	6
NUMBER OF CUSTOMERS	NUMBER OF EMPLOYEES	NUMBER OF BRANCHES	ATMs

BUSINESS FINANCIAL HIGHLIGHTS

▲ 10x
KES 552mn
PROFIT BEFORE TAX

▲ 62%
KES 17.4bn
TOTAL ASSETS

▲ 82%
KES 10.1bn
LOANS AND ADVANCES

▲ 47%
KES 10.6bn
CUSTOMER DEPOSITS

2022 was a pivotal year. At a country level, Rwanda recorded a significant economic rebound with GDP growth of 29.9% and an overall consumer price index increasing by 33.8 percent on an annual basis – this was a result of the national government's efforts to bolster the economy from the effects of the pandemic effects and the impact of the Russia-Ukraine conflict.

OUR PERFORMANCE

At NCBA Rwanda, 2022 also marked a watershed moment in our history. Our profit before tax was KES 552mn, significantly higher than KES 54mn realized in 2021.

This performance was realized on the back of a diligent execution of our 5-year strategic plan. The key growth areas of our balance sheet were:

- Total Assets closed at KES 17.4bn, a 62% increase compared to the prior year.
- Loans and Advances increased by 82% year-on-year to KES 10.1bn.
- Customer deposits grew by 47% to KES 10.6bn.

This performance is also reflected in our revenue growth. Operating Income in 2022 was KES1.7bn (84% above prior year). All revenue lines contributed to this outcome with significant growth in FX income to KES192mn – a growth of 98% year-on-year. Our net interest income also grew to KES 1.4bn (from KES 750mn in the prior year)

Mokash

On the digital front, our Mokash business continued to perform well above expectations and signaled that our commitment to financial inclusion is bearing fruit.

Total Digital Disbursements	**KES 7.1 Billion**
Total Retained Deposits	**KES 0.8 Billion**

	2021	2022
RETURN ON EQUITY ▲	(2.9%)	16%
RETURN ON ASSETS ▲	(0.5%)	2.3%

Wellness

Maternity/ Paternity

Agile Working

Human Capital

We stayed true and committed to supporting the well-being and advancement of our employees.

During the year, we continued our Employee Assistance program, offering free mental health care support, revised our Maternity leave by offering a 2-month additional flexible-work benefit with an option to work half a day, and increased the paternity leave to 14 days from 4 days.

In line with our diversity and inclusion commitment, we embarked on a journey to acquire the Gender Seal in 2022 – a certification issued by the Gender Monitoring Office (GMO) and the Private Sector Federation (PSF), under the guidance of the United Nations Development Program (UNDP) & UN Women (United Nations Entity for Gender Equality and the Empowerment of Women).

In addition, each year we conduct annual surveys to gauge the effectiveness of all the people centered initiatives that we undertake to improve the experience of the colleagues driving our business. In 2022, the outcome of the employee engagement survey highlighted an overall score index of 88 – which puts the Bank well above the global average standards. We are proud to have built a business where the very best come to work each day excited to deliver on their personal goals and in turn the growth of our business.

STRATEGY UPDATE

Branch expansion

We opened 2 new branches in the year in Nyabugogo & Kayonza. This brings our network to 5 branches across the country. During this strategic cycle, we are investing in continuing to grow our network to provide our customers greater access to our services, with a particular focus on deepening our accessibility in the capital city of Kigali.

Enabling Digital Transformation:

During the year, we invested more than US$ 2mn in upgrading the core system running our Mokash digital services, to enhance the scalability and resilience of our platform. As a result of this investment, we now have 100% uptime on this criticalplatform,improved operational efficiencies, and are serving over 3.4mn customers – a number that grows exponentially with each day.

Growing our SME & Retail portfolios:

As a continuation of the focus areas in 2021, we maintained our journey to provide financing solutions for our Retail and SME Segment;

a. to make homeownership more accessible through our "Mortgage 105" loan offering, and

b. to provide the ability to acquire movable assets with our "Asset Finance" offering to a wider range of customers.

The impact was reflected in the growth of the retail loan portfolio by 85% compared to 2021, while our SME loan book grew by 43% in the same period – highlighting the untapped potential and growth opportunity for NCBA Group.

Looking ahead – Outlook

The progress we have made over the last 3 years in accelerating our momentum and investing for growth gives us much confidence that we are on the path to building a business that can contribute substantially to the NCBA Group outcomes and meet shareholder expectations.

Mark Muyobo
Chief Executive Officer
NCBA Uganda

UGANDA - OVERVIEW

+6K	155	4	5
NUMBER OF CUSTOMERS	NUMBER OF EMPLOYEES	NUMBER OF BRANCHES	ATMs

BUSINESS FINANCIAL HIGHLIGHTS

KES **725mn**
PROFIT BEFORE TAX

▲ **8%**

KES **24.6bn**
TOTAL ASSETS

▲ **26%**

KES **2bn**
INTEREST INCOME

▲ **30%**

KES **943mn**
OPERATING PROFIT

2022 marked the full opening up of Uganda's economy since the lockdown due to the Covid-19 pandemic. While the economy registered an annual GDP growth of 4.6% in 2022 up from 3.5% in the previous year, this expansion remained below the pre-pandemic levels. The GDP growth was driven by improved momentum in the service sector, real estate activities, education, manufacturing, agriculture and mining.We defined ourselves to be a financial institution that inspires greatness to its customers with the integrated business model centered on the corporate customer ecosystem by providing solutions along the value chain. In addition, we embarked on a people development journey to attract strong capable and retain talent.

OUR PERFORMANCE

Mokash

The digital bank contributed 86% of the total bank profit before tax with the total gross loans and advances at KES 8.0bn and retained deposits at KES 694mn in 2022. The performance of Mokash showed the importance of our mobile loans and savings product and its positive impact to financial inclusion. We continued to cement our relationship with MTN Uganda through regular engagements and provided financing solutions to the super dealership which increased their capacity to purchase float.

Total Deposits	**KES 694mn**
Total Gross Loans & Advances	**KES 8bn**

In November 2022, the Ministry of Finance, Planning and Economic Development issued a Statutory Instrument requiring Supervised Financial Institutions (SFIs) to;

1. Increase **paid-up cash capital** to not less than UGX 120bn (approximately KES 3.9bn) by 31 December 2022.
2. Maintain a minimum **paid – up cash capital** to not less UGX 150bn approximately (KES 4.9bn) by 30 June 2024.

To ensure that we complied with the above regulatory instruments, an additional UGX 23.24bn (approximately KES 813mn) of capital was injected into the business to improve the core capital to ~ UGX 123bn approximately KES 4bn. We were compliant with paid up cash capital as at 31 December 2022 which enabled us to continue to provide sustainable banking solutions to our customers within the region.

STRATEGY UPDATE

Additionally, we registered successes in the following key areas.

- Net Interest Income grew by 27% to KES 2.0bn in 2022 from KES 1.6bn in 2021 fueled by our continued focus on the Regional Banking initiative which enabled business growth through regional customers by ensuring we provided local seamless solutions.
- Operating profit closed at KES 943mn in 2022 compared to KES 664mn in 2021 representing 42% growth.
- Significant recoveries totaling KES 466mn from the previously written off book through out of court settlements helped us avoid lengthy court processes. This approach continues to recover from the current written off book of approximately KES 2.6bn.
- Total assets grew by 8% from KES 22.7bn in 2021 to KES 24.6bn in 2022. Focus was mainly in the execution of over USD 35mn pipeline in 2022 and growth regional opportunities.
- We consolidated the Mobile banking platforms in December 2022 and launched a new Mobile phone APP that resulted in reactivation of over 150 previously dormant customers in one month.

Branch Relocation:

To ensure that we served our corporate customers, we successfully relocated the down town market street branch to a more spacious and high end location at the Forest Mall, Lugogo which was in line with our revised business model anchored on the corporate customers ecosystem and value chain centered to drive business growth and digital transformation. We will continue to scale up retail banking and selectively expand branch distribution.

We hosted the NCBA Junior Golf series at Serena Kigo Golf course that returned to Uganda after a 2 years absence and saw over 100 young golfers from around the world participate in the tournament. In addition, we sponsored and hosted first ever NCBA Golf series in Uganda which attracted more than 150 golfers and the event also fundraised funds to buy more than 80 mackintosh mattresses and mosquito nets to an orphanage in Kampala.

Looking ahead – Outlook

Looking forward, we have positioned ourselves as a strong regional financial institution distinguished for customer experience to provide solutions that inspires our customers growth as the economy is expected to rebound in 2023 due to the development in oil and gas sector picks up pace, trade & services, real estate and manufacturing.

Claver Serumaga
Chief Executive Officer
NCBA Tanzania

TANZANIA - OVERVIEW

+18K	171	8	8
NUMBER OF CUSTOMERS	NUMBER OF EMPLOYEES	NUMBER OF BRANCHES	ATMs

BUSINESS FINANCIAL HIGHLIGHTS

KES **77mn**
OPERATING PROFIT

▲ **27%**

KES **115mn**
DIGITAL INCOME

▲ **58%**

KES **2.67bn**
DIGITAL DISBURSMENTS

We continued to witness economic recovery due to the dissipating impact of the pandemic despite headwinds from the global economic environment. We also saw negative impact emanating from the shortfall in rainfall which impacted our electricity production and our agricultural produce. Due to this GDP growth closed the year at 4.3% in 2022.

We however remain excited about our prospects in Tanzania as the economy is back on a sustainable path to growth with GDP growth expected to read 5.3% in 2023 and medium-term expectations are expected to reach a GDP of 7%.

OUR PERFORMANCE

	2021	2022	% Change
Total Digital Disbursements (KES. 000)	**1,689,520**	**2,669,869**	**58%**
Digital Income (KES. 000)	**90,858**	**115,26**	**27%**

Digital Disbursements

Staff Rationalization

From our previous reporting we acknowledged areas which were impacting the profitability of our business and embarked on a well-defined turnaround strategy which focused on:

- A need for a refocused business model
- Need for a razor-sharp focus to asset quality and controls in the business
- Right sizing the business with an effective talent pool with Group support
- Ensuring capital is at the right amount and effectively utilised

We successfully completed branch and staff rationalization during the year with minimum disruption. And our diversified business model also bore strong results with our digital business contributing positively to the Bank's performance with total digital disbursements for the year at KES 2.66bn growing by 58% y-o-y and contributing KES 115mn in 2022 to our profitability; a 27% growth.

STRATEGY UPDATE

We believe our strategy is bearing meaningful results with an operating profit of KES 77mn in 2022 in comparison to an operating loss of KES 259mn (TZS 5.24bn) from the prior year. Nonetheless, NCBA Tanzania closed 2022 at a negative after-tax position of Kshs.1.78bn (TZS 35bn) mainly attributed to de-risking of the deteriorated credit facilities and staff rationalization due to business right sizing.

The non-performing loans ratio was at 19% which is above the regulatory threshold but these were deliberate efforts in recognizing areas of risk and we believe our NPL ratio is moving in the right direction. We are also seeing our efforts in managing our written off business bearing fruit as we closed the year with KES 230mn (TZS 4.84bn) of writebacks. Having said that, our business continues to be effectively capitalised with total capitalisation at 20.58% of our risk weighted assets well above the required threshold of 14.5%.

In FY21/22 we invested KES 213.8mn in digital services primarily targeted at addressing platform stability, and regulatory compliance which resulted in a decline in contact centre demand by 47.8% (429 to 224 calls per month) and we grew the customer base by 13.2% (6.08M to 6.87M customers). In FY23 we intend to double down on a number of aggressive market expansion tactical strategies that will include forging new MNO partnerships and launching new product features with existing partners that will see the bank reclaim its market share that we've lost over the years.

Looking ahead – Outlook

We are excited about our turnaround efforts as our business is evolving in the right direction with strong indication of positive profit after tax delivery in 2023.

OUR APPROACH TO ESG

ESG

NCBA's purpose is to inspire greatness. We acknowledge that environmental, social and governance (ESG) issues generate outcomes that influence our business performance. In order to remain successful in the long term, we need to engage in discourse with our stakeholders, and find ways to align our business objectives, our impact on society with the expectations of our shareholders and stakeholders at large.

While we are at the beginning of enhancing our ESG reporting, we affirm our commitment in reporting our sustainability and citizenship efforts transparently and will continue to develop and refine our approach as our reporting matures.

Our core business must address these issues holistically, and our ESG approach must enable the business to address the risks and opportunities presented by the material issues. We intend to further augment our materiality assessment process with interviews of key stakeholders including the Board, Senior Management and our customers to arrive at a more holistic view.

About this Report

This report illustrates how we bring our mission to life through our business; it covers

- Our material ESG issues
- Our philanthropic corporate citizenship activities for calendar year 2022.
- For the first time, content specifically aligned to the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

Our 2022 Annual Integrated Reporting and this accompanying Index have been prepared with reference to the Global Reporting Initiative (GRI) Standards – GRI 1: Foundation 2021, GRI 2: General Disclosures 2021 and GRI 3: Material Topics 2021.

We are aware of the increasing importance of providing our investors and other stakeholders with relevant and meaningful sustainability information. While we are at the beginning of enhancing our ESG reporting, we affirm our commitment in reporting our sustainability and citizenship efforts transparently and will continue to develop and refine our approach as our reporting matures.

Our Material ESG Issues

Our ESG efforts and priorities across the company are informed by the wider societal context around us. We have embarked on the journey towards applying a comprehensive materiality assessment process to identify our most relevant (or "material") topics from an ESG perspective. These topics, which we refer to as "material issues" throughout this report, help us understand the issues that matter most to our stakeholders, enable us to better address their concerns, and, in the end, better manage our business.

As a starting point we considered the following factors when weighing issues in terms of their impact on our business:

- Guidance from the Nairobi Securities Exchange on mandatory and recommended disclosures for Banks
- A review of material ESG issues used by rating and ranking agencies such as Sustainalytics
- The impact the issues have on NCBA's business and citizenship performance

Our preliminary research illuminated a total of 19 impact topics that we further grouped into five impact clusters:

- Minimise our direct impact on the climate
- Accelerate our customers transition to a low carbon operating model
- Mitigate the impact of climate related risks to our long-term performance
- Enhance the impact of our community engagement model
- Optimise our corporate governance

ESG

Our Approach to ESG: From Material Themes to ESG Strategy

MATERIAL THEMES

ENVIRONMENTAL

- Climate Change
- Energy Use
- Supply Chain Screening
- Electronic Waste Management

SOCIAL

- Enviromental Management
- Community Engagement
- Innovation & Technology
- Training & Education

GOVERNANCE

- Inclusion & Diversity
- Human Rights
- Cyber Security
- Data Privacy
- Labour & Working Conditions
- Health & Safety
- Consumer Protection
- Ethics & Compliance
- Corporate Governance
- Anti-Corruption

PRIORITIES AREAS OF FOCUS

- Minimise Our Direct Impact On the Climate
- Ignite Our Customer Transition to a Low Carbon Operating Model
- Mitigate the impact of Climate Related Risk to Our Long Term Performance
- Enhance the Impact of Our Community Engagement Model
- Optimise our Corporate Governance

A key insight underscored by this process is the interconnectedness among material issues, such as climate change, community engagement and our energy use (see graphic below). Our core business must address these issues holistically, and our ESG approach must enable the business to address the risks and opportunities presented by the material issues. It is clear from the TCFD guidance that the process of defining our material themes is not a static one-off process but rather an iterative process that should be refined periodically to ensure that we are continuously aligning our priorities to our material issues.

NCBA'S MATERIAL ISSUES

Consumer Protection	Diversity	Community Engagement	Climate Change	Corporate Governance
Health & Safety	Energy use	Sustainable Business	Innovation & Technology	Labour & Working Conditions
Electronic Waste Management	Anti Corruption	Enviromental Management	Cyber Security	Data Privacy
	Supply Chain Screening	Training & Education	Ethic & Compliance	

ESG STRATEGIC PILLAR	MATERIAL TOPICS	HOW DOES IT IMPACT NCBA BANK?
Minimise our direct impact on the climate	▶ Climate Change	▶ Climate change has adverse impacts on our planet, and as such on our operations. We have a responsibility towards abating the climate crisis and supporting the resiliency of our communities. We have conducted a double materiality exercise to understand the financial risks associated with climate change in the short, medium and long-term.
Ignite our customers transition to a low carbon operating model	▶ Energy Use	▶ Assessing the energy performance and reducing carbon footprint presents opportunities from a cost point of view (as a carbon price is implemented – cost of energy will rise), reputational point of view and contribution to lowering global greenhouse gas emissions (GHG).
Mitigate the impact of climate related risks to our long term performance	▶ Supply Chain Screening	▶ Enhancing our supplier screening can help eliminate bad actors from supply chains to protect us from reputation damage and disruptions).
	▶ Electronic Waste Management	▶ Impacts our business on multiple levels – from data security, to regulatory compliance (Sustainable Waste Management Act etc.), corporate reputation and potential generation of job opportunities.
Enhance the impact of our community engagement model	▶ Community Engagement	▶ Creating meaningful value for the communities that we operate in is core to our mandate. We recognise a responsibility to improve their well-being, and positively support capacity and development in addressing pertinent challenges. We will prioritise science-led interventions in our approaches, to ensure long term value and real change.

ESG STRATEGIC PILLAR	MATERIAL TOPICS	HOW DOES IT IMPACT NCBA BANK?
Minimise our Direct impact on the Climate	▶ Environmental Management	▶ Environmental management not only benefits the environment, it can also be good for our business through: cost savings – by spending less on raw materials, energy, water and waste management. It also has significant impacts on our business reputation – people are more likely to support a business that cares about its impact on the environment.
	▶ Training & Education	▶ Training and development programs can provide a host of benefits. They enhance employee performance, boost employee productivity, reduce employee turnover, and improve company culture.
	▶ Innovation & Technology	▶ Innovation gives rise to increased efficiency in our business, increasing our supply potential and productive capacity.
Optimise our corporate governance	▶ Human Rights ▶ Labour & Working Conditions ▶ Health & Safety Consumer Protection	▶ The UN Guiding Principles on Business and Human Rights or UNGPs, expect companies to take active steps to identify and understand human rights impacts that they may be involved in through their own activities and through their business relationships.
	▶ Ethics & Compliance	▶ Business ethics enhances the law by outlining acceptable behaviors beyond government control. We establish business ethics to promote integrity among our employees and gain trust from key stakeholders, such as investors and consumers.

ESG STRATEGIC PILLAR	MATERIAL TOPICS	HOW DOES IT IMPACT NCBA BANK?
	▶ Cyber Security	▶ A successful cyber attack can cause major damage to our business. It can affect our bottom line, as well as our business' standing and consumer trust. The impact of a security breach can be broadly divided into three categories: financial, reputational and legal.
	▶ Data Privacy	▶ Data is a valuable asset that generates, acquires, saves, and exchanges any company. Protecting it from internal or external corruption and illegal access protects a company from financial loss, reputational harm, consumer trust degradation, and brand erosion.
	▶ Diversity	▶ Research shows that more diverse management teams have 19% higher revenues due to innovation. Diversity is a potent tool for the growth of our business, as there is a synergy of experts with different views and ideas. Diversity and inclusivity lead to a supportive work environment that gives an ambiance of accommodating varying perspectives on any issue.

OUR 2022 CLIMATE-RELATED DISCLOSURES

Introduction

As scientists deliver ever more-serious warnings about climate change, companies are beginning to size up the potential effects not only on their businesses and industries but across the entire global economy. Because banks make loans and grease the wheels of commerce for clients in virtually every industry all over the world, their exposure to climate change is potentially enormous. Africa is arguably the most vulnerable to the impacts of climate change. For this reason, African banks have a mammoth task before them. Climate change and the transition to net-zero emissions will affect our planet, our economy and our financial system. The financial stakes arising from climate change can be high, both from a risk and opportunity perspective. In addition to operational and market risks, climate change can lead to increased credit risks for banks. Mortgage portfolios, for instance, can be impacted by climate-linked physical risks either through persistent, chronic changes in the environment or specific acute perils.

Climate change in Africa has led to an increase in storms, flooding, droughts and ENSO events. Increased expectations of these acute events can subsequently impact property values and defaults, posing a credit risk. In parallel, the need to transition to a low-carbon economy implies that certain wholesale portfolios such as coal mining, power generation, and oil and gas may be exposed to transition risks. The implementation of a carbon tax, for instance, could severely impact the profitability of some of these companies.

For the first time in Kenya the Central Bank of Kenya (CBK) comprehensively assessed the state of climate-related risk management in the banking sector. In its Guide on climate-related risk management published in October 2021, the CBK set out 4 supervisory specific requirements for institutions with a view to integrating climate change risk considerations in Kenya's banking industry.

These include: governance, oversight, strategy and risk management. Following suit, Bank of Tanzania issued the Guidelines on Climate-related Financial Risks Management in 2022 with similar requirements

At a Group level, NCBA appreciates the role that the financial sector will play in addressing the climate crisis. In support of this, we have launched 'Project Klima' – an in-depth research and capacity building exercise to situate our climate risk implementation plan in line with the opportunities arising from a defined strategic response on environment, social and governance (ESG) factors material to our business operations.

Project Klima is based on our recognition that:

a. Compliance to regulatory guidelines including the Central Bank's Guideline on Climate-related Risk Management and Bank of Tanzania's Guideline on Climate-Related Financial Risks Management is key
b. Ultimately climate risk will affect the Bank's long-term growth and operations
c. Strong ESG and climate risk principles matter to our internal and external stakeholders
d. Strong ESG and climate risk considerations ultimately lead to better decision making
e. NCBA wants to capitalise on the numerous opportunities, particularly the opportunity for data-led interventions on climate risk and ESG topics.

The premise of Project Klima is: "going beyond compliance – a comprehensive, long-term approach".

Our Disclosure Framework

NCBA committed to support the Financial Stability Board's Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations in 2022. We have since embarked on a Group-wide endeavour to strategically respond to the risks and opportunities associated with climate change under our research capacity building project – Project Klima. Between 2022 and 2023, we have continued to progress our work and the tables on the following pages summarise the approach to the TCFD recommendations.

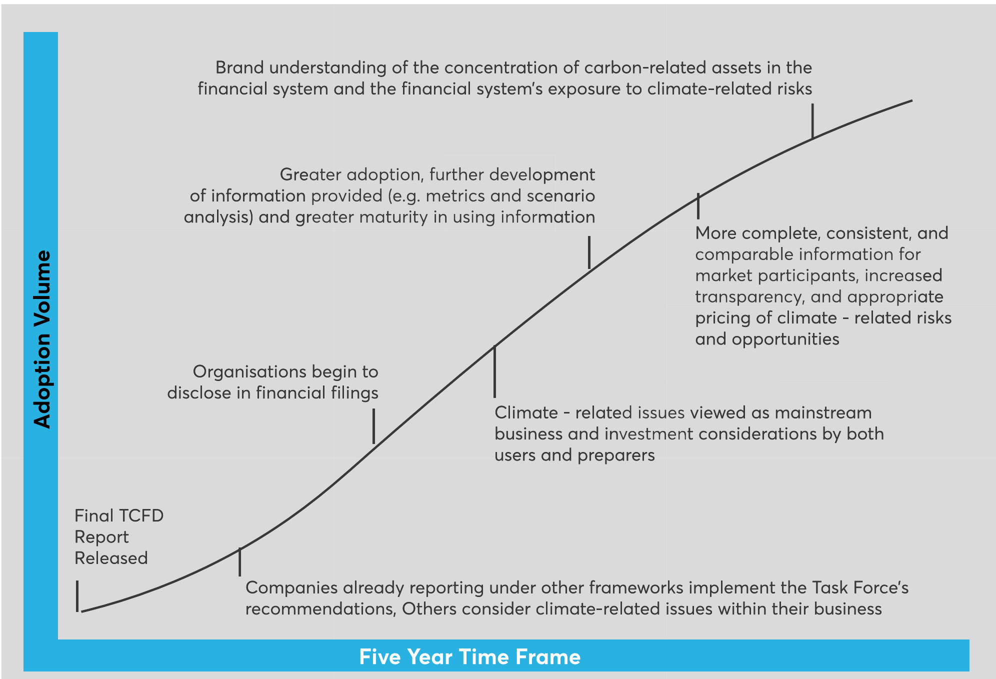
In line with the TCFD recommendations, this report is structured in four sections:

- The Governance section discusses how climate risks and opportunities feature in our governance and management structures.
- The Strategy section focuses on the approach we will take to determine the impact of climate risk and the resilience of our business, strategy and financial planning under different climate scenarios.
- The Risk Management section explores how we identify, manage and integrate climate risks in our existing risk management frameworks.
- The Metrics and Targets section, highlights our process towards determining the impact of our operations and setting the right targets.

GOVERNANCE	STRATEGY	RISK MANAGEMENT	METRICS AND TARGETS
What is the Board's oversight role around climate risks and opportunities?	What climate-related risks and opportunities we identified in the short, medium and long term?	How do we identify and assess climate related risk?	What metrics do we use to assess climate-related risks and opportunities in line with our strategy and risk management processes?
What is Management's role in assessing and managing climate risks and opportunities?	What are the impacts of climate related risks and opportunities on the organisations businesses, strategy and financial planning?	What is our process for managing climate-related risk?	What are our Scope 1, 2 and 3 emissions?
	How resilient is our strategy taking into consideration different climate-related scenarios?	How do we ensure that climate-related risks are integrated into our overall risk management	What targets will we use to manage climate-related risks and opportunities? How will we measure our performance against these targets?

As shown in the graphic to the right, the TFCD does not expect companies to fully implement its recommendations immediately, instead, it expects that companies will evolve in their understanding of potential climate risks and opportunities over time and that climate disclosures will correspondingly adapt over time.

The TCFD's Suggested Implementation Path



Source: TCFD

I. Governance

Under the oversight of our boards and the leadership of our senior management, we are committed to fostering an effective and efficient risk and control environment. Sustainability-related matters, including climate, form an important component of our business strategy.

Board Oversight

The NCBA Group's Board of Directors (Board) sets the tone at the top, providing active and independent oversight of management and of the development and execution of our overall climate-related strategy. The perspectives, experiences and expertise of our Directors help inform and guide how we deliver long-term, sustainable value for our shareholders.

Management Oversight

The NCBA Group Managing Director is ultimately responsible for identifying and managing the financial risk associated with climate change. The NCBA Group Executive Committee ("EXCOM") is the senior management body for the firm that is accountable for business strategy oversight and implementation including sustainability related matters.

NCBA ESG Steering Committee, is a management-level committee composed of senior leaders across business and support functions responsible for overseeing the Company's strategy and management of ESG activities and practices. The ESG steering Committee is accountable to the Group Managing Director and coordinates and integrates a number of capabilities we are working to build across the enterprise to drive definition of our ESG strategy and specifically the execution of climate-related priorities.

As we embark on execution of the Group-wide endeavour to strategically respond to the risks and opportunities associated with climate change, we are investing in a significant capacity building exercise to support the Board and Management in addressing and overseeing climate-related risks within NCBA's overall business strategy and risk appetite.

Climate-related Disclosures Overview

NCBA committed to support the Financial Stability Board's Task Force on Climate-Related Financial Disclosures recommendations in 2022. We have since embarked on a Group-wide endeavour to strategically respond to the risks and opportunities associated with climate change under our research & capacity building project. Between 2022 and 2023, we have continued to progress our work and the tables on the page summarise the the approach to the TCFD recommendations.

II. Strategy

As part of Project Klima we are defining our climate-related strategy around the following key components:

1. Mitigate the Impact of Climate Related Risks to Our Long Term Performance
2. Minimize Our Direct Impact On the Climate
3. Ignite Our Customers' Transition to a Low Carbon Operating Model
4. Enhance the Impact of Our Citizenship/ Community Engagement Model

Mitigate the Impact of Climate Related Risks to Our Long Term Performance

We have classified climate-related risk broadly into three categories: 1) Physical risks – risks related to the physical impact of climate change. These include acute risks from natural disasters such as floods and wildfires, and chronic risks, which are related to long-term shifts in the climate, such as changes in rainfall patterns, prolonged droughts or flooding, rising sea levels or a rising heat index 2) Transition risks - risks related to the transition to a lower carbon economy. In addition to possible changes in climate policy and financial regulation, potential transition risks may include economic and other changes engendered by the development of low-carbon technological advances, such as electric vehicles and renewable energy, and/or changes in consumer preferences towards low-carbon goods and services 3) Liability risks – the risks associated with emerging legal cases around financing non-renewable energy sources as well as potential liability around emissions footprint.

We are embarking on a process to:

1. Assess our vulnerability in terms of our exposure, sensitivity and resilience
2. Determine the relative significance of classified climate risks through scenario modelling which entails
    i. Determine appropriate methodologies
    ii. Bottom-up analysis of climate related risks for a selected portion of our portfolio
    iii. Determine the impact to our principal organisational risks and the potential impact to our future earnings
3. Assess - focus on strategic and financial implications of climate risk to NCBA
4. Define our mitigating action plan

Minimize Our Direct Impact On the Climate

As a large company, we understand the impact our business has on the environment and the potential we have to help influence and drive positive change. Our scale lets us take measurable action to reduce our impacts by operating with greater efficiency, implementing and supporting the development of new technologies and influencing our clients and supply chain. Our employees also play a key role in reducing our environmental impact.

Under this pillar we are defining the key actions needed to Green our operation and put in place deliberate efforts to limit the emissions associated with a range of different activities, including, but not limited to, the facilities we own and operate, purchase of goods and services from our suppliers, as well as our employees' travel and commute.

Accelerate Our Customers' Transition to a Low Carbon Operating Model

To achieve our climate objectives, we will also need to inspire the actions of our customers and support them in transitioning effectively. We are defining the building blocks required to take a leading position in engaging with our customers in areas where they need assistance, while providing us an opportunity to increase market share and grow responsibly.

Under this pillar, we will:

- Define our Green blueprintt which will outline a comprehensive suite of financial solutions that include lending, capital raising, advisory and investment services, for our customers.
- Seek to partner with Development Financial Institutions to mobilize the right level of capital that is required to effectively support the transition to a low-carbon economy.
- Invest in the necessary capacity building to educate and prepare our Relationship managers to support our customers in navigating the change

Enhance the Impact of Our Citizenship/ Community Engagement Model

As we mature our materiality assessment process, we will also seek to enhance the impact of our community engagement model to align our work with the thematic areas that are of greatest concern and interest for our shareholders. Further, we are seeking to enhance how we measure and communicate the impact of the initiatives that we support in a more meaningful way.

III. Risk Management

At NCBA, a culture of managing risk well is fundamental to our values and our purpose, Our enterprise Risk Framework sets forth roles and responsibilities for the management of risk; provides a blueprint for how the Board, through delegation of authority to committees and management, establishes our risk appetite and associated limits; and describes the key types of risk we face: credit, market, liquidity, compliance, operational, strategic and reputational risk.

As climate risk spans all key risk types, we are enhancing the processes to embed climate risk considerations into our Risk Framework and risk management programs established for each of our risk types. We therefore seek to balance those threats with the benefits of aligning activities and operations to stated climate ambitions and strategic objectives.

The table below highlights how climate-related risks could impact the Company across each risk type.

Risk Type	Risk Type Definition	Physical Risk	Transitional Risk
Credit	Risk of loss arising from the inability or failure of a borrower or counterparty to meet its obligations	Impacts on repayment capacity (both primary and secondary)	Financial impacts to client revenue, income, cash flow
Market	Risk that changes in market conditions adversely impact the value of assets or liabilities or otherwise negatively impact earnings	Impacts to assets valuations or secondary exposure to insurers caused by physical climate events	Impacts to market prices due to climate-related policy, legal, technology or market changes
Liquidity	The inability to meet expected or unexpected cash flow and collateral needs while continuing to support our businesses and customers under a range of economic conditions	A run on deposit balances,unexpected increases in unfunded commitments and decrease in access to funding providers due to physical events.	Impact of clients needing more liquidity to fund capital expenditures and other investments in response to climate-related regulatory changes or changes in marketing appetite.
Compliance	Risk of legal or regulatory sanctions, material financial loss or damage to the reputation of the Company arising from the failure of the Company to comply with the requiirements of applicable laws, rules and regulations or our internal policies and procudures	Workplace disruptions from physical climate events impact our ability to comply with internal policies and procedures	Emerging requirements for classification and disclosure vary widely across jurisdictions
Operational	Risk of loss resulting from inadequate or failed internal processes or systems, people or externa events.	Workplace disruptions from physical climate events impact our ability to deliver services and or execute important controls	Changes required to comply with emerging rehulatory requirements impact internal or third party processes
Strategic	Risk to current or projected financial condition arising from incorrect assumptions about external or internal factors, inappropriate business plans, ineffective business strategy execution or failure to respond in a timely manner to changes in the regulatory, macroeconomic or competitive environments in the geographic locationss in which we operate	Impact of iincorrect assumptions, inadequate planning or poor strategy execution regarding risk of physical climate events and trends	Impact of inability to quickly adapt and execute a strategy to address changing regulatory requiremnts, client demands, or competitive environment as it relates to the transition to a lower-carbon economy
Reputational	The risk that negative perception of the Company may adversely impact profitability or operations	Impact of perceived inadequate management of physical climate events on our operations	Impact of negative perceptions reagrding financing of high-emitting sectors or ability to achieve cimate commitments

IV. Metrics & Targets

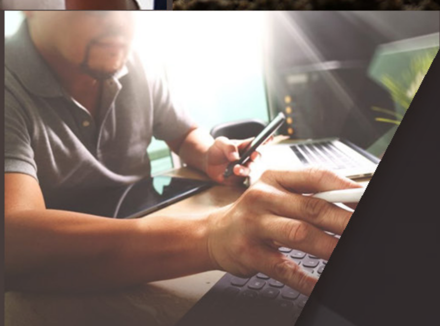
In 2023, we will conduct a group-wide carbon audit across our internal operations, which will inform our targets for 2023 and beyond. These targets will be anchored on our strategy to

- Mitigate the Impact of Climate Related Risks to Our Long Term Performance
- Minimize Our Direct Impact On the Climate
- Accelerate Our Customers' Transition to a Low Carbon Operating Mode
- nhance the impact of our citizenship/ community engagement model

NCBA has always been committed to aligning its activities to a fundamental understanding that we have a responsibility to our shareholders, employees, customers and communities. As the bank that embarked 5 years ago on a significant "Change the Story" tree planting program that has since inception inspired the planting of over 7million trees, we recognize that climate change could pose a significant risk to our communities and are amplifying our efforts in addressing this challenge. We also note that climate change also affords great opportunity to the businesses that are able to harness the need for transformative change. Working together with governments and our customers, we intend to use our considerable market influence to motivate the necessary action.

Looking forward, we will continue to refine our methodology to better assess and understand the impact of climate change to our business. We will disclose this information through our annual report and future standalone sustainability repots.

CITIZENSHIP



GOLF
SPONSORSHIP

Inspiring Greatness through the **Citizenship** pillar of marketing involved encouraging our internal and external stakeholders to take an active role in **creating positive social** and **environmental** change.

OUR PARTNERS

CITIZENSHIP

In 2022, our dedication to shaping a brighter future was reflected in sustainable development investment that drove transformative change in the community.

We activated the four key Citizenship pillars together with continued Partnerships as follows:

1. Youth Education and Enterprise Pillar
2. Financial Innovation Pillar
3. Environment and Natural Resources Pillar
4. Preventative Health and Wellness Pillar
5. Golf Sponsorship

YOUTH EDUCATION AND ENTERPRISE PILLAR

We achieved a remarkable 99% secondary school completion rate for our education sponsorship beneficiaries, with 1300 students participating in mentorship sessions on financial literacy, career readiness, and life skills.

The bank marked a milestone of 10 years of partnership with SOS Children's Villages Kenya - House 10 Kisumu, where it sponsors 9 students - 7 at the tertiary level, including the Dental School at University of Nairobi, and 2 in high school. Through this partnership, NCBA ensured that these students have access to comprehensive support, including education, health care, advocacy, youth empowerment, family care and strengthening programs.

Actively championing diversity and inclusive education was achieved through partnership with the Dr. Choksey Albinism Foundation, to sponsor students living with albinism, who face stigma and discrimination in African societies. We also offered internships and employment opportunities within the bank to sponsored students, allowing them to acquire valuable skills and better prepare for the job market.

The creative industries were a thriving and dynamic sector of the global economy, offering new prospects for growth in developing countries. We joined forces with the Art of Music Foundation to provide education for 9 tertiary students. Additionally, we made a pledge to feature Ghetto Classics in various upcoming events, with all proceeds collected going towards supporting their education program. This provided a means of income for music teachers and other students through events performances. Our support for the Kenya Museum Society (KMS) Affordable Art Show attracted 2000 attendees and resulted in the sale of 224 pieces of art and art classes for both children and adults.

Pictorial 1 Disbursed Kes. 11.2 million to six foundations to provide opportunities for 109 bright talented students. – Cheque Handover Event
Pictorial 2 Mentorship session by NCBA staff
Pictorial 3 Ghetto Classics performance during NCBA customer events – Chairmans/Johari
Pictorial 4 SOS 10 year anniversary

FINANCIAL INNOVATION PILLAR

In partnership with Junior Achievement Kenya, we have invested Kes. 21 million since 2016 to run the Social Innovation Relay (SIR) program. The SIR program a nationwide competition that invites students to present their innovative ideas for improving their communities, is one of the initiatives under this partnership.

The SIR program has reached over 13,000 students across 115 secondary schools and 15 universities to date.

In 2022, the SIR theme "Reimagining the SDGs" encouraged students to propose solutions to challenges addressed by the United Nations' Sustainable Development Goals (SDGs). Over 1300 students submitted innovative ideas, encompassing a wide range of initiatives, from agri-business ventures such as pedal mechatronic milking machines, honey collection, coconut oil harvesting and fish farming, to digital/online enterprises aimed at reducing poverty through job creation and sustainable development.

The Aquatech Company, a team of 6 students from Limuru Girls High School, was crowned winner of the 2022 Social Innovation Relay (SIR) competition held at the University of Nairobi.

The innovative "Fishpond" solution has the goal of combating world hunger by providing a consistent supply of fish. Their success at the competition earned them the opportunity to represent Kenya in the JA Africa event in Lagos, Nigeria in December 2022, where they were honored with the Nascon Entrepreneurial Excellence Award.

1

2

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4

Pictorial 1 Project Yoof by NOVA Pioneer Tatu Girls - Winners for JA Africa 2021 competitions that were held on 26th February 2022. **Project Yoof where people can discuss and find solutions to mental health issues. www.projectyoof.com
Pictorial 2 Aquatech Company by Limuru Girls High School -Winners for JA Kenya SIR competition
Pictorial 3 Students from Limuru girls showcasing their proto-type
Pictorial 3 Mentorship session by NCBA staff

ENVIRONMENT AND NATURAL RESOURCES PILLAR

Climate resilience and the ability of people to live through the climate crisis are at the heart of our sustainability agenda.

We aim to promote Environmental sustainability and ecological balance through focus on natural resource conservation and management, renewable energy and energy efficiency projects, afforestation and plantation programs and awareness programs.

As part of our commitment to preserving the environment for future generations, we planted 20,800 trees in 2022 through multiple initiatives:

- Planted of 2,800 Mangrove Trees at Gazi Mangrove Boardwalk Diani
- Planted of Fruit and Indigenous trees at Mekaela Academies in Diani
- Donated seedlings during the Kiambu, Naivasha, Ngong, Utawala Branch Launches
- Donated seedlings at ELDOWAS (Eldoret Water and Sanitation Company Limited) tree planting event at Kaptagat Forest
- Planted trees during the SOS Children Villages Founders Day at their Buruburu Village
- Planted trees during the NCBA Golf Series activations at the Great Rift Valley Golf Club, Nyali and Kiambu Golf Club Nites
- 15,000 trees planted in partnership with Kenya Horticultural Society in Naivasha
- 1,000 Mangrove trees planted at Kwetu Training Centre Mombasa

To address the pressing issue of tree seedling deficit in Kenya, we invested Kes. 23 million on our sustainability initiative "Change the Story" to establish a 1 million indigenous seedling nursery in partnership with Kenya Forest Service at Karura Forest and four tree nurseries in Kieni with World Wide Fund. With the sowing of 300,000 seedlings of 19 indigenous and fruit species, this program not only supported nearly 20 households, but also provided training to 300 farmers on environmental conservation. As a result, we helped to reverse the negative impacts of deforestation in the country, including soil degradation, decreased water quality and loss of biodiversity.

As part of our commitment to environmental sustainability, we participated in the 2022 KUSI Ideas Festival in partnership with Nation Media Group, with the theme "Climate Change: Exploring African Response and Solutions" following the COP27 event. The festival aimed to establish a vibrant Pan-African exchange of ideas and support the continent's efforts to become a leading player globally in various fields, including sustainability and partnerships.

Our support for the Rhino Charge Challenge helped the Rhino Ark Foundation in their efforts to build anti-poaching patrols, educate local communities and provide much-needed support.

Pictorial 1:	GMD planting trees in Diani with the students and NCBA Staff
Pictorial 2:	Tree donation at Nyali Golf
Pictorial 3:	GMD, John Gachora as a panelist & keynote speaker during the KUSI Ideas Festival Gala Dinner
Pictorial 4:	SOS Founders Day - Tree planting

PREVENTATIVE HEALTH AND WELLNESS PILLAR

Preventative health and wellness programs have the power to inspire greatness in individuals and communities. By promoting healthy habits and providing access to resources and education, these programs help individuals take control of their health and well-being, leading to improved physical, mental, and emotional health.

During Breast Cancer Awareness Month, our organization demonstrated this commitment by offering free screenings and educational resources to staff. The 185 staff members who participated in the screenings and the 1,130 who attended the educational webinar are now more informed about the importance of early detection and regular check-ups. We continued to invest in our partnership with Faraja Cancer Trust and participated in their annual White Water Rafting Challenge where we raised awareness about cancer and advocated for greater access to treatment. Through this partnership, close to 100 patients continued to access treatments annually.

By supporting the Matter Heart Run, we created a powerful opportunity to improve heart health in Kenya. Our participation allowed us to educate and raise awareness about the risks associated with cardiovascular disease, promote physical activity and heart-healthy habits, and raise funds for important research and programs. This event brought the community together and fostered a sense of community spirit, making a positive impact on people's lives and supported ongoing efforts to improve heart health.

We marked International Albinism Awareness Day and International Day of Persons with Disabilities to show our commitment to diversity and inclusion. We made a donation towards Dr. Choksey to help over 50 people with albinism (PWAs) access spectacles and sunscreen and brought the enchantment of Christmas to the PWA's end-of-year party through the Dr. Choksey Albinism Foundation.

We additionally actively participated in community initiatives aimed at promoting sustainability;

- Aligned with other banks in response to Kenya Banker's Association's appeal, and donated Kes 10 million to support the government's call for private sector aid in addressing the drought crisis.
- Participated in The Nairobi Innovation Week (NIW) 2022, held from April 26th to 28th, a landmark event that showcased both local and international innovations, and aimed to bolster the innovation and entrepreneurship ecosystem. Guided by the Big Four Agenda - Manufacturing, Food Security, Affordable Housing, Affordable Health, Energy, ICT, Environment and Cross-cutting issues - the event drew over 50 exhibitors and 1500 guests. We leveraged the opportunity to enhance our brand visibility by prominently featuring in all NIW marketing materials.
- WOMESA Region marked its 10th Annual Conference and the inaugural International Day for Women in Maritime in Kisumu with the theme, "Women in Maritime: Opportunities and Milestones Achieved". Through our participation, we received recognition in conference publications, a 5-minute speaking slot at the gala dinner, increased brand visibility and staff attendance.
- We supported the Public Service Club Centennial Celebrations on March 25th, a sponsorship opportunity that effectively elevated and strengthened the brand's image.
- The Kiambu Innovation & Entrepreneurship Week was held from March 23rd to 25th. Throughout the three-day event, various activations took place, including a panel discussion on "Building Resilience in the New Normal" featuring John Okulo, Group Director of Corporate Banking, as one of the panelists.



Pictorial 1: White water rafting by Faraja Cancer Trust
Pictorial 2: Cheque donation towards Matter Heart Run
Pictorial 3: Dr. Choksey Albinism Foundation End of year party

GOLF SPONSORSHIP

NCBA Golf sponsorship continued to unite golfers and drive community engagement in 2022. Through the NCBA Golf Series asset, the sponsorship seamlessly blended the thrill of sport on various courses, brought families together and reaffirmed NCBA`s heartfelt dedication to investing in the future of communities. With over 3,000, golfers enthusiastically participating, the series stood as a testament to our unwavering commitment in fostering golf development within the East Africa region.

- Launched in 2021, the NCBA Golf Series continued to increase brand awareness, appreciate customers, and attract potential new clients. It aimed to enhance NCBA's visibility by aligning with the "Numbers That Matter" brand campaign and promoting products and services. The series in the 2022 edition hosted over 3,800 golfers and many club members who participated in the tournaments were already NCBA customers, highlighting the series' ability to connect with existing clients.
- NCBA collaborated with key partners throughout the series to enhance its impact. These partners included the Kenya Golf Union, the Kenya Ladies Golf Union, the Junior Golf Foundation, Golf 4 Kids Limited,the U.S. Kids Golf Foundation, Kenya Airways, EABL,Coca-Cola, Jubilee Insurance, Property Finance Partner – Tilisi, and various Asset Finance partners such as Inchcape Kenya Limited, CFAO, Isuzu, and TATA International. Additionally, various golf clubs across the country collaborated with NCBA. In Uganda, the bank partnered with the Uganda Golf Union, Lake Victoria Serena Golf Resort and Spa, Pepsi, CFAO Motors, Uganda Breweries Limited (UBL) and Case Med Care.
- The NCBA Golf Series proved to be fruitful, generating significant business leads and attaining business.
- The 2022 edition saw remarkable results with business leads worth over KES 1 billion, closed business deals of over KES 250 million in deposits and KES 64 million in loans. On visibility, the 2022 edition achieved 250 stories with a publicity value of over KES 142 million.
- As part of our social responsibility and in alignment with NCBA's Change the Story Initiative, the NCBA Golf Series actively contributed to improving the environment by collaborating with various golf clubs to donate and plant over 1,000 indigenous tree seedlings across Kenya. By actively participating in environmental conservation efforts, the NCBA Golf Series demonstrated NCBA's commitment to being a responsible corporate citizen.

1


2


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Pictorial 1: L –R: Kenya Golf Union Chairman Mr. Peter Kiguru, Junior Golf – Nathan Mwangi, GMD – John Gachora and Junior Golfer Cherono Kipkorir during the launch of the NCBA Golf Series – 2022 Edition

Pictorial 2: NCBA Golf Series in Uganda

Pictorial 3: NCBA Grand Finale Golf Winners

HUMAN RESOURCES AND CULTURE

In 2022, our business continued on its growth path to deliver value to shareholders and customers. We remained true to our focus to develop staff through our unique Employee Value Proposition of Doing Greatness Every Day.

This success was only possible because of the commitment, skills and capabilities of our people serving our clients with greatness every day. We augmented the delivery focus by ensuring tighter linkages between staff performance goals and the institutional goals.

THE NCBA CULTURE JOURNEY

In 2022 the culture journey continued with steady steps in building NCBA cross functional cohesion and collaboration. In 2021 we managed to achieve strong bond and affiliation within our respective departments and branches which was a great step post the merger. We recognized that in order to streamline our service delivery we needed to now focus on cross functional or interdepartmental interaction.

We executed this by forming staff groups that we named 'Houses'. Each House is named after a wild animal of Africa in honor of our heritage and comprises of about 200 staff drawn from across different functions and geographies of the bank. Each house is headed by a Group Director, who primarily acts as a sponsor and champion of the matters arising from house engagements.

Throughout the year each member of the house was called upon to lend their unique expertise and talent in the various strategic, competitive and fun activities undertaken by the house. The houses engaged in strategic and business growth activities.

The highlight of the 2022 House activities was the Inaugural House team buildings that brought together all members to a single in person edu-tainment session. The House Concept will continue to be the vehicle we use to ensure cross functional integration and seamless delivery at every stage of our processes.

TEAM BUILDING

Giraffe House Members on Strategic execution challenge

Crocodile House members ready to Go For It

Lion House Members Bonding

Employee Experience and wellness is also a key pillar of the HR strategy. We ensured staff were empowered through webinars touching on topics ranging from financial wellbeing to mental and physical wellness. We also facilitated annual medical check-ups and sports activities for all staff to ensure a healthy and fit population.

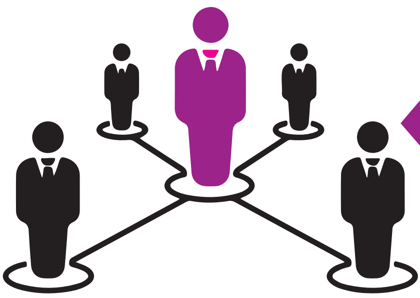
NCBA Ladies Basketball team at Interbanks competition

NCBA Dolphins swimming team at Interbank competition

LEARNING AND DEVELOPMENT

In driving a learning culture through **NCBA academy utilization**, we achieved a total of 110,365 learning hours across the group against a total of 35,328 in 2021 representing a growth of **300%**. Notably, staff embraced e-learning as a mode of learning - a key milestone in how we delivered our learning – in the wake of the post Covid19- business realities.

Our Learning remained **anchored on our 4 2022 Strategic Priorities** - Customer Experience, Robust Controls, Growth and Regional Business Development.



Leadership Development remained a key focus in building a high-performance culture. We launched our NCBA Senior Leadership Development Programme for our top 100 leaders across the group. The programme was anchored on our Talent Management with Succession Planning, Identification and development of high potential. Additionally, through our leadership development framework, we trained a total of 460 leaders in targeted leadership development interventions aimed at equipping them to lead their teams for success.

The **Customer Experience the NCBA Way** training was launched on September 2022 ,27 for all 3000 NCBA Group staff including outsourced staff. The training was a continuation of our focus on equipping staff to **KNOW, BACK and WOW our customers** as we delivered a distinguished brand known for customer experience.

The NCBA Doing Greatness Academy Curriculums remained targeted on **entrenching a High-Performance Employee Culture.** We revamped the curriculums in digital skills, Business Development, Credit Skills, Insurance, Branch performance and other areas to deliver bespoke curriculums that addressed our current business challenges and equipped our teams for success

We had a variety of programmes for **upgrading employee skills and transition assistance** and this included training on; Personal Financial Management, Personal Wealth and Estate Planning, Management of Lifestyle Diseases, Business Courses among others.

Our Talent management framework embeded both career development and performance management for all staff as part of our mid-year staff performance review. In addition, the 360 - degree feedback review and coaching sessions remained an avenue for the development of all staff in line with our high-performance culture.

As part of continuous Occupational **Health and Safety capability development,** we had 590 champions drawn from across all departments and branches who went through Fire Safety Training and First Aid Training. Additionally, all staff went through our Security and Anti-terrorism awareness e-learning training module with the sessions all aimed at enhancing Staff health and safety.

We are proud of all our Go Getters and how they continue to contribute to the sustained success of the bank and NCBA is committed to creating a positive and productive environment in which our people thrive and are enabled to perform their best and are healthy, resilient and happy at work.

The NCBA people and culture strategy is designed along 4 pillars that enable our people practices:

Building Capacity

Performance Management

Competitive Rewards & Recognition

Employee Experience & Wellbeing

We believe that these pillars will enable our ambition to be an employer of choice with a high-performance Culture that attracts and retains the very best of talent.

We are proud of the investments that we made in our staff in 2022 and these investments have yielded dividends as is evidenced by the group's performance in the same period.

Key Numbers

Total staff as at December 2022

3,022

Gender Diversity: Ratio of Men to Women

49:51

Staff promoted

409

Employees that won Go Star awards

454

Staff retention

90%.

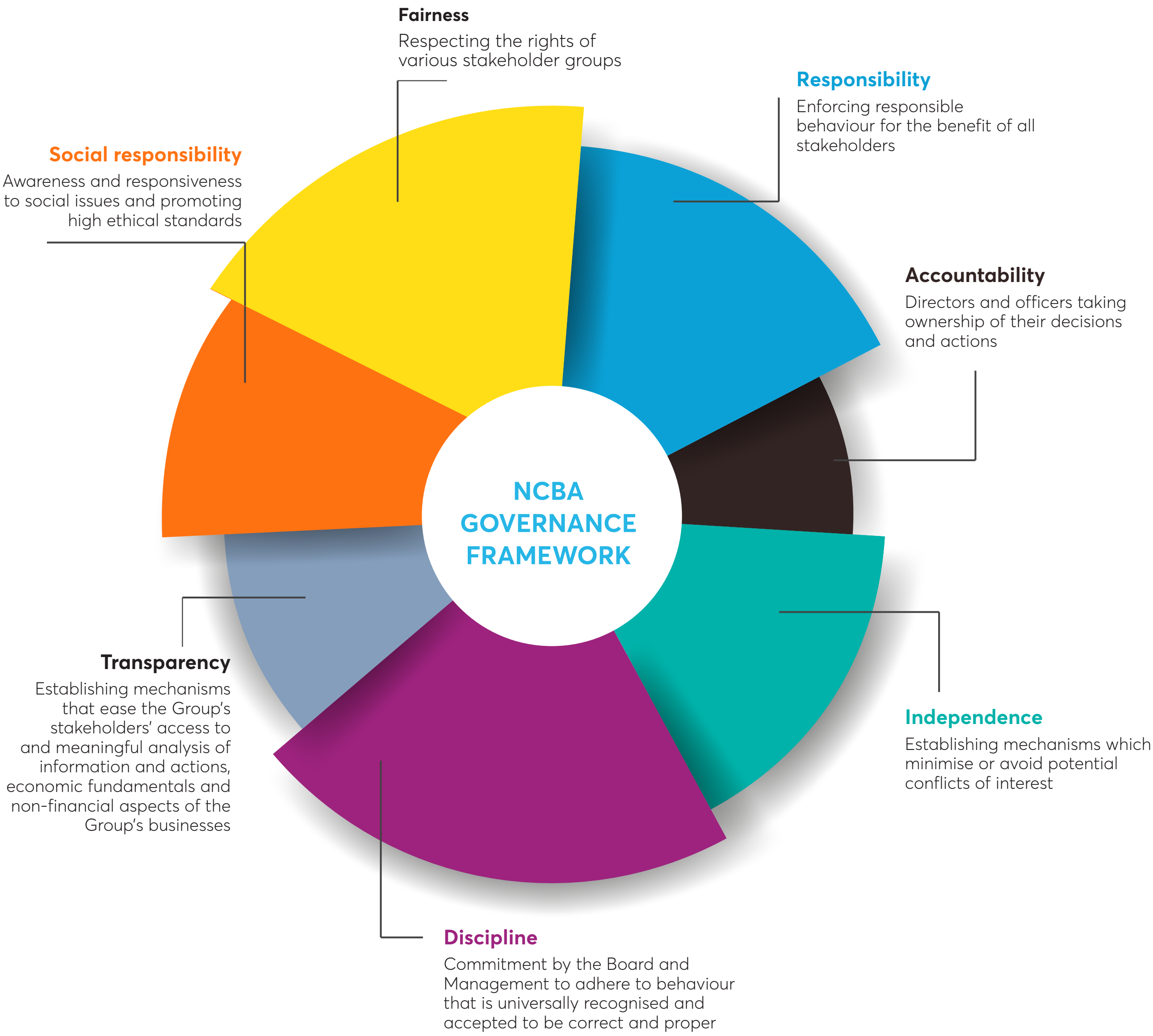
WHO WE ARE
OUR BUSINESS
ESG
INDEPENDENT AUDITOR
FINANCIAL STATEMENTS & NOTES

GOVERNANCE

GOVERNANCE FRAMEWORK

NCBA Group PLC and all its direct and indirect subsidiaries (the Group) is committed to championing and practicing good corporate governance as a key factor in ensuring the sustainability of the Group's business operations and accountability to our stakeholders. This commitment is underpinned by the Group's disclosures within this report that aim to demonstrate how the Group has integrated its governance principles and practices to performance and desired results across the Group's business and other activities, which include our interactions with key stakeholders and matters of interest to them.

The Group's 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 operational practices. The Group recognizes the importance of and strives to consistently uphold excellent governance standards for the prudent management of its suite of businesses so as to deliver sustainable stakeholder value. We achieve 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



GOVERNANCE GUIDELINES

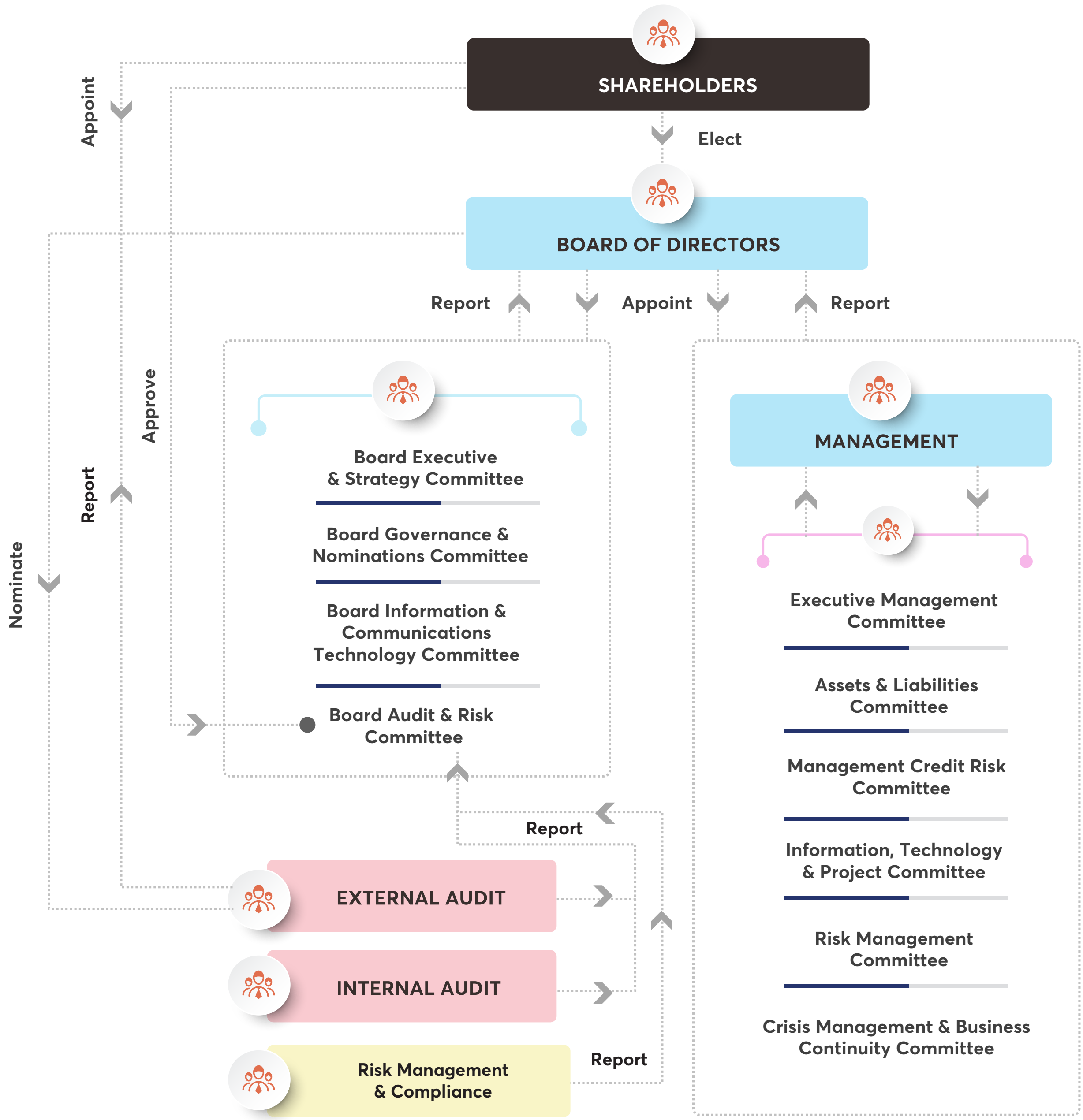
The Board of Directors of NCBA Group PLC has established robust governance structures modelled around the following guidelines:

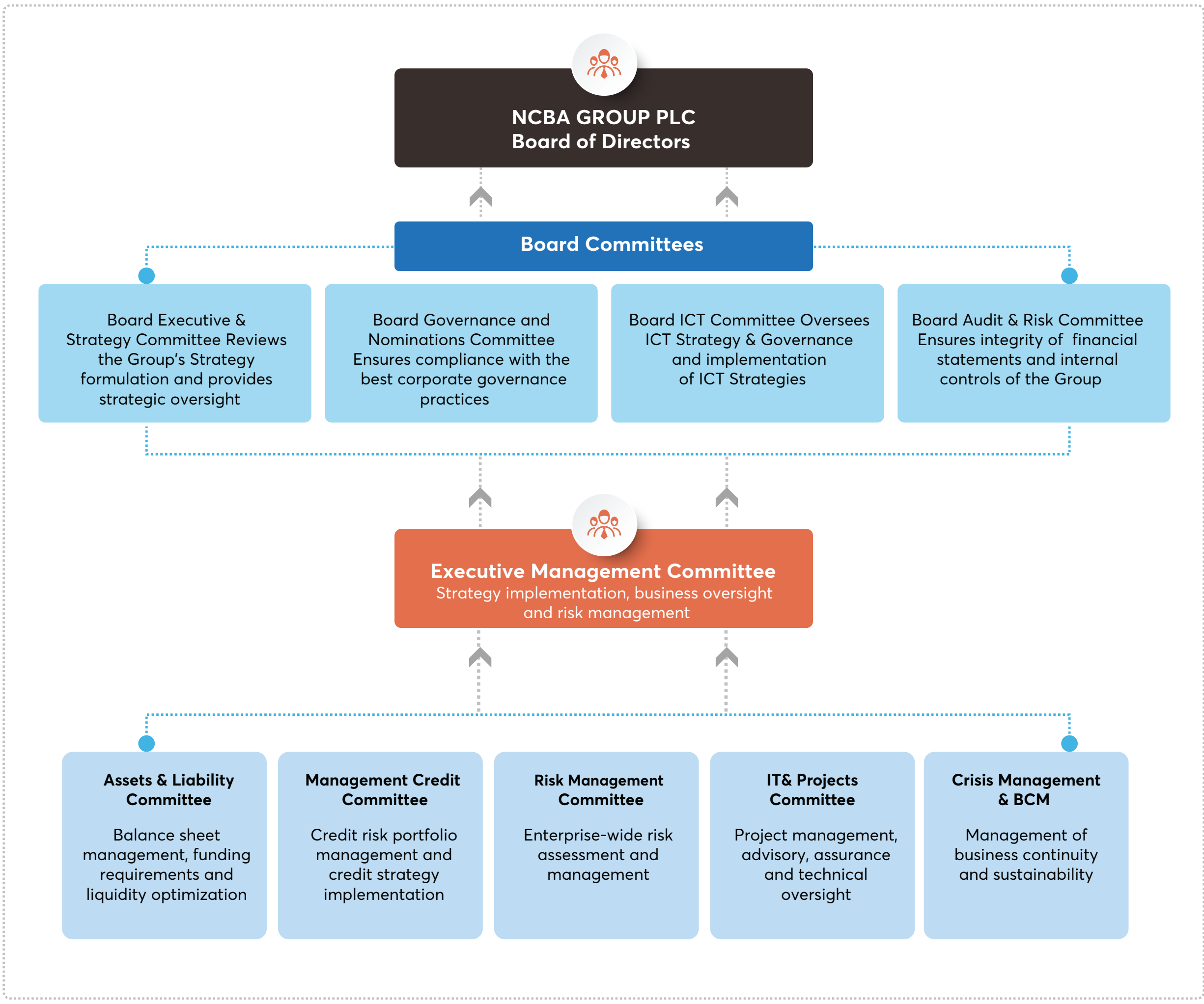
- Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public, (the Code)
- Central Bank of Kenya Prudential Guidelines on Corporate Governance, (the Prudential Guidelines)
- King IV Report on Corporate Governance, The UK Corporate Governance Code, 2018 and the G20/OECD Principles on Corporate Governance among other best practices

Additionally, the Group applies the following approaches to ensure the entrenchment of good corporate governance practices:

Approach	Detail
Compliance	Adherence to the provisions of the Constitution of Kenya, applicable laws and regulations, relevant national and international standards and internal policies.
Structure and Accountability	Frequent review of Board and Management composition, independence, competencies, diversity and complementarity, effectiveness, collaboration and appropriate segregation of duty and delegation of authority.
Disclosures	Timely, transparent and relevant communication to provide stakeholders with a clear understanding of our businesses.
Audit and Controls	Ensuring independence, application of internationally recognised auditing and accounting principles, supporting well-scoped internal and external audits, rotation of external auditors, appropriate composition of the audit committee and maintenance of robust internal controls.
Outlook	Alignment of roles, deliverables and remuneration with the long-term interests of shareholders.
Sustainability	Optimizing shareholder returns through frequent and forward looking strategy reviews and adopting the most appropriate and viable plans to promote the long-term prosperity and sustainability of the Group's businesses.
Culture	Upholding the highest levels of integrity in the Group's culture and practices through the implementation of a well-defined Code of Conduct and Ethics.

The Board and the Governance Structure




NCBA GROUP PLC
Board of Directors
Board Committees
Board Executive & Strategy Committee Reviews the Group's Strategy formulation and provides strategic oversight
Board Governance and Nominations Committee Ensures compliance with the best corporate governance practices
Board ICT Committee Oversees ICT Strategy & Governance and implementation of ICT Strategies
Board Audit & Risk Committee Ensures integrity of financial statements and internal controls of the Group
Executive Management Committee
Strategy implementation, business oversight and risk management
Assets & Liability Committee
Balance sheet management, funding requirements and liquidity optimization
Management Credit Committee
Credit risk portfolio management and credit strategy implementation
Risk Management Committee
Enterprise-wide risk assessment and management
IT& Projects Committee
Project management, advisory, assurance and technical oversight
Crisis Management & BCM
Management of business continuity and sustainability

WHAT DOES OUR BOARD DO?

The Board is responsible for the long-term success of the Group.
It achieves this objective through:

- Setting the Group's core values and strategy
- Overseeing implementation by Management of the strategic objectives.
- Providing leadership and direction and bearing responsibility for the governance and financial performance of the Group.
- Establishing a strong risk management and internal control framework that allows for risks to be assessed and managed effectively, including implementation of the risk strategy, corporate governance structures and practices and corporate values.

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. The Board 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.

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.

To allow for fruitful discussions and to enable appropriate, swift and prudent decision-making the size of the Board is guided by:

- the Company's Articles of Association
- the nature of the businesses overseen,
- the current scale and geographic footprint of the NCBA Group and related inherent risks.

The Group Board in the year 2022 comprised eleven (11) Directors - the Chairman (Non-Executive), Group Managing Director (Executive), one (1) other Executive Director and eight (8) other Non-Executive Directors, five (5) of whom are Independent Non-Executive Directors. This meets the requirements of the Code and CBK Prudential Guidelines to have at least one-third of the directors being independent non-executive directors.

BOARD KEY RESPONSIBILITIES

- Defining and reviewing the Group strategy, mission, vision, purpose, core values, business goals and objectives;
- Monitoring Management's implementation of Board approved plans and strategies;
- Identifying, monitoring and guiding on non-financial aspects relevant to the business;
- Defining the levels of materiality, reserving specific powers to the Board and delegating other matters;
- Reviewing the strategic direction and business plans of the Group;
- Reviewing processes for the identification and management of business risks and compliance with regulatory and legal requirements
- Providing oversight of performance against targets and objectives; and
- Retaining full and effective control over the Group's operational activities and internal controls;
- Ensuring a comprehensive system for Director independence;
- Ensuring ethical behaviour and compliance with the Constitution of Kenya, relevant laws, regulations and policies;
- Maintaining awareness of, and commiting to, the underlying principles of good governance;
- Approving specific financial and non-financial objectives and Management policies;
- Reviewing succession planning for the Board and Management team;
- Ensuring that the Group companies operate sustainably, including on environmental, social and governance aspects.

BOARD COMMITTEES:

The Board, having considered the size and nature of the Group's operations, established Board Committees to support it in carrying out its duties and responsibilities and in guiding Management on key strategic outcomes. The Committees, whose mandate and authority has been entrenched in the Board Charter, have been established with specific terms of reference which are periodically 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 forms a principal point of contact between the Directors and Senior Management and the Board is regularly updated on the Committees' activities through their respective Chairmen who present reports on the matters discussed and resolutions passed at Board Committee meetings.

The Composition and key activities of the Board Committees are outlined on pages 93 to 95 of this report.

Independent Directors

- Determined based on the requirements outlined in the Code and the CBK Prudential Guidelines on Corporate Governance.
- Assessed annually by the Board
- Reviewed periodically by the independent Governance Auditor

Board Structure

- Independent of Management
- 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.
- 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.
- Assessed annually during the Board evaluation process to ascertain the Board's level of independence in execution of duty.

Board Appointments

- 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 prospective candidates to serve as Directors on the Board.

Key highlights of the Directors' service appear on pages 12 to 13 of this Integrated Report, while their abridged biographies are accessible through https://ncbagroup.com/board/

Roles of the Group Chairman, Group Managing Director and Group Company Secretary

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 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). The key aspects of their roles entail:

Group Chairman

- 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

Group Managing Director

- 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

- 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.

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	Representation
Governance	Facilitating an environment that allows for cohesivness, prudent decision making, accountability, control and driving culture	8/11
Strategy and Planning	Developing and directing the implementation of the Group strategy	11/11
Financial Services	Understanding the workings of the industry and formulating suitable strategies for sustainability	11/11
Legal	Enabling suitable interpretation of the laws and regulations, and providing advisory services to the Board in ensuring compliance thereof	1/11
Public Sector Experience	Facilitating a fit for purpose risk management framework that is protective of the Group's interests and long term objectives	6/11
Risk Management	Understanding of government policy making processes to position the Group towards aligning with the national growth agenda	10/11
Information Technology	Development of a suitable Group ICT strategy in a pervasive digital service delivery and data intensive environment	2/11
Commerce	Understanding diverse business models and nuances of financial and other disclosures	9/11
International Business	Appreciating diversity in business practices and utilizing cross-border synergies for the enhancement of service delivery and performance	11/11
Real Estate	Understanding the Real Estate market and opportunities available	5/11
Manufacturing	Evaluation of the business opportunities, especially in relation to national policy on industrialization, and thus better support to our customers	8/11
Supply chain logistics	Understanding the value chain and how the Group can offer support in making it more efficient	5/11
Environment and Sustainability	Developing the Group's environmental and sustainability agenda for the long term benefit of its stakeholders, including consistent shareholder returns	9/11
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	7/11
Finance/ Accounting	Enables robust capital management and ensures transperency and accountability in finace reporting	6/11

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.

Board Instruments

As the 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 efficiently and effectively. The instruments direct 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 and include but are not limited to the below detailed items: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 efficiently and effectively. The instruments direct 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 and include but are not limited to the below detailed items:

Board Charter

Provides guidance to the Board in the discharge of its duties in overseeing the affairs of the company and covers areas relating to:

- Governance structure;
- Powers, Role, Responsibilities and Practices
- Code of Conduct and Ethics
- Conflict of Interest management and Independence;
- Board processes; and
- Board effectiveness.

The Board Charter has been published on the Group's website (www.ncbagroup.com).

Board Code of Conduct

The Code of Conduct and Ethics, which has been published on the Group's website, 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 on acceptable behavior and ethical standards.

Additionally, during the course of the year, the Board established a Conduct Risk Policy that sets the framework for formulating an Ethics Risk Profile reflective of the Group's ethical threats and opportunities in the conduct of the Group's business activities. The outcome of the implementation of the new policy will be disclosed during the next reporting cycle

Board Induction, Training and Professional Development

On appointment, each Director takes part in an induction programme, which involves meeting the Chairman and members of Senior Management and receiving information about the role of the Board and Board Committees. In the year 2022, there were no new Directors appointed to the Board.

In 2022, the Directors were kept up to date with key developments through in person training sessions facilitated by external experts. Highlights of the Board training include:

The Africa Fintech story

- Trends in fintech development globally;
- Key areas of fintech disruption;
- Kenya's fintech landscape and opportunities;
- Integration opportunities; and
- Rethinking operating models.

MSME Sector and Economic Outlook

- Economic disruptions;
- MSME outlook and characteristics;
- Access to credit and financial gap;
- Banking sector innovation models;
- Introduction to Kenya Small Business Development Centers.

The in person training programs constituted approximately 6 hours of professional development for the Board. Directors also undertook their own self development programs, including professional development requirements for membership in professional bodies such as in accounting, audit, law and insurance, as well as informal exchange of information related to their work on the Board. This latter aspect was however not quantified and Management is putting in place measures to collate the information, quantify the effort and make appropriate disclosures in future reports

Board Policies

The Board has established a Corporate Governance Framework comprising a number of policy and procedure documents to guide the Directors and Management on the implementation of their roles and responsibilities and the effective running of the Group's businesses. Some of the principal policies and a brief summary of their objectives are outlined here below:

Policy	Key Provisions
Code of Conduct and Ethics	The Code of Conduct and Ethics, which has been published on the Group's website (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.
Board Remuneration, Attraction and Retention Policy	The Policy sets guidelines and criteria for the Board's compensation, attraction and retention of Directors. The Director's remuneration policy and report, including details of their compensation appears on page 109 to 114 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.
Conflicts of Interest Policy	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 they have a 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 and disclosures are also a standing agenda item at each Board and Committee meeting.
Environmental, Social and Governance Policies	The policies establish a commitment to undertake business activities in a manner that is considerate to the environment and communities surrounding the Group's and its customers operations through: • 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.
Procurement and Vendor Management Policy	The Policy subscribes to principles of openness, integrity and fairness in implementing the Group's procurement practices for the long term benefit of the Group.
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. During the year 2022, there were no determined instances of insider trading by the Directors, Management and Staff of the Group.
Whistle Blowing Policy	The Group's Whistle Blowing Policy 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 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 whistleblowing procedures have been published on the Group's website (ke.ncbagroup.com) for ease of access and reference by the Group's stakeholders.

Policy	Key Provisions
ICT Policies	The Policies on ICT as established by the Board set the framework for: • prudent procurement practices in relation to ICT systems; • the creation of an enabling environment for relevant infrastructure implementation and future development needs; • Data Protection and management and ICT Security and Cyber Security Monitoring; • ICT literacy and professional skills development for all staff; and • development of fit for purpose ICT systems and applications in support of the innovation and digital approach for the Group.
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. Directors submit declarations of interests which include 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 the Board or acquire a significant interest in a business competing with the Group, or 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 extent of such conflict and, where applicable, or 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 2022, business transactions with all parties, including the Directors or their related parties were carried out at arm's length. Business transactions with the Directors or their related parties are disclosed on page 201 to 203 note 43 of this report.

BOARD MEETINGS AND ACTIVITIES

The Board and Board Committees meet regularly to discuss the Group's strategy, financial performance, internal control systems, risk management practices and corporate actions.
At each meeting, the Board:

- receives reports from Management on market developments, changes in the regulatory framework, performance and results of the Group;
- is updated on strategic and development 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.

Highlights of the Board's key activities in 2022

During the course of the year 2022, the Board focused on the following key objectives:

OBJECTIVE	KEY CONSIDERATIONS
Strategy Development and Capital Planning	• Establishing the Group's strategic objectives for the year, business plans and budgets and advising on implementation thereof. • Reviewing, advising on and approving significant matters with a bearing on the Group's (including subsidiary companies') capital position. • Reviewing comprehensive market updates and recommending actions for implementation against the strategic plans. • Considering subsidiary companies' ownership structures to optimize focus. • Considering and recommending for shareholder approval the dividend payout.
Group Performance	• Monitoring and reviewing updates of the entire Group's performance against the set business targets and strategies and providing guidance on improvements thereof. • Considering and approving the financial reports and accounting policies in use. • Monitoring and reviewing performance vis-à-vis that of the economy. • Considering and approving strategies to maintain liquidity and conserve capital.
Internal Controls and Compliance	• Reviewing, recommending and approving the policies and systems for internal control. • Reviewing and approving the 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. • Establishing relevant policies to prudently manage the Group's business activities.
Governance and Ethics	• Reviewing the Board's composition, Charter and Committee 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. • 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.
Customer Centricity	• Monitoring customer feedback to identify key touch points for improvement of products and services to suit customer needs. • Reviewing policies to ensure that the Group's practices are aligned with customer expectations. • Establishing a customer experience framework that recognizes customer needs and aspirations in keeping with the Group's vision and values.

OBJECTIVE	KEY CONSIDERATIONS
Social Responsibility	• Ensuring that the Group upheld its ethical practices in the provision of products and services and in other engagements with stakeholders. • Ensuring that the Group's strategic plans were focused on business sustainability for the long-term benefit of shareholders. • Supporting social development through financing environmental and social initiatives, including educational scholarships, reforestation and wildlife conservancy
External Factors	• Effect of changes in interest and exchange rates to the Group's asset and investment portfolios. • Impact of the ongoing conflict between Russia and Ukraine on Kenya's business environment. • Changes in Government policy and the opportunities and threats arising thereof vis-à-vis the Group's business. • Impact of inflation and the resultant monetary and fiscal policy actions on the economy. • Effect of the extended drought on economic activity and especially on the agricultural sector that is Kenya's biggest economic sector.

Board Committees

In 2022, the Group Board had the following committees mainly comprised of Non-Executive Directors:

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

BOARD EXECUTIVE & STRATEGY COMMITTEE

Financial

Intellectual

Manufactured

Social & Relationship

Key purpose and responsibilities

- Strategy formulation and general operations oversight;
- Approval of significant capital projects, periodic strategic plans, and key policy guidelines;
- Entrepreneurial leadership within a framework of prudent and effective controls;
- Monitoring Group performance against strategic plans and objectives; and
- Reviewing and monitoring the Group's capital position, approving proposals for investments and allocating capital and other resources as required.

Highlights of key activities in 2022

The Committee received, reviewed, monitored, considered, approved, guided Management and made recommendations to the Board on:

- Business performance reviews;
- Branch expansion strategy;
- Dividend considerations;
- Subsidiary companies' strategy review and capital considerations;
- Human Resources and Culture Department requests on staff related matters.

I Awuondo (Chairman)

Other Members

- S Armitage (Non Exec)
- A S M Ndegwa (Non Exec)
- J Gachora (Exec)

Attendance

100%

BOARD GOVERNANCE AND NOMINATIONS COMMITTEE

Financial

Intellectual

Manufactured

Social & Relationship

Key purpose and responsibilities

- Monitoring adherence by the Board and Management on good corporate governance practices as enshrined in the Group's constitutive documents and policies and applicable regulatory requirements;
- Reviewing the Board's composition to ensure availability of the required skills, expertise and experience to grow and sustain the business and uphold the principles and practices of good Corporate Governance, including the status of independent non-executive directors;
- Oversight of the Board's annual performance evaluation and assessment of the extent of conflict of interest (if any) posed by Directors' other interests or duties;
- Ensuring seamless transition in the event of changes to the Board's membership;
- Ensuring shareholder, and where applicable regulatory, approval for appointments to the Board;
- Induction program for new members and continuous professional development programs for the Board; and
- Oversight of the assessment of corporate governance practices by auditors and regulators and implementation of enhancements thereof.

Highlights of key activities in 2022

The Committee received, reviewed, monitored, considered, approved, guided Management and made recommendations to the Board on:

- Review of proposed directors for service on the Group's subsidiaries' boards;
- Review of governance policies for recommendation to the Board.
- Monitoring the status of compliance with the regulatory corporate governance requirements;
- Monitoring the implementation of recommended enhancements to the Group's corporate governance practices and the Group's application of the principles thereof based on the findings and recommendations made from the Governance Audit and Legal and Compliance Audit;
- Review of and recommendations on the Board composition of the Group's subsidiaries;
- Monitoring the implementation of the Board training programme;
- Assessment of the independence of Directors and status of independent non-executive directors;
- Review and approval of the Board Work Plans and Corporate Governance policies.
- Review of the Group's inaugural plan for an enhanced ESG programs.

D A. Oyatsi (Chairman)

Other Members

- Philip R. Lopokoiyit (Non Exec)
- Esther Ngaine (Non Exec)

Attendance

100%

BOARD AUDIT AND RISK COMMITTEE

Financial

Intellectual

Social & Relationship

Key purpose and responsibilities

- Review of the accounting policies, financial reporting and regulatory compliance practices;
- Evaluation of the effectiveness of internal control systems;
- Appointment, supervision and performance appraisal of the independent external and internal auditors;
- Review and approval of the scope and plans for the external and internal audit activities and the budget for the Internal Audit review activities;
- Monitoring implementation of corrective action plans for internal controls as identified by the Committee, from audit reviews and/or regulatory inspections; and
- Setting and monitoring adherence to risk parameters and tolerance limits through establishment of appropriate strategy, policies and programs.

To maintain independence, objectivity and professionalism of the external auditor, the audit firms is rotated every six to nine years while the audit partner is rotated not more than five years after having taken up the assignment. The audit firm is appointed by the
shareholders subject to the approval by the Central Bank of Kenya.

Highlights of key activities in 2022

The Committee received, reviewed, monitored, considered, approved, guided
Management and made recommendations to the Board on:

- Risk based plans, capacity and quality assurance programs;
- Implementation of audit recommendations;
- Group performance and approval of audited and unaudited financial statements;
- Reviewing coordination between the Group's internal audit function and the external auditor
- Internal control structure adequacy, including ICT systems, and review of whistleblowing reports and resultant actions;

MK. R Shah (Chairman)

Other Members

- Hon. Abdirahin H. Abdi (Non Exec)
- Philip R. Lopokoiyit (Non Exec)

Attendance

100%

BOARD ICT COMMITTEE

Financial

Intellectual

Manufactured

Social & Relationship

Key purpose and responsibilities

- Embedding an appropriate ICT governance and risk management framework that suits the business needs;
- Alignment of ICT strategy with the business strategy and significant policies of the Group;
- Reviewing and monitoring the implementation of corrective actions from the periodic internal and external audits on ICT systems and practices; and
- Setting tolerance levels and monitoring the established ICT ethical and integrity standards to entrench a culture that emphasizes prudent ICT risk management.

Highlights of key activities in 2022

The Committee received, reviewed, monitored, considered, approved, guided Management and made recommendations to the Board on:

- IT and Cybersecurity Risks;
- Internal and External Audit issues;
- System reviews;
- Customer survey considerations in system enhancements;
- IT roadmap review for the period 2022-2024; and
- ICT budget considerations

J Somen (Chairman)

Other Members

- I Awuondo (Non Exec)
- J Gachora (Exec)

Attendance

100%

2022 GROUP BOARD COMMITTEES MEMBERSHIP AND ATTENDANCE

Director	Designation		Board	BESC	BARC	BGNC	BICTC	Strategy
J. P. M Ndegwa	Chairman, Board	Membership	√					
		Attendance	5/5			1/1		2/2
D. Oyatsi	Deputy Chairman & Chairman BGNC	Membership	√			√		
		Attendance	5/5			5/5		2/2
J. Gachora	Group Managing Director (ED)	Membership	√	√			√	
		Attendance	5/5	11/11	6/6	4/5	5/5	2/2
I. O. Awuondo	NED & Chairman, BESC	Membership	√	√			√	
		Attendance	5/5	11/11			5/5	2/2
E. N. Ngaine	INED	Membership	√			√		
		Attendance	5/5			5/5		2/2
M. K. R. Shah	INED & Chairman, BARC	Membership	√		√			
		Attendance	5/5		6/6			2/2
J. S. Armitage	NED	Membership	√	√				
		Attendance	5/5	11/11				2/2
A. S. M. Ndegwa	NED	Membership	√	√				
		Attendance	5/5	11/11				2/2
Hon A. H. Abdi	INED	Membership	√		√			
		Attendance	5/5		6/6			1/2
D.Abwoga	ED	Membership	√					
		Attendance	5/5	11/11	6/6	4/5	5/5	2/2
P. R. Lopokoiyit	INED	Membership	√		√	√		
		Attendance	5/5		6/6	5/5		2/2
J. Somen *	Co-opted member & Chairman, BICTC						√	
		Attendance	5/5				5/5	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 Communication Technology Committee		

Notes

*J Somen is a member of the NCBA Bank Kenya PLC Board of Directors and was co-opted to the Group Board ICT Committee.

- Where attendance is reflected yet membership is not marked, such attendance is by invitation.

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 the respective Heads of Departments, with other senior managers being co-opted on a need basis. In 2022, the Management Committees supporting the Group's activities included:

Executive Management Committee	Assets and Liability Committee
Key purpose and responsibilities • Strategy development and implementation and strategic positioning of the business segments in the market; • Oversight of business and operational activities; • Policy and procedure formulation for appropriate internal control; • Monitoring of financial performance against the approved strategy and budgets; • Review of strategic and operational plans for purposes of realizing the strategy; and • Compliance with the regulatory framework and guidelines and adherence to Group policies and procedures.	**Key purpose and responsibilities** • Ensure that funding commitments can be met as and when they fall due through the development and implementation of a liquidity and funding strategy and policy; • Review and management of operational risks pertaining to interest rate, market and exchange rate risks; • Review of the balance sheet and liability mix and recommending changes where applicable; • Ensuring compliance with statutory requirements governing liquidity, cash ratio and foreign exchange exposure; and • Considering the internal capital adequacy management program and investment policy.
Management Credit Committee	**Risk Management Committee**
Key purpose and responsibilities • Review and approval of new credit applications and renewals within delegated limits set by the Board; • Recommending to the Board proposals on the revision of credit limits; • Ensuring compliance with regulatory guidelines and limits; • Monitoring, reviewing and considering issues that may materially impact the quality of credit risk management; and • Recommending to the Board facilities for approval that fall within the limits reserved for Board approval.	**Key purpose and responsibilities** • Reviewing key risk exposures that may affect business operations; • Determining the source and potential impact of risks that the business is exposed to; • Reviewing the adequacy of policies and controls in place to manage the risks and level of adherence to regulatory requirements; • Monitoring business continuity and disaster recovery plans; and • Developing risk mitigation and corrective action plans to manage the key risks to which the business is exposed.
Information Technology and Projects Committee	**Crisis Management and Business Continuity Committee**
Key purpose and responsibilities • Assessing major ICT projects to ensure that they meet the minimum standards for implementation as per the ICT strategic plan; • Monitoring overall ICT Performance and developing measures to enhance optimisation; • Formulating initiatives to achieve the Board approved ICT strategy; and • Undertaking appropriate risk assessments to ensure that the Group's ICT policies and systems serve the long term business needs in enhancing stakeholder value	**Key purpose and responsibilities** • Review and oversight of Business Continuity management and Disaster Recovery planning and implementation of remedial action for gaps identified; • Facilitating employees training and awareness vis-à-vis the business continuity plans; • Resource planning (human and financial) to support business continuity activities; and • Monitoring risks caused by moderate or major disruptions through ensuring establishment of appropriate structures to create resilience

Board Evaluation

The Board conducts an annual evaluation of its members' (including the Group Chairman's and Group Managing Director's) performance, as well as the performance of the Group Company Secretary in order to identify strengths and opportunities for development in their performance of duty and hence enable the establishment of appropriate mechanisms to ensure that the Board remains a high-performing unit. In Quarter 1 2023, the Board undertook this evaluation through peer analysis following from the previous independently supported evaluation process in undertaking the evaluation, the Board focused on three key thematic areas, namely:

a) Board Diversity and Succession Planning;
b) Key Board Functions, Processes and Board Information; and
c) Board Dynamic and Relationships.

The following items were highlighted from the assessment:

1. The size and composition of the Board and Board Committees was considered appropriate with the right mix of knowledge, experience, competencies and disposition.
2. There was a harmonious and productive working relationship between the Board members and between the Board and Management in the delivery of the Group's strategic objectives.
3. Stakeholder interests were appropriately considered prior to the passing of resolutions.
4. Board meetings were conducted in a manner that encouraged candid and diverse opinions, meaningful participation and effective resolution of issues.
5. The Board practiced effective oversight of Management, free from conflict of interest, and engaged in quality discussions that enhanced Management's decision-making.

A number of recommendations were made following the Board Evaluation exercise. The recommendations and actions taken thereof include:

Recommendation

- Considering broadening Board diversity in terms of age and gender.
- Enhancing succession planning for individual Board members.
- Deepening strategic and generative governance oversight beyond fiduciary oversight, including enhancement of discussion papers thereof.
- Enhancement of oversight processes to include communication on material matters arising between scheduled Board meetings.
- Enhancement of performance metrics vis-à-vis the Board work plan and development of insights for future improvement.
- Enhancing the Board culture and dynamic between the Board and senior management.

Action

- The Board annually reviews its composition and considers diversity within its succession planning agenda. This is to be progressively addressed during periodic Board composition reviews.
- A substantive diversity and succession planning policy has been established to support the Board's succession process and diversity considerations.
- Board papers and discussions will be progressively enhanced towards deeper strategic and generative governance outcomes, further to fiduciary oversight.
- Adoption of a process for enhanced communication between Management and the Board on material matters arising in between Board meetings.
- Performance measures have been agreed upon and will be tracked through the Board work plan for generation of insights for improvement and enhancement of the evaluation process.
- The Board will continue enhancing its engagement initiatives with senior management, including through joint strategy sessions and direct engagements to deepen camaraderie as part of culture immersion and team dynamic.

Board Work Plan

The Board Work Plan provides a summarized guide on the activities and initiatives to be covered by the Board during its deliberations. The Board also uses the plan to assess whether the objectives of the Board and Board Committees are being met. During the course of the year, the Board and Board Committees followed their work plans in the execution of their mandate. The highlights of the Board's performance in this regard is contained within this chapter on pages 12 to 13 for the Board and pages 93 to 97 for the Board 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, Management facilitates comprehensive and independent governance audits and legal and compliance audits at least once every two years. The governance audits are undertaken by persons accredited by the Institute of Certified Secretaries of Kenya, while the legal and compliance audits are undertaken by a legal professional in good standing with the Law Society of Kenya. In each year preceding the independent audits, Management undertakes internal reviews to achieve the same purpose and ensure that any departures from the required levels of compliance are identified and corrected in a timely manner.

Governance Audit and Legal & Compliance Audit Update

The Board periodically commissions Governance and Legal and Compliance audits in order to ensure that the Group is well positioned to uphold its Corporate Governance principles and to check on the level of compliance with sound governance and legal and compliance practices.

An independent governance audit was conducted for the period ending December 2022 and the auditor's opinion has been published on page 106 of this report. An independent legal and compliance audit was conducted for the period ending December 2021 and the auditor's opinion published on page 88 of the year 2021 integrated report.

The key highlights of the audits and the remedial actions in this regard are as follows:

Recommendation	Action Taken
• Consistent preparation of Board within the stipulated timeline before Board meetings. • Establishment of an Intellectual Property Policy to support established practices. • Establishment of a compliance register in respect of covenants contained in debt instruments including records of compliance certificates, schedules and opinions of legal counsel prepared by or on behalf of the Bank. • 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. • Establishment of an ESG Sustainability framework with regular reporting and disclosures through the integrated report. • Enhancement of Board gender diversity during Board composition reviews when the opportunity arises. • Disclosure of the Procurement Policy of the Group through the Group website. • Establishment of mechanisms to track achievement of the minimum required regulatory hours for professional development.management	• Administrative processes for preparation and submission of board papers have been enhanced to improve on delivery timelines. • Preparation of an IP Policy is ongoing and expected for completion before the first half of the year. • Preparation of a compliance register to track changes to and compliance with covenants, certifications and opinion references is in progress and due for completion before the first half of the year. • The Board established a Conduct Risk Policy that sets the framework for formulating an Ethics Risk Profile reflective of the Group's ethical threats and opportunities in the conduct of the Group's business activities. This shall be implemented during the course of the year 2023. • An ESG framework is under development with a full scale project having been established to ensure that the Group has in place a fit for purpose framework in line with its strategic objectives. • Gender and age diversity have been identified as areas for consideration and have been mapped for action by the Board when vacancies arise. • Salient features of the Procurement Policy will be outlined through the Group website for ease of stakeholder review and understanding of the Group's approach. • A training plan that takes into consideration not only the regulatory requirements, but also Directors recommendations based on specific needs identified to enhance skills and resultant output has been developed and will be tracked for completion.

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 and publication of annual audited accounts and integrated annual report in line with the regulatory requirements, and holding of the Annual General Meeting. The most recently published financial results are available on the Group's website, https://ncbagroup.com/investorrelations/ detailing all the relevant information relating to the Group companies.

The integrated annual report also provides a rich set of information regarding the Group's activities which are reported through the Group Chairman's and Group Managing Director's reports on the 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 in building prosperity for the Group's stakeholders.

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. 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. Shareholders' questions and responses from the Group are made available on the website for ease of reference.

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. More broadly, the Group actively engages and participates in initiatives with partner institutions such as the Kenya Bankers Association, development finance institutions including the European Investment Bank, International Finance Corporation and French Development Agency in exchanging thoughts and committing to initiatives aimed at enhancing sustainable business practices. Periodically, the Group hosts an economic forum that brings together thought leadership on key matters affecting the economy and its implication for business resilience and growth.

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 is to be recognized that such systems can only provide reasonable, but not absolute, assurance against material misstatement.

The Board has reviewed the Group's internal control policies and procedures and is satisfied 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. The policies are integrated in the overall management reporting structure.

The Group's performance trend is reported regularly to the Board 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 Committee and provides independent confirmation that the Group's business standards, policies and procedures are being complied with. Where found necessary, corrective action is recommended.

The Group also has an Enterprise Risk Management and Compliance Department that reports directly to the Board Risk Management 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 emerging risks. The primary Management governance structure is Management Committees, which oversee the implementation of the Board approved policies and which assist the Board and its Committees to implement, monitor, track and report on various Board mandated initiatives

ENTREPRISE WIDE RISK MANAGEMENT FRAMEWORK

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 institutionalized 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 or conflict of interest issues.
6. Sufficient economic capital buffers are maintained to take on and absorb key risk 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.

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 roles and 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 proactively 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 maximizing 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 continuous and regular manner.
- Recognize the need for, and align, the holistic Group- wide strategic assessment with the 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

Internal Audit

The Group's Internal Audit Department provides independent, objective assurance and consulting services designed to add value to the Group and supports the Board through its Audit and Risk Committee (which the function reports to directly) and Management in carrying out their responsibilities in regard to maintaining an adequate risk management and internal control system.

Its objectives, scope of authority and responsibilities are defined in the Board approved Internal Audit Charter and include the following key accountabilities:

- 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 compliance with laws and regulations and adherence to established policies;
- Providing consulting and advisory services related to governance, risk management and control as appropriate for the Group; and
- Reviewing whether management is taking appropriate steps to address control deficiencies.

The Department has adopted a risk-based approach in its auditing activities, thus providing a systematic method for identifying, prioritising and scheduling audits while at the same time providing a means by which audit resources can be targeted in areas of high risk within the Group's audit universe. Annual audit coverage addresses the range of risks that the 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 within the 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 Board Audit and Risk Committee 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 Board and Senior Management. Progress of the corrective action plans is monitored and past due action plans are included in quarterly reports to the Senior Management and the Board.

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.

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;
- Improvement of tracking of audit recommendations through automation including through a Board action items tracker; and
- Continuous professional training for Internal Audit staff through conferences, seminars & certification. Training is linked to the development plans prepared for each staff and help 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).

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.

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 2022 was 28,242 (2021 – 28,514)

Principal Shareholders

The top 10 major shareholders, based on the Group's share register as at 31st December 2022 were as follows:

Name	Number of Shares	%
First Chartered Securities Limited	237,901,954	14.44
Enke Investments Limited	217,497,023	13.20
D&M Management Services LLP	188,264,470	11.43
Brookshire Limited	136,661,231	8.29
Westpoint Nominees Limited	126,661,231	7.69
Yana Investments Limited	89,069,204	5.41
Kahuho Holdings Limited	67,602,884	4.10
Rivel Kenya Limited	64,206,673	3.90
Makimwa Consultants Limited	48,587,307	2.95
Livingstone Registrars Limited, Trustees of the CBA ESOP	21,829,633	1.32
Total	**1,198,281,610**	**72.73**

Distribution Schedule

Category	Number of Shareholders	Number of Shares	%
1-500 shares	9,808	1,690,197	0.10
501-5,000 shares	13,644	28,139,316	1.71
5,001-10,000 shares	1,974	13,562,876	0.82
10,001-100,000 shares	2,365	62,928,360	3.82
100,001-1,000,000 shares	382	105,169,149	6.38
1,000,001 and over	69	1,436,029,634	87.16
Total	**28,242**	**1,647,519,532**	**100.00**

Shareholder Profile

Category	Number of Shareholders	Number of Shares	%
Local Individual Investors	26,350	182,837,809	11.10
Local Institutional Investors	1,690	1,458,584,735	88.53
Foreign Individual Investors	192	5,509,582	0.33
Foreign Institutional Investors	10	587,406	0.04
Total	**28,242**	**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 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 2022.

	Name	Number of Shares	%
1.	Andrew S. M. Ndegwa	76,336,855	4.63
2.	James P. M. Ndegwa	75,282,777	4.57
3.	Desterio A. Oyatsi	16,182,500	0.98
4.	John S. Armitage	8,731,852	0.53
5.	John Gachora	2,364,255	0.14
6.	Mukesh K. R. Shah	986,090	0.06
7.	Isaac O. Awuondo	413,766	0.03
8.	Esther N. Ngaine	373,980	0.02
9.	David Abwoga	9,108	0.001

Maonga Ndonye Associates
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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 2022 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.

………………………………………………………..
J L G Maonga, P.108
Maonga Ndonye Associates
Date: 20 April 2023

CORPORATE INFORMATION

DIRECTORS

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

EXECUTIVE / STRATEGY COMMITTEE

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

AUDIT & RISK COMMITTEE

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

GOVERNANCE AND NOMINATIONS COMMITTEE

D A Oyatsi – Chairman
P R Lopokoiyit
E N Ngaine

INFORMATION, COMMUNICATIONS AND TECHNOLOGY (ICT) COMMITTEE

J Somen – Chairman*
I O Awuondo
J Gachora
**J Somen is a non-executive director of NCBA Bank Kenya PLC who was co-opted to the ICT Committee*

COMPANY SECRETARY

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

AUDITOR

Deloitte and Touche LLP
Certified Public Accountants (Kenya)
Deloitte Place Waiyaki Way
P. O. Box 40092 - 00100
Nairobi, Kenya

REGISTERED OFFICE

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

REGISTRARS AND TRANSFERS OFFICE

Custody & Registrars Services Limited
1st Floor, Tower B, IKM Place
5th Ngong Avenue
P. O. Box 8484 – 00100
Nairobi, Kenya

PRINCIPAL CORRESPONDENT BANKS

Name of Bank	Country
Citibank	United Kingdom, United States of America
JP Morgan Chase Bank	United Kingdom, United States of America
Standard Chartered Bank PLC	Hong Kong, United Kingdom, United States of America, Germany
Emirates NBD	United Arab Emirates
ABSA Bank	South Africa
Credit Suisse AG	Switzerland
Bank of China	China
Commerzbank AG	Germany
Oddo-BHF	Germany
Natixis Bank	France
HDFC Bank	India
Bank of Tokyo MUFG	Japan
Bangkok Bank	Thailand

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 December 2022.

INCORPORATION

The Group is domiciled in Kenya and is incorporated as a company limited by shares under the Kenya Companies Act, 2015. The address of registered office is set out in note 1.

DIRECTORATE

The directors who held office during the year and to the date of this report are shown on pages 107.

PRINCIPAL ACTIVITIES

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

RESULTS

	2022 Shs' 000	2021 Shs' 000
Profit before tax	22,491,526	15,034,989
Tax Charge	(8,713,501)	(4,811,346)
Profit for the Year	**13,778,025**	**10,223,643**

BUSINESS REVIEW

Financial Statements

The consolidated financial statements include the results of the entities owned by NCBA Group PLC (the "Company"). NCBA Group PLC and its subsidiaries / affiliates (together, the "Group") operate in Kenya, Tanzania, Uganda, Rwanda, Cote d'Ivoire and Ghana, providing retail, corporate and digital banking, asset finance, securities brokerage, bancassurance, leasing, and investment banking services.

Performance for 2022

In the year 2022, the business showed sustained resilience riding on the economic rebound post the COVID pandemic. There was improved non funded income and net interest income from the growth in customer numbers and transactions during the year.

Profit before income tax increased by Shs 7.5 billion to Shs 22.5 billion from Shs 15.0 billion in 2021. This growth was mainly a result of increase in operating income by 27% (Shs 12.6 billion) principally driven by growth in business.

Operating expenses increased by 19% (Shs 4.0 billion) driven by increase in staff costs, information technology costs as well as premises costs from expansion of our branch network.

Credit impairment was up by 11% (Shs 1.2 billion) mainly for identified non-performing loans.

On the balance sheet front, total assets grew by Shs 28.6 billion representing a 5.0% growth year on year to close at Shs 619.7 billion. Loans and advance to customers grew by Shs 34.6 billion to close at Shs 276.0 billion in 2022. Customer deposits also recorded a year on year growth of Shs 32.8 billion to close at Shs 502.7 billion as at December 2022. The additional liquidity was invested in Government securities which grew year on year by Shs 13 billion.

REPORT OF THE DIRECTORS (CONTINUED)

Proposed Dividend

The Board has resolved to recommend to Shareholders for their approval at the forthcoming Annual General Meeting, scheduled for 31st May 2023, the payment of a final dividend for the year of Shs 2.25 per share which, together with the interim dividend of Shs 2 per share paid on 30th September 2022, brings the total dividend for the year 2022 to Shs 4.25 per share (2021: total dividend of Shs 3.00 per share). The dividend will be payable to Shareholders registered on the Company's register at close of business on 28th April 2023 (closing date for determination of entitlement to dividend) and will be paid on or after 31st May 2023.

Outlook for 2023

Economic growth will remain modest in 2023 owing to heightened headwinds including inflation rates above Central Bank's target, domestic and global interest-rate increases and slower global growth. The World Bank projects that Kenya is set to grow at a rate of 5.0% in 2023 as the country still grapples with high rates of inflation, subdued agricultural performance due to depressed rainfall, increased global risks including increase in food and fuel prices due to supply side shocks elevating the pressure on the economy.

The Board remains optimistic that the NCBA Group will achieve its strategic objectives and goals, including projected organic growth and regional expansion in the coming years supported by its strong asset and capital base, leadership and a robust strategy and operating model.

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

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

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

TERMS OF APPOINTMENT OF AUDITOR

Deloitte & Touche LLP, continues in office in accordance with the Company's Articles of Association and Section 719 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

28 March, 2023
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 2022. 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 2022.

There were no changes to the structure and quantum of the Directors' remuneration in the year ended 31 December 2022.

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
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
A S M Ndegwa	Non-Executive Director
E N Ngaine	Independent Non-Executive Director
M K R Shah	Independent Non-Executive Director

Notes:

- All the Directors of the Company were resident in the Republic of Kenya during the year 2022.
- I O Awuondo is the current Non-Executive Chairman of NCBA Bank Kenya PLC and Executive Chairman of LOOP DFS Limited (formerly Banqtech Limited), a wholly owned financial technology subsidiary of NCBA Group PLC.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Background:

The members of the Board Governance and Nominations Committee for the period 1 January 2022 to 31 December 2022 were:

D A Oyatsi – Chairman

P R Lopokoiyit

Mrs. E N Ngaine

PART 1

Remuneration Policy

The remuneration policy establishes guidelines on the remuneration criteria applicable for services rendered by directors to ensure transparency and equitability in implementation. The policy objective is to provide a framework that enables market competitive remuneration that will attract, retain and engage high calibre directors whilst ensuring that the remuneration structure protects, promotes and supports the Group's immediate and long-term strategy and 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 by the Board and measured quarterly, half yearly and annually in line with the release of business performance reports.

The remuneration of the Executive Directors consists of:

- Salary
- Performance-based remuneration
- Deferred remuneration contingent on performance-based remuneration
- Other Benefits – including company car, housing and utilities, support staff, service subscriptions, medical and life cover, retirement benefits and loan benefits subject to contractual terms 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; and
- Other allowances as may be prescribed by the Board for services rendered as a Director during NCBA Group meetings in regional affiliates.

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

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Share Option Scheme

During the year 2022, the Group did not have an implemented share option scheme for Directors.

Directors' Contracts of Service

The Group Managing Director and the Executive Director have been appointed on open-ended contracts. Their continued service is subject to 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 on the Board's appropriate composition based on professional skills and experience, independence and ethical standards. New appointments by the Board are subject to approval by 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 the other Executive Director 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 is terminated prior to maturity of the notice period, the maximum amount payable will be the salary and applicable benefits payable in lieu of notice.

Non-Executive Directors are 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 2021 was passed through a poll vote by shareholders at the Annual General Meeting held on 5th May 2022.

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 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 2022 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 subsidiary company Boards.

c) In the year ended 31 December 2022, there were no other allowances paid apart from sitting allowances and no expenses incurred by directors whilst carrying out duties in respect of qualifying services.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

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 2022. The aggregate Directors' emoluments are shown on page 113 to 115

Directors Remuneration for the year ended 31 December 2022	Fees[1] Shs 000	Salary Shs 000	Cash incentive remuneration Shs 000	Other Cash Benefit Shs 000	Non-cash benefits Shs 000	Retirement Benefits Shs 000	Total[2] Shs 000
J P M Ndegwa – Group Chairman[3]	3,550	-	-	-	-	-	3,550
D A Oyatsi – Deputy Group Chairman	2,860	-	-	-	-	-	2,860
J Gachora – Group Managing Director	-	89,639	40,000	85	8,145	9,857	147,726
D Abwoga – Executive Director	-	28,548	8,504	335	2,744	3,182	43,313
A H Abdi	13,578	-	-	-	-	-	13,578
J S Armitage	6,780	-	-	-	-	-	6,780
I O Awuondo[4]	-	62,400	20,000	-	28,553	2	110,955
P R Lopokoiyit	10,142	-	-	-	-	-	10,142
A S M Ndegwa	6,780	-	-	-	-	-	6,780
E N Ngaine	11,726	-	-	-	-	-	11,726
M K R Shah	7,080	-	-	-	-	-	7,080
	62,496	**180,587**	**68,504**	**420**	**39,442**	**13,041**	**364,490**

Notes:

1. Where applicable, 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.
2. Directors' total remuneration is consolidated for services rendered as a Director on the NCBA Group PLC Board and related subsidiary company Boards.
3. The total Director's fees for J P M Ndegwa was paid to Asset Managers Limited in respect of Director's services for the year ended 31 December 2022.
4. I O Awuondo earned a salary for services rendered towards the digital banking business of the Group.

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 2021.

Directors Remuneration for the year ended 31 December 2021	Fees[1] Shs 000	Salary Shs 000	Cash incentive remuneration[2] Shs 000	Other Cash benefit[3] Shs 000	Non-cash benefits[3] Shs 000	Retirement benefits Shs 000	Total[4] Shs 000
J P M Ndegwa – Group Chairman[5]	3,700	-	-	-	-	-	3,700
D A Oyatsi – Deputy Group Chairman	2,400	-	-	-	-	-	2,400
J Gachora – Group Managing Director	-	65,012	-	-	6,601	7,090	78,703
D Abwoga – Executive Director	-	25,256	-	240	2,693	2,816	31,005
A H Abdi	11,427	-	-	-	-	-	11,427
J S Armitage	6,280	-	-	-	-	-	6,280
I O Awuondo[6]	-	49,668	-	-	11,258	2	60,928
P R Lopokoiyit	7,190	-	-	-	-	-	7,190
A S M Ndegwa	6,280	-	-	-	-	-	6,280
E N Ngaine	8,856	-	-	-	-	-	8,856
M K R Shah	7,340	-	-	-	-	-	7,340
	53,473	**139,936**	**-**	**240**	**20,552**	**9,908**	**224,109**

Notes:

1. Where applicable, 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.
2. In the year ended 31 December 2021, there was no cash incentive remuneration awarded with respect to the Group's year 2020 performance.
3. Changes have been made to the year 2021 disclosures to reflect additional parameters considered and adopted for this purpose after the previous reporting period. The changes are not material and primarily consist of non-cash benefits provided to the directors during the period under review.
4. Directors' total remuneration is consolidated for services rendered as a Director on the NCBA Group PLC Board and related subsidiary company Boards.
5. The total Director's fees for J P M Ndegwa was paid to Asset Managers Limited in respect of Director's services for the year ended 31 December 2021.
6. I O Awuondo earned a salary for services rendered towards the digital banking business of the Group.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Long Term incentives

There were no long-term incentives granted to NEDs in the year ended 31 December 2022.

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 2022, all the Executive Directors were members of the scheme.

Non-Executive Directors 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 2022. (2021: Nil)

There was no change in the Group's policy on payments to former directors in the year ended 31 December 2022.

On behalf of the Board

D A Oyatsi
Chairman, Governance and Nominations Committee
28 March, 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 28 March, 2023 and signed on its behalf by

J P M NDEGWA
Chairman

J GACHORA
Group Managing Director

Deloitte & Touche LLP
Deloitte Place
Waiyaki Way, Muthangari
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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 123 to 209, which comprise the consolidated statement of financial position at 31 December 2022 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, together with the Company statement of financial position at 31 December 2022, and the 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 2022 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 Kenyan 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 Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the 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.

Key audit matter	How our audit addressed the matter
Estimation of expected credit losses on loans and advances Loans and advances to customers constitute a significant portion of the total assets of NCBA Group Plc. As disclosed in notes 2.7, 3.2, and 5a Management exercise significant judgment when determining both when and how much to record as loan impairment. This is because a number of significant assumptions and inputs go into the determination of expected credit loss (ECL) impairment amounts on loans and advances to customers as required by IFRS 9 Financial Instruments. The key areas where we identified greater levels of management judgment and therefore increased levels of audit focus in the Group's implementation of IFRS 9 include: · The judgments made to determine the categorisation (staging) of individual loans and advances accounts in line with IFRS 9. In particular, the identification of a Significant Increase in Credit Risk ("SICR") and Default require consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used; · Where there is uncertainty in respect of the respective models' ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the timing of model updates, and macroeconomic events, additional provisions are made via management overlays. Significant judgement was made in determining the management overlays; · Identification and measurement of economic scenarios to measure ECLs on a forward-looking basis reflecting a range of future economic conditions; and Modelling for estimation of ECL parameters: · Probabilities of Default (PDs) · Loss Given Default (LGD); and · Exposure at Default (EAD). Because of the significance of these estimates, judgments and the size of loans and advances portfolio, the audit of loan impairment provisions is considered a key audit matter.	Our audit of the impairment of advances included, amongst others, the following audit procedures performed together with the assistance of our internal credit risk specialists: • 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; • Testing the design and implementation of critical controls across all ECL-related processes, particularly the allocation of assets into stages and management overlays; • On a sample of contracts, we assessed the identification of loans and advances that had experienced a significant increase in credit risk or met the Group's default definition criteria for classification purposes. This was completed by reviewing documentation and credit performance to determine whether the staging of such facilities was in accordance with Group policy and IFRS 9 standards; • Assessed the reasonableness of management overlays, taking into account industry and client-specific risk. We recalculated the management overlays and assessed their completeness in light of our understanding of the model and data limitations; • Testing the assumptions, inputs and formulae used in the ECL models with the support of our internal credit risk specialists (including assessing the appropriateness of model design and formulae used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default; • We corroborated the assumptions used for the determination of forward-looking information (FLI) in the models using publicly available information; • Testing the data used in the ECL calculation by reconciling to source systems; and • Assessing the adequacy and appropriateness of disclosures for compliance with the accounting standards. Based on the procedures described above, our audit evidence was consistent with the inputs in the ECL on loans and advances which were found to be within an acceptable range in the context of IFRS 9.

<table>
<tr><th>Key audit matter (continued)</th><th>How our audit addressed the matter</th></tr>
<tr><td>
The Group's IT environment is inherently complex as it supports a broad range of banking products and facilitates the processing of a significant volume of transactions. The IT systems within the Group form a critical component of the Group's financial reporting activities and impact all account balances with a reliance on automated and IT dependent manual controls. Due to the significant reliance on IT systems, effective General IT Controls (GITCs) are critical to allow reliance to be placed on the completeness and accuracy of financial data and the integrity of automated system functionality (e.g. system calculations). We identified the IT systems that impact financial reporting as a key audit matter because of the:

Pervasive reliance on complex technology that is integral to the operation of key business processes and financial reporting;
Reliance on technology which continues to develop in line with the business strategy, such as the increase in the use of automation across the Group and increasing reliance on third parties; and
Importance of the IT controls in maintaining an effective control environment. A key interdependency exists between the ability to rely on IT controls and the ability to rely on financial data, system configured automated controls and system reports.

IT controls, in the context of our audit scope, primarily relate to privileged access at the infrastructure level, user access security at the application level and change control.
</td><td>
Our IT audit scope involved testing the Group's IT controls over information systems deemed relevant to the audit based on the financial data, system configured automated controls and/or key financial reports that reside within it.
We used IT specialists to support our evaluation of the risks associated with IT in the following areas:

General IT Controls, including user access and change management controls; and
Key financial reports and system configured automated controls.

Where deficiencies in the IT control environment were identified, our risk assessment procedures included an assessment of those deficiencies to determine the impact on our audit plan.
Where we were able to identify and test appropriate mitigating controls over affected financial statement line items, our testing approach remained unchanged. We used a non-controls reliance approach in a limited number of areas, and as a result, we conducted additional substantive procedures to increase audit comfort.
</td></tr>
</table>

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

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 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.

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 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 control.

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

- 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.

- 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.

Auditor's responsibilities for the audit of the financial statements

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, related safeguards.

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

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 108 to 109 is consistent with the financial statements.

Directors' remuneration report

In our opinion, the auditable part of the directors' remuneration report on pages 110 to 115 has been properly prepared in accordance with the Kenyan Companies Act, 2015

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA **Charles Munkonge Luo,** Practising certificate **No. 2294**.

Charles Luo

For and on behalf of Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Nairobi
29 March, 2023

STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2022

		GROUP		COMPANY	
	Notes	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Interest income	6	64,112,324	57,302,525	33,214	36,707
Interest expense	7	(21,725,694)	(19,477,455)	-	-
Net Interest Income		**42,386,630**	**37,825,070**	**33,214**	**36,707**
Fees and commission income	9	4,398,231	3,746,811	-	-
Fees and commission expense	9	(464,214)	(408,154)	-	-
Net fees and commission income		**3,934,017**	**3,338,657**	**-**	**-**
Foreign exchange income	10	12,495,587	5,056,517	-	-
Gain on disposal of financial instruments	11	134,295	694,047	-	-
Fair value loss on financial assets	12 (a)	(554,651)	(1,002,185)	-	-
Other income	12 (b)	1,478,288	1,325,188	12,132,054	6,340,793
Non-interest income		**17,487,536**	**9,412,224**	**12,132,054**	**6,340,793**
Operating and other income		**59,874,166**	**47,237,294**	**12,165,268**	**6,377,500**
Operating expenses	13	(25,120,097)	(21,081,076)	(450,934)	(320,843)
Operating profit before impairment losses		**34,754,069**	**26,156,218**	**11,714,334**	**6,056,657**
Impairment losses	**8**	(12,465,743)	(11,210,714)	-	-
Profit before share of associate's profit		**22,288,326**	**14,945,504**	**11,714,334**	**6,056,657**
Share of associates profit	**26**	203,200	89,485	-	-
Profit before income tax		**22,491,526**	**15,034,989**	**11,714,334**	**6,056,657**
Income tax expense	**15**	(8,713,501)	(4,811,346)	(47,744)	(47,812)
Profit for the year		**13,778,025**	**10,223,643**	**11,666,590**	**6,008,845**
Profit for the year attributable to:					
Equity holders of the Group		**13,864,788**	**10,299,488**	**11,666,590**	**6,008,845**
Non-controlling interests		(86,763)	(75,845)	-	-
		13,778,025	**10,223,643**	**11,666,590**	**6,008,845**
Earnings per share – basic and diluted (Shs)	**17**	**8.36**	**6.21**	**7.08**	**3.65**

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

		GROUP		COMPANY	
	Notes	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Profit for the year		**13,778,025**	**10,223,643**	**11,666,590**	**6,008,845**
Other comprehensive income net of income tax:					
Items that may be subsequently reclassified to profit or loss					
Fair value gains on financial assets measured at FVOCI	41	(2,491,457)	(1,247,599)	-	-
Exchange differences on translation of foreign operations		305,230	169,607	-	-
Other comprehensive income for the year, net of income tax		**(2,186,227)**	**(1,077,992)**	**-**	**-**
Total comprehensive income for the year		**11,591,798**	**9,145,651**	**11,666,590**	**6,008,845**
Attributable to:					
Equity holders of the Group		11,678,561	9,221,496	11,666,590	6,008,845
Non-controlling interests		(86,763)	(75,845)	-	-
		11,591,798	**9,145,651**	**11,666,590**	**6,008,845**

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	GROUP 2022 Shs'000	GROUP 2021 Shs'000	COMPANY 2022 Shs'000	COMPANY 2021 Shs'000
ASSETS					
Cash and balances with Central Banks	18	38,626,109	43,154,323	-	-
Item in the course of collection	19	401,661	269,163	-	-
Due from banking institutions	20	25,692,842	45,119,386	-	-
Derivative assets	21	17,363	96,879	-	-
Government securities	22	222,450,660	209,450,847	-	-
Investment securities	23	10,168,484	12,844,240	-	-
Customer loans and advances	24	276,033,184	241,464,021	-	-
Current income tax recoverable	15	2,231,441	390,080	11,093	36,212
Other assets	25	18,005,531	10,409,574	-	-
Due from group companies	43	-	-	94,703	60,055
Investment in associates	26	4,069,660	3,956,460	332,593	332,593
Investment in subsidiaries	27	-	-	74,081,089	70,608,568
Intangible assets	28	5,810,137	6,082,639	-	-
Property and equipment	29	2,357,377	2,482,004	-	-
Deferred income tax	30	10,300,722	11,832,708	59,220	24,491
Lease prepayments – leasehold land	31	522,125	522,250	-	-
Right of use asset	32	2,940,348	2,979,464	-	-
Goodwill	33	34,000	34,000	-	-
Total assets		**619,661,644**	**591,088,038**	**74,578,698**	**71,061,919**
LIABILITIES					
Customer deposits	34	502,675,954	469,890,083	-	-
Due to banking institutions	35	5,914,127	14,775,283	-	-
Due to group companies	43	-	-	8,959,800	10,297,692
Other liabilities	36	20,201,833	15,977,996	370,185	160,508
Borrowings	37	4,206,965	6,096,755	-	-
Current income tax payable	15	626,510	2,761,211	-	-
Unclaimed dividends		-	-	-	19,639
Lease liability	38	3,614,564	3,599,681	-	-
Total liabilities		**537,239,953**	**513,101,009**	**9,329,985**	**10,477,839**
SHAREHOLDERS' EQUITY					
Share capital	39	8,237,598	8,237,598	8,237,598	8,237,598
Share premium	40	21,424,322	21,424,322	21,424,322	21,424,322
Revaluation reserve	41	(2,121,494)	369,963	-	-
Retained earnings		51,269,592	44,201,725	31,879,875	27,215,242
Foreign currency translation reserve		(95,245)	(400,475)	-	-
Statutory loan loss reserve	42	-	323,044	-	-
Proposed dividend		3,706,918	3,706,918	3,706,918	3,706,918
Total capital and reserves attributable to equity holders of the Group		**82,421,691**	**77,863,095**	**65,248,713**	**60,584,080**
Non-controlling interests		-	123,934	-	-
Total shareholders' equity		**82,421,691**	**77,987,029**	**65,248,713**	**60,584,080**
Total liabilities and shareholders' equity		**619,661,644**	**591,088,038**	**74,578,698**	**71,061,919**

The financial statements on pages 123 to 209 were approved and authorised for issue by the Board of Directors on 28 March 2023 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 2022

Year ended 31 December 2022	Notes	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		**8,237,598**	**21,424,322**	**369,963**	**44,201,725**	**(400,475)**	**323,044**	**3,706,918**	**77,863,095**	**123,934**	**77,987,029**
Total comprehensive income for the year		-	-	-	-	-	-	-	-	-	-
Profit for the year		-	-	-	13,864,788	-	-	-	13,864,788	(86,763)	13,778,025
Loss on revaluation of financial assets at FVOCI	41	-	-	(2,491,457)	-	-	-	-	(2,491,457)	-	(2,491,457)
Currency translation differences		-	-	-	-	305,230	-	-	305,230	-	305,230
Minority Interest buyout		-	-	-	(118,003)	-	-	-	(118,003)	(37,171)	(155,174)
Total comprehensive income		**8,237,598**	**21,424,322**	**(2,121,494)**	**57,948,510**	**(95,245)**	**323,044**	**3,706,918**	**89,423,653**	**-**	**89,423,653**
Appropriation from statutory loan reserve	42	-	-	-	323,044	-	(323,044)	-	-	-	-
Transaction with Equity Holders											
Dividends:											
- 2021 Final dividend paid		-	-	-	-	-	-	(3,706,918)	(3,706,918)	-	(3,706,918)
- 2022 Interim dividend paid		-	-	-	(3,295,044)	-	-	-	(3,295,044)	-	(3,295,044)
- 2022 Proposed final dividend		-	-	-	(3,706,918)	-	-	3,706,918	-	-	-
Total transactions with owners		-	-	-	(7,001,962)	-	-	-	(7,001,962)	-	(7,001,962)
At end of year		**8,237,598**	**21,424,322**	**(2,121,494)**	**51,269,592**	**(95,245)**	**-**	**3,706,918**	**82,421,691**	**-**	**82,421,691**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the year ended 31 December 2022

Year ended 31 December 2021	Notes	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		**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**
Total comprehensive income for the year											
Profit for the year		-	-	-	10,299,488	-	-	-	10,299,488	(75,845)	10,223,643
Loss on revaluation of financial assets at FVOCI	41	-		(1,247,599)	-	-	-	-	(1,247,599)	-	(1,247,599)
Currency translation differences		-	-	-	-	169,607	-	-	169,607	-	169,607
Total comprehensive income		**8,237,598**	**21,424,322**	**369,963**	**49,338,229**	**(400,475)**	**129,098**	**2,471,279**	**81,570,014**	**123,934**	**81,693,948**
Appropriation from statutory loan reserve	42	-	-	-	(193,946)	-	193,946	-	-	-	-
Transaction with Equity Holders											
Dividends											
- 2020 Final dividend paid		-	-	-	-	-	-	(2,471,279)	(2,471,279)	-	(2,471,279)
- 2021 Interim dividend paid		-	-	-	(1,235,640)	-	-	-	(1,235,640)	-	(1,235,640)
- 2021 Proposed final dividend		-	-	-	(3,706,919)	-	-	3,706,919	-	-	-
Total transactions with owners		-	-	-	(4,942,559)	-	-	1,235,640	(3,706,919)	-	(3,706,919)
At end of year		**8,237,598**	**21,424,322**	**369,963**	**44,201,724**	**(400,475)**	**323,044**	**3,706,919**	**77,863,095**	**123,934**	**77,987,029**

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total equity Shs'000
At 1 January 2022	**8,237,598**	**21,424,322**	**27,215,242**	**3,706,918**	**60,584,080**
Profit and total comprehensive income for the year	-	-	11,666,590	-	11,666,590
Transactions with owners, recorded directly through equity					
- 2021 Final dividend paid	-	-	-	(3,706,918)	(3,706,918)
- 2022 Interim dividend paid	-	-	(3,295,039)	-	(3,295,039)
- 2022 Final dividend proposed	-	-	(3,706,918)	3,706,918	-
- Total Transaction with Equity Holders	-	-	(7,001,957)	-	(7,001,957)
At 31 December 2022	**8,237,598**	**21,424,322**	**31,879,875**	**3,706,918**	**65,248,713**
At 1 January 2021	**8,237,598**	**21,424,322**	**26,148,954**	**2,471,279**	**58,282,153**
Profit and total comprehensive income for the year	-	-	6,008,845	-	6,008,845
Transactions with owners, recorded directly through equity					
Dividends:					
- 2020 Final dividend paid	-	-	-	(2,471,279)	(2,471,279)
- 2021 Interim dividend paid	-	-	(1,235,639)	-	(1,235,639)
- 2021 Final dividend proposed	-	-	(3,706,918)	3,706,918	-
- Total Transaction with Equity Holders	-	-	(4,942,557)	1,235,639	(3,706,918)
At 31 December 2021	**8,237,598**	**21,424,322**	**27,215,242**	**3,706,918**	**60,584,080**

STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

		GROUP		COMPANY	
CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2022 Shs'000	2021* Shs'000	2022 Shs'000	2021* Shs'000
Profit before income tax		22,491,526	15,034,989	11,714,334	6,056,657
Non-cash items		(25,974,999)	(22,423,116)	(33,214)	(36,707)
Changes in operating assets and liabilities	45	(20,152,095)	49,325,735	(1,107,277)	(161,182)
Income tax paid	45	(9,968,025)	(3,375,651)	(57,354)	(45,730)
Interest received	15	63,676,823	56,207,912	33,214	36,707
Interest paid		(21,593,394)	(19,482,604)	-	-
Net cash generated from operating activities		**8,479,836**	**75,287,265**	**10,549,703**	**5,849,745**
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in subsidiaries		-	-	(3,472,521)	(2,334,264)
Dividends from associates	26	90,000	50,000	-	-
Purchase of government securities	22	(85,014,048)	(118,188,005)	-	-
Proceeds from matured government securities	22	58,730,866	72,680,720	-	-
Purchase of intangible assets	28	(1,393,174)	(1,567,494)	-	-
Purchase of property and equipment	29	(534,445)	(347,856)	-	-
Purchase of investment securities	23	(612,453)	(5,844,565)	-	-
Proceeds from sale of investments	23	3,417,858	204,203	-	-
Proceeds on sale of equipment		16,612	69,124	-	-
Net cash used in investing activities		**(25,298,784)**	**(52,943,873)**	**(3,472,521)**	**(2,334,264)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(7,001,962)	(3,706,919)	(7,001,957)	(3,706,919)
Repayment of long-term borrowings	37(b)	(2,360,521)	(7,936,076)	-	-
Principal payment towards lease liabilities		(1,118,868)	(1,073,995)	-	-
Minority Interest buyout		(155,174)	-	-	-
Net cash used in financing activities		**(10,636,525)**	**(12,716,990)**	**(7,001,957)**	**(3,706,919)**
(Decrease)/increase in cash and cash equivalents		**(27,455,473)**	**9,626,402**	**75,225**	**(191,438)**
Cash and cash equivalents at 1 January	44	67,471,764	57,845,362	9,650	201,088
Foreign currency exchange difference		941,025	-	-	-
Cash and cash equivalents at 31 December	**44**	**40,957,316**	**67,471,764**	**84,875**	**9,650**

*Comparative figures are reclassified. Refer to note 45

NOTES TO THE FINANCIAL STATEMENTS

1) General Information

NCBA Group PLC (the "Company/Parent") and its subsidiaries (together, the "Group") provide retail, corporate and digital banking, brokerage, bancassurance 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, Rwanda, Cote d'Ivoire and Ghana through its subsidiaries NCBA Bank Tanzania Limited, NCBA Bank Uganda Limited, NCBA Bank Rwanda PLC, Bridge Microfinance and LOOP DFS Ghana.

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

2.1 Basis of preparation

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.

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 received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

(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.

(iii) Changes in accounting policies and disclosures

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

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

Amendments to IAS 1 and IFRS Practice Statement 2

The amendment becomes effective for annual periods beginning on or after 1 January 2023.

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

2) Significant accounting policies (continued)

2.1 Basis of preparation (continued)

iii) 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 1 and IFRS Practice Statement 2 (continued)

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and,
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the PS also provide examples of situations when generic or standardised information summarising or duplicating the requirements of IFRS may be considered material accounting policy information. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.

Amendments to IAS 8 - Definition of Accounting Estimates

The amendment is effective for annual periods beginning on or after 1 January 2023.

The amendment seeks to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. In addition, the amendments clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendment is effective for annual periods beginning on or after 1 January 2023.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.

Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework

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

The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

2) Significant accounting policies (continued)

2.1 Basis of preparation (continued)

iii) Changes in accounting policy and disclosures (continued)

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

The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use. The changes did not have material impact on the financial statements of the Group.

Amendments to IAS 16- Property, Plant and Equipment: Proceeds before Intended Use

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

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The changes did not have material impact on the financial statements of the Group.

Amendments to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract

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

The amendment seeks to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

This standard becomes effective for annual periods beginning on or after 1 June 2022.

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

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle (Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities, IAS 41 Agriculture – Taxation in fair value Measurements, IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities)

IFRS 1 First-time Adoption of International Financial Reporting Standards.

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16 (a).

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Bank. The changes did not have material impact on the financial statements of the Group.

2) Significant accounting policies (continued)

2.1 Basis of preparation (continued)

iii) Changes in accounting policy and disclosures (continued)

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

IFRS 16 Leases
The amendment removes the illustration of the reimbursement of leasehold improvements.

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

2.2 Consolidation

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 2022 (together the "Group). All inter-company transactions, balances and gains or losses on transactions between Group companies are eliminated in full on consolidation.

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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. 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 recognised 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) Non-controlling interest (NCI)

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2) Significant accounting policies (continued)

2.3 Interest income and expense recognition

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or
– the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash fows considering all contractual terms of the financial instrument, but not ECL.

For purchased or originated credit- impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash fows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

2.4. Fee and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial assets or financial liability are included in the effective interest rate. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission revenue, including transactional fees, account servicing fees, investment management fees and sales commissions are recognised as the performance obligations under the related services' contracts are completed. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised 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. Other fees and commissions revenue are in the scope of IFRS 15.

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 recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportionate basis. Performance-linked fees or fee components are recognised 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.

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

2) Significant accounting policies (continued)

2.3 Interest income and expense recognition (continued)

2.6 Foreign currency translation

i) Functional and presentation currency

The financial statements of the Group 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 Shillings, which is the Group's Presentation Currency. Except as indicated, financial information presented in Kenya Shillings has been rounded to the nearest thousand.

ii) Transactions and balances

The results and financial position of the subsidiaries have been translated into the presentation currency as follows:

(i) Assets and liabilities at each reporting period are translated at the closing rate at the reporting date;

(ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates

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 recognised 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 financial assets at fair value through other comprehensive income are included in other comprehensive income.

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 recognised 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 instruments (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 amortised 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 recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised 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 amortised 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 recognised 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 derecognises the original financial asset and recognises 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 recognised 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 recognised in profit or loss as a gain or loss on de-recognition.

As a result of the Group's forbearance activities financial assets might be modified. The following tables refer to modified financial assets where modification does not result in derecognition.

	2022	2021
	Kes '000	Kes '000
Financial assets (with loss allowance based on lifetime ECL) modified during the period		
Carrying amount before modification	29,161,870	21,340,656
Loss allowance before modification	(1,251,657)	(2,344,444)
Net amortised cost before modification	**27,910,213**	**18,996,212**
Net modification loss	(19,530)	-
Net amortised cost after modification	**27,890,683**	**18,996,212**

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 derecognised 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.

2) Significant accounting policies (continued)

2.7 Financial assets (continued)

a) Debt instrument (continued)

iii) Derecognition other than on a modification (continued)

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:

i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

ii) Is prohibited from selling or pledging the assets; and

iii) Has an obligation to remit any cash it collects from assets without material delays.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowings transactions are not derecognised 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 amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises 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.

Dividends, when representing a return on such investments, continue to be recognised 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.

2.8 Financial Liabilities

Financial liabilities are classified and subsequently measured at amortized 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 recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments

2) Significant accounting policies (continued)

2.8 Financial Liabilities (continued)

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 recognised at fair value, generally being their issue proceeds, net of directly attributable transaction costs incurred. They are subsequently measured at amortised cost and interest is recognised 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 recognised in profit or loss. Borrowing costs consist of interest and other costs that an entity incurred in connection with the borrowing of funds.

Derecognition of financial liabilities

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

i) 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 recognised 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 recognised 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 recognised 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 recognised as provision.

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 recognised 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 accumulated depreciation and accumulated impairment losses, if any. 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 recognised 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 ready for use in the manner intended by management.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated intangible assets, is recognised in profit or loss as incurred.

2) Significant accounting policies (continued)

2.10 Property and equipment (continued)

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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 recognised 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

The Group's intangible assets include computer software license, goodwill and other intangible assets arising out of business combinations and goodwill.

i) Software

Intangible assets comprise acquired computer software license costs which are recognised on the basis of expenditure incurred to acquire and bring the specific software to use. These costs are amortised 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 recognised 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 amortised from the point at which the asset is ready for use.

Computer software development costs recognised as assets are amortised 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 recognised as an expense are not recognised as an asset in a subsequent period.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives.

ii) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

At each reporting date, the Group reviews the carrying amounts of its non-fnancial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash in fows from continuing use that is largely independent of the cash in fows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

2) Significant accounting policies (continued)

2.11 Intangible assets (continued)

ii) Goodwill (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash fows, discounted to their present value using a pre-tax discount rate that refects current market assessments of the time value of money and the risks specifc to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

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 amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement.

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

- Customer relationships 3 years
- Core deposits 1 years

The residual values and useful lives of all intangible assets are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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.

2.13 Provisions and contingent liabilities

Provisions for legal claims are recognised 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 recognised 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 recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

2) Significant accounting policies (continued)

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 recognised 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 recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In which case, the tax is recognised 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 applicable 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 tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination and which affects neither accounting nor taxable profit. It is also not recognised for temporary differences related to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future and the investor is able to control the timing of the reversal of the temporary difference.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws applicable at the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

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 recognised 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.

2) Significant accounting policies (continued)

2.16 Derivative financial instruments (continued)

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 recognised immediately in profit or loss as trading income.

2.17. 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 recognises a right-of-use asset and a lease liability.

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 amortised 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.

i) The Group is the lessee (continued)

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 recognised in profit or loss on a straight-line basis over the lease period. The above policy has been applied from January 2020

ii) With the Group as lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised 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) Significant accounting policies (continued)

2.18 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.

2.19 Assets obtained by taking possession of collateral

The Group's policy is to realise collateral on a timely basis. The Group does not use non-cash collateral for its operations.

In its normal course of business, the Bank engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

2.20 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.

2.21 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.

2.22 Off balance sheet letters of credit, acceptances and guarantees

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

2.23 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.

2.24 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 recognised as a regulatory loss reserve and is accounted for as an appropriation of retained earnings. The statutory loan loss reserve is non-distributable.

2.25 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

2.26 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.

2.27 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

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 collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than loans and advances.

3 Financial risk management (continued

3.2 Credit risk (continued)

a) Credit related commitments (continued)

Commitments to extend credit represent un-utilised portions of authorised 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-utilised 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 exercises stringent controls over the granting of new loans.
- 78% (2021: 70%) of the loans and advances portfolio are neither past due nor impaired.
- 96% (2021: 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 of carrying amounts.

- **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.

3 Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

i) Expected credit loss measurement (continued)

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.

Quantitative Criteria

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.

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 recognised 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

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

ii) Significant Increase in credit risk (SICR)(continued)

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 amortised 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).
- 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).

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

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

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).

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.

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

iv) Measuring expected credit loss – inputs, assumptions and estimation techniques (continued)

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.

Where there is uncertainty in respect of the respective models' ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the timing of model updates, and macroeconomic events, additional provisions are made via management overlays. Significant judgement was made in determining the management overlays.

- The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type:
- For amortising 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.
- 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 amortised 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.

3) Financial risk management (continued)

3.2 Credit risk (continued)

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.

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 analysed 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.

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2022 for the years 2022 to 2030.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 20 years.

	Base Forecast			Best Case			Worst Case		
Macro-Economic Factors	**2022**	**2023**	**Remaining Forecast Period**	**2022**	**2023**	**Remaining Forecast Period**	**2022**	**2023**	**Remaining Forecast Period**
GDP Growth (YoY%)	4.09%	7.34%	9.95%	4.50%	8.07%	10.95%	3.68%	6.61%	8.96%
GDP Per Capita (YoY%)	2.69%	3.08%	3.15%	2.96%	3.38%	3.46%	2.42%	2.77%	2.83%
FX Rate (YoY%)	5.97%	1.75%	1.09%	5.38%	1.58%	0.98%	6.57%	1.93%	1.20%
Lending Rate-Base Rate (%)	11.07%	11.07%	11.16%	9.96%	9.96%	10.04%	12.18%	12.18%	12.18%
Household Spending (YoY%)	10.87%	11.40%	11.89%	9.78%	10.26%	10.70%	11.96%	12.54%	13.08%
Foreign Reserves (YoY%)	15.67%	13.99%	9.75%	-14.10%	15.39%	10.73%	-17.24%	12.60%	8.78%
Consumer Price Index (YoY%)	6.30%	5.50%	5.64%	5.67%	4.95%	5.07%	6.93%	6.05%	6.20%

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

vi) Forward-looking information incorporated in the ECL models (continued)

Macro-Economic Factors	Base Forecast 2021	Base Forecast 2022	Base Forecast Remaining Forecast Period	Best Case 2021	Best Case 2022	Best Case Remaining Forecast Period	Worst Case 2021	Worst Case 2022	Worst Case Remaining Forecast Period
GDP Growth (YoY%)	6.85%	9.33%	9.80%	7.50%	10.3%	10.08%	6.20%	8.4%	8.8%
GDP Per Capita (YoY%)	2.11%	2.90%	2.91%	2.30%	3.2%	3.2%	1.90%	2.6%	2.6%
FX Rate (YoY%)	4.24%	4.26%	4.37%	4.70%	4.7%	4.8%	3.80%	3.8%	3.9%
Lending Rate-Base Rate (%)	10.06%	11.18%	4.27%	11.1%	12.3%	4.7%	9.10%	10.1%	3.8%
Household Spending (YoY%)	3.32%	-1.77%	1.56%	3.70%	-2.0%	1.7%	3.0%	-1.6%	1.4%
Foreign Reserves (YoY%)	5.73%	8.55%	7.70%	-6.30%	9.4%	8.5%	5.20%	7.7%	6.9%
Consumer Price Index (YoY%)	6.30%	5.20%	5.99%	-6.90%	5.7%	6.6%	5.70%	4.7%	5.4%

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.

ix) The breakdown of loans and advances based on their staging is summarized below:

The following tables set out information about credit quality of loans and advances.
The breakdown of loans and advances based on their staging is summarized below:

Group	2022 Shs' 000	2021 Shs' 000
At 31 December		
Gross loans and advances		
Stage 1	228,669,234	187,490,137
Stage 2	31,497,403	44,907,700
Stage 3	32,869,198	35,650,015
Total gross loans advanced	**293,035,835**	**268,047,852**

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

Impairment allowances		
Stage 1	2,327,097	2,151,861
Stage 2	2,740,074	5,928,181
Stage 3	16,079,525	22,727,225
Impairment allowances	**21,146,696**	**30,807,267**
Fair-value		
Loan notes at FVTPL	4,144,045	4,223,436
Net loans and advances	**276,033,184**	**241,464,021**
Coverage ratio of the individually impaired loans and advances	49%	64%

Included in loans and advances above are loan notes valued at Shs 4.1 billion (2021: Shs 4.2 billion) which were held at fair value through profit or loss. All other loans and advances are classified at amortised 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

The breakdown of loans and advances based on their staging is summarized below (continued)

Credit quality of loans and advances

An analysis of the Group's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	Year ended 31st December 2022			
Loans and advances to banks at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECL		Lifetime ECL	
	Shs '000	Shs '000	Shs '000	Shs '000
Grade 1: Normal	228,669,234	-	-	228,669,234
Grade 2: Watch	-	31,497,403	-	31,497,403
Grade 3: Substandard	-	-	1,911,239	1,911,239
Grade 4: Doubtful	-	-	28,656,625	28,656,625
Grade 5: Loss	-	-	2,301,334	2,301,334
Total gross carrying amount	**228,669,234**	**31,497,403**	**32,869,198**	**293,035,835**
Loss allowance	(2,327,097)	(2,740,074)	(16,079,525)	(21,146,696)
Carrying amount	**226,342,137**	**28,757,329**	**16,789,673**	**271,889,139**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2022

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

iv) Measuring expected credit loss – inputs, assumptions and estimation techniques (continued)

Letters of Credit, Guarantees and Acceptances	Year ended 31st December 2022 Stage 1	Stage 2	Stage 3	Total
	12-month ECL		Lifetime ECL	
	Shs '000	Shs '000	Shs '000	Shs '000
Grade 1: Normal	54,519,795	-	-	54,519,795
Grade 2: Watch	-	5,052,491	-	5,052,491
Grade 3: Substandard	-	-	4,679	4,679
Grade 4: Doubtful	-	-	1,134,401	1,134,401
Grade 5: Loss	-	-	1,000	1,000
Total gross carrying amount	**54,519,795**	**5,052,491**	**1,140,080**	**60,712,366**
Loss allowance	(69,386)	(71,674)	(590,799)	(731,859)
Carrying amount	**54,450,409**	**4,980,817**	**549,281**	**59,980,507**

Loans and advances to customers at amortised cost	Year ended 31st December 2021 Stage 1	Stage 2	Stage 3	Total
	12-month ECL		Lifetime ECL	
	Shs '000	Shs '000	Shs '000	Shs '000
Grade 1: Normal	187,490,137	-	-	187,490,137
Grade 2: Watch	-	44,907,700	-	44,907,700
Grade 3: Substandard	-	-	2,881,432	2,881,432
Grade 4: Doubtful	-	-	29,280,785	29,280,785
Grade 5: Loss	-	-	3,487,798	3,487,798
Total gross carrying amount	**187,490,137**	**44,907,700**	**35,650,015**	**268,047,852**
Loss allowance	(2,151,861)	(5,928,181)	(22,727,225)	(30,807,267)
Carrying amount	**185,338,276**	**38,979,519**	**12,922,790**	**237,240,585**

Letters of Credit, Guarantees and Acceptances	Year ended 31st December 2021 Stage 1	Stage 2	Stage 3	Total
	12-month ECL		Lifetime ECL	
	Shs '000	Shs '000	Shs '000	Shs '000
Grade 1: Normal	51,309,169	-	-	51,309,169
Grade 2: Watch	-	5,636,636	-	5,636,636
Grade 3: Substandard	-	-	10,000	10,000
Grade 4: Doubtful	-	-	1,846,704	1,846,704
Grade 5: Loss	-	-	750	750
Total gross carrying amount	**51,309,169**	**5,636,636**	**1,857,454**	**58,803,259**
Loss allowance	(35,812)	(57,017)	(435,954)	(528,783)
Carrying amount	**51,273,357**	**5,579,619**	**1,421,500**	**58,274,476**

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

vi) Forward-looking information incorporated in the ECL models *(continued)*

c) Other non-loan financial assets

ECL on non-loan financial assets the Group uses simplified approach such is measured as follows:

- Use of external credit ratings as proxies to infer approximate PDs;
- 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.

Group

The summarized information on other financial instrument is tabulated below:

	2022				2021			
	Gross Balances Shs '000	**Stage**	**ECL Shs '000**	**Net Shs '000**	**Gross Balance Shs '000**	**Stage**	**ECL Shs '000**	**Net Shs '000**
Balances with the central banks	23,858,627	1	9,636	23,848,991	33,067,407	1	11,212	33,056,195
Items in the course of collection	401,661	1	-	401,661	269,163	1	-	269,163
Due from banking institutions	25,712,002	1	19,160	25,692,842	45,137,154	1	17,768	45,119,386
Investment securities Stage 1	8,951,702	1	9,727	8,941,975	11,747,368	1	81,875	11,665,493
Investment securities Stage 3	272,580	3	-	272,580	266,884	3	-	266,884
Government securities	222,567,826	1	117,166	222,450,660	209,538,674	1	87,827	209,450,847
Other assets	16,352,844	1	-	16,352,844	9,431,057	1	-	9,431,057
Gross maximum exposure	**298,117,242**		**155,689**	**297,961,553**	**309,457,707**		**198,682**	**309,259,025**

3) Financial risk management (continued)

3.2 Credit risk (continued)

c) Other non-loan financial assets

The following table breaks down gross maximum credit exposure at carrying amounts (without taking into account any collateral held or other credit support). The ECL on items in the course of collection and investment securities is immaterial hence has not been recognised.

	2022 Shs '000	2021 Shs '000
Balances with central banks	23,848,991	33,056,195
Due from banking institutions	25,692,842	45,119,386
Items in the course of collection	401,661	269,163
Government securities	222,450,660	209,450,847
Investment securities	9,214,555	11,932,377
Derivatives	17,363	96,879
Customer loans and advances	276,033,184	241,464,021
Other receivables (financial)*	16,352,844	9,426,967
	574,012,100	**550,815,835**
Credit risk exposures relating to off-balance sheet items are as follows:		
Letters of credit	20,087,009	17,300,749
Acceptances	10,035,685	9,791,061
Guarantees	30,589,672	31,711,449
	60,712,366	**58,803,259**
Total credit risk exposure	**634,724,466**	**609,619,094**

***Other assets relate to suspense accounts and funding for mobile initiated transactions. Credit risk exposure for Company**

The company's liquidity 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:

	2022			2021		
Credit exposure	**Balance Shs '000**	**Stage**	**ECL Shs '000**	**Balance Shs '000**	**Stage**	**ECL Shs '000**
Due to group companies	94,703	1	94,703	60,055	1	60,055

3) Financial risk management (continued)

3.2 Credit risk (continued)

d) Concentrations of risk

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	2022	2021
	%	%
Manufacturing	20.9%	21.2%
Trade	19.2%	18.4%
Personal & Household	20.9%	21.9%
Transport & communications	13.4%	14.6%
Energy & water	6.6%	6.0%
Financial services	5.4%	6.1%
Mining & quarrying	3.8%	2.2%
Building & construction	3.6%	3.3%
Real estate	3.8%	3.6%
Tourism, restaurant & hotels	1.3%	1.5%
Agriculture	1.1%	1.2%
	100.00%	**100.00%**

e) 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 borrower'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 assets being financed 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.

The Group holds collateral against loans and advances to customers in the form of cash, residential, commercial and industrial property; fixed assets such as plant and machinery; marketable securities; bank guarantees and letters of credit.

3) Financial risk management (continued)

3.2 Credit risk (continued)

e) Collateral management (continued)

Risk mitigation policies control the approval of collateral types. Collateral is valued in accordance with the Group's risk mitigation policy, which prescribes the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral. Collateral held against impaired loans is maintained at fair value. The valuation of collateral is monitored regularly and is back tested at least annually.

Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse purchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held as at 31 December 2021 and 2022. An estimate of the forced sale value (FSV) of collaterals held against loans and advances to customers at the end of the year was as follows:

	Stage 1	Stage 2	Stage 3	Total
	Kes '000	Kes '000	Kes '000	Kes '000
Outstanding loans & advances	228,669,234	31,497,403	32,869,198	293,035,835
Outstanding off balance sheet exposure	54,519,795	5,052,491	1,140,080	60,712,366
Total outstanding loans and advances	**283,189,029**	**36,549,894**	**34,009,278**	**353,748,201**
Collateral Held (Forced Sale Value)				
Land & Property	194,297,491	39,046,853	24,225,689	257,570,033
Debentures	43,003,911	5,535,157	2,830,323	51,369,391
Motor Vehicles & Equipment	41,748,343	3,420,659	3,659,180	48,828,182
Others	20,626,829	8,441,244	145,155	29,213,228
Total Collateral Held	**299,676,574**	**56,443,913**	**30,860,347**	**386,980,834**
Net Exposure	**(16,487,545)**	**(19,894,019)**	**3,148,931**	**(33,232,633)**

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..

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 within 4 years.

Financial effect of collateral

As at 31 December 2022 the Group held collateral amounting to 91% (2021: 83%) of the value of impaired loans.

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:

3) Financial risk management (continued)

3.3 Currency risk (continued)

Group	USD	GBP	EUR	Other	Total
At 31 December 2022	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Assets					
Cash in hand	1,706,986	107,672	349,591	2,241,582	**4,405,831**
Central banks balances	2,369,196	111,765	575,305	3,865,222	**6,921,488**
Government securities	21,814,898	-	-	16,404,359	**38,219,257**
Due from banking institutions	14,924,865	1,378,658	3,133,985	2,862,301	**22,299,809**
Investment securities	1,224,012	-	-	472,359	**1,696,371**
Customer loans and advances	95,225,698	19,200	1,672,830	17,717,101	**114,634,829**
Other assets	1,647	2,480	-	1,682,459	**1,686,586**
Total assets	**137,267,302**	**1,619,775**	**5,731,711**	**45,245,383**	**189,864,171**
Liabilities					
Customer deposits	136,521,978	4,547,006	8,681,003	27,634,526	**177,384,513**
Due to banking institutions	4,275,514	4,577	37,474	1,496,816	**5,814,381**
Other liabilities	129,201	-	-	1,043,834	**1,173,035**
Lease liability	206,206	-	-	705,942	**912,148**
Borrowings	3,475,226	-	731,739	-	**4,206,965**
Total liabilities	**144,608,125**	**4,551,583**	**9,450,216**	**30,881,118**	**189,491,042**
Net on-balance sheet position	**(7,340,823)**	**(2,931,808)**	**(3,718,505)**	**14,364,265**	**373,129**

Group	USD	GBP	EUR	Other	Total
At 31 December 2021	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Assets					
Cash in hand	1,592,856	144,745	434,863	74,305	**2,246,769**
Central banks balances	2,665,885	622,142	3,401,327	4,169,335	**10,858,689**
Government securities	10,592,174	-	-	12,948,665	**23,540,839**
Due from banking institutions	30,307,190	4,903,018	6,214,445	3,137,301	**44,561,954**
Investment securities	1,134,605	-	-	525,835	**1,660,440**
Customer loans and advances	87,440,440	21,366	1,597,609	16,221,506	**105,280,921**
Other assets	-	-	-	2,419,358	**2,419,358**
Total assets	**133,733,150**	**5,691,271**	**11,648,244**	**39,496,305**	**190,568,970**
Liabilities					
Customer deposits	128,755,757	5,623,605	10,790,279	26,176,464	**171,346,105**
Due to banking institutions	2,647,702	13,492	697,495	2,871,613	**6,230,302**
Other liabilities	9,377	2	-	2,698,479	**2,707,858**
Lease liability	231,143	-	-	516,567	**747,710**
Borrowing	5,246,248	-	850,507	-	**6,096,755**
Total liabilities	**136,890,227**	**5,637,099**	**12,338,281**	**32,263,123**	**187,128,730**
Net on-balance sheet position	**(3,157,077)**	**54,172**	**(690,037)**	**7,233,182**	**3,440,240**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2022

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 summarises the Group's exposure to interest rate risks. Included in the table are assets and liabilities at carrying amounts, categorised 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 2022	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	-	-	-	-	-	14,777,118	**14,777,118**
Central bank balances	964,414	-	-	-	-	22,884,577	**23,848,991**
Government securities	6,517,101	10,240,912	6,862,075	44,989,195	153,841,377	-	**222,450,660**
Due from banking institutions	20,048,583	69,669	284,227	1,758,335	2,140,884	1,391,144	**25,692,842**
Investment securities	8,386,347	-	-	-	-	1,782,137	**10,168,484**
Customer loans and advances	276,033,184	-	-	-	-	-	**276,033,184**
Item in the course of collection	-	-	-	-	-	401,661	**401,661**
Derivative assets	-	-	-	-	-	17,363	**17,363**
Other assets	-	-	-	-	-	16,352,844	**16,352,844**
Total assets	**311,949,629**	**10,310,581**	**7,146,302**	**46,747,530**	**155,982,261**	**57,606,844**	**589,743,147**
Liabilities							
Customer deposits	254,866,009	68,037,434	74,827,696	74,968	1,130,732	103,739,115	**502,675,954**
Due to banking institutions	2,097,492	-	1,426,866	67,840	-	2,321,929	**5,914,127**
Other liabilities	-	-	-	-	-	12,263,153	**12,263,153**
Lease liability	465,106	900,123	762,740	1,484,547	2,048	-	**3,614,564**
Borrowings	-	-	1,706,880	2,500,085	-	-	**4,206,965**
Total liabilities	**257,428,607**	**68,937,557**	**78,724,182**	**4,127,440**	**1,132,780**	**118,324,197**	**528,674,763**
Interest sensitivity gap	**54,521,022**	**(58,626,976)**	**(71,577,880)**	**42,620,090**	**154,849,481**	**(60,717,353)**	**61,068,384**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2022

3) Financial risk management (continued)

3.4 Interest rate risk (continued)

Group As At 31 December 2021	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	-	-	-	-	-	10,098,127	**10,098,127**
Central bank balances	-	-	-	-	-	33,056,196	**33,056,196**
Government securities	1,092,914	12,989,894	21,011,085	32,486,252	141,870,702	-	**209,450,847**
Due from banking institutions	23,786,773	18,639,784	-	-	-	2,692,829	**45,119,386**
Investment securities	11,039,947	-	-	-	-	1,804,293	**12,844,240**
Customer loans and advances	241,464,021	-	-	-	-	-	**241,464,021**
Item in the course of collection	-	-	-	-	-	269,163	**269,163**
Derivative assets	-	-	-	-	-	96,879	**96,879**
Other assets	-	-	-	-	-	9,426,967	**9,426,967**
Total assets	**277,383,655**	**31,629,678**	**21,011,085**	**32,486,252**	**141,870,702**	**57,444,454**	**561,825,826**
Liabilities							
Customer deposits	184,363,256	84,110,730	75,422,726	1,858,067	7,796,067	116,339,237	**469,890,083**
Due to banking institutions	14,305,114	5,017	446,718	-	-	18,434	**14,775,283**
Other liabilities	-	-	-	-	-	7,982,692	**7,982,692**
Lease liability	899,471	914,061	878,939	559,322	347,888	-	**3,599,681**
Borrowings	-	1,721,795	4,374,960	-	-	-	**6,096,755**
Total liabilities	**199,567,841**	**86,751,603**	**81,123,343**	**2,417,389**	**8,143,955**	**124,340,363**	**502,344,494**
Interest sensitivity gap	**77,815,814**	**(55,121,925)**	**(60,112,258)**	**30,068,863**	**133,726,747**	**(66,895,909)**	**59,481,332**

The Company did not have other interest earning assets or interest-bearing liabilities. The company exposure to interest rate risk is therefore nil.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2022

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.

Group At 31 December 2022	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	13,227,115	-	-	-	-	**13,227,115**
Central banks balances	23,799,254	-	49,738	-	-	**23,848,992**
Government securities	3,186,100	10,204,887	5,638,444	63,984,386	239,952,513	**322,966,330**
Derivative assets	17,363	-	-	-	-	**17,363**
Due from banking institutions	20,713,098	315,708	2,251,300	42,215	3,996,185	**27,318,506**
Investment securities	8,038,877	618,262	75,243	3,151,848	278,654	**12,162,884**
Customer loans and advances	67,818,463	10,837,863	27,991,279	132,592,019	85,019,459	**324,259,083**
Other finacial assets	16,352,844	-	-	-	-	**16,352,844**
Total financial assets	**153,153,114**	**21,976,720**	**36,006,004**	**199,770,468**	**329,246,811**	**740,153,117**
Liabilities						
Customer deposits	299,896,493	69,314,762	131,678,895	4,183,884	4,471,845	**509,545,879**
Due to banking institutions	6,585,500	3,187,321	-	-	-	**9,772,821**
Other financial liabilities	12,263,152	-	-	-	-	**12,263,152**
Lease liability	38,370	130,607	470,526	2,588,999	45,548	**3,274,050**
Borrowings	-	1,262,244	3,026,086	-	-	**4,288,330**
Total financial liabilities	**318,783,515**	**73,894,934**	**135,175,507**	**6,772,883**	**4,517,393**	**539,144,232**
Net on- balance sheet liquidity gap	**(165,630,401)**	**(51,918,214)**	**(99,169,503)**	**192,997,585**	**324,729,418**	**201,008,885**
Un-recognised financial instruments						
Letters of credit and bankers' acceptances	(533,932)	(462,072)	(938,349)	(405,190)	-	**(2,339,543)**
Irrevocable un-utilised facilities	(3,337,446)	(16,614,459)	(21,866,117)	(4,850,463)	(8,219,464)	**(54,887,949)**
Total off-balance sheet notional position	**(3,871,378)**	**(17,076,531)**	**(22,804,466)**	**(5,255,653)**	**(8,219,464)**	**(57,227,492)**
Total on and off-balance sheet net liquidity gap	**(169,501,779)**	**(68,994,745)**	**(121,973,969)**	**187,741,932**	**316,509,954**	**143,781,393**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2022

3) Financial risk management (continued)

3.5 Liquidity risk (continued)

Group

As At 31 December 2021	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	10,205,486	-	-	-	-	**10,205,486**
Central banks balances	32,673,730	-	38,904	-	-	**32,712,634**
Government securities	3,801,089	12,472,468	19,643,393	43,982,710	213,506,325	**293,405,985**
Due from banking institutions	23,134,891	20,243,900	2,850,374	1,599,747	2,180,907	**50,009,819**
Investment securities	12,318,405	-	-	-	39,820	**12,358,225**
Customer loans and advances	54,859,115	12,821,922	31,965,518	92,758,059	102,863,504	**295,268,118**
Other financial assets	9,426,967	-	-	-	-	**9,426,967**
Total financial assets	**146,419,683**	**45,538,290**	**54,498,189**	**138,340,516**	**318,590,556**	**703,387,234**
Liabilities						
Customer deposits	258,411,353	81,960,116	111,261,662	15,537,819	11,124,348	**478,295,298**
Due to banking institutions	16,474,750	5,039	446,718	-	-	**16,926,507**
Other financial liabilities	7,982,692	-	-	-	-	**7,982,692**
Lease liability	38,826	136,085	492,215	2,507,743	370,177	**3,545,046**
Borrowings	-	-	856,377	6,696,525	-	**7,552,902**
Total financial liabilities	**282,907,621**	**82,101,240**	**113,056,972**	**24,742,087**	**11,494,525**	**514,302,445**
Net on- balance sheet liquidity gap	**(136,487,938)**	**(36,562,950)**	**(58,558,783)**	**113,598,429**	**307,096,031**	**189,084,789**
Un-recognised financial instruments						
Letters of credit and bankers' acceptances	(9,515,940)	(11,781,412)	(21,001,911)	(5,303,194)	(7,318,032)	**(54,920,489)**
Irrevocable un-utilised facilities	(7,808,570)	(178,783)	(155,117)	-	-	**(8,142,470)**
Total off-balance sheet notional position	**(17,324,510)**	**(11,960,195)**	**(21,157,028)**	**(5,303,194)**	**(7,318,032)**	**(63,062,959)**
Total on and off-balance sheet net liquidity gap	**(153,812,448)**	**(48,523,145)**	**(79,715,811)**	**108,295,235**	**299,777,999**	**126,021,830**

3) Financial risk management (continued)

3.5 Liquidity risk (continued)

Company

At 31 December 2022	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	-	94,703	-	94,703
Total financial assets	**-**	**94,703**	**-**	**94,703**
Liabilities				
Due to Group companies	8,211,747	748,053	-	8,959,800
Other liabilities	370,185	-	-	370,185
Total financial liabilities	**8,581,932**	**748,053**	**-**	**9,329,985**
Net on- balance sheet liquidity gap	**(8,581,932)**	**(653,350)**	**-**	**(9,235,282)**
At 31 December 2021				
Assets				
Due from group companies	-	60,055	-	60,055
Total financial assets	**-**	**60,055**	**-**	**60,055**
Liabilities				
Due from group companies	10,211,747	85,945	-	10,297,692
Other liabilities	155,055	5,453	-	160,508
Total financial liabilities	**10,366,802**	**91,398**	**-**	**10,458,200**
Net on- balance sheet liquidity gap	**(10,366,802)**	**(31,343)**	**-**	**(10,398,145)**

3.6 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 2022, the effect of a 100 basis points change in net interest margin would have resulted in an increase or decrease of Shs 6,734 million (2021 - Shs 6,012 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, recognised assets and liabilities and net investment in foreign operations. Foreign exchange risk arising from future commercial transactions and recognised 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.

3) Financial risk management (continued)

3.6 Market risk sensitivity analysis (continued)

At 31 December 2022, 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:

	2022	2021
	Shs '000	Shs '000
10% depreciation/appreciation		
USD	736,838	242,724
GBP	291,970	5,417
EUR	370,305	69,021
Total	**1,399,113**	**317,162**

3.7 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 recognised 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 2022 were below 1% (2021: <1%) of Group total assets and have been measured at fair value in the statement of financial position. No netting has been applied.

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,

3) Financial risk management (continued)

3.8 Fair value hierarchy (continued)

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 2022	Shs '000	Shs '000	Shs '000	Shs000
Financial assets at fair value through profit or loss				
Equity securities – listed (note 23)	953,929	-	-	953,929
Loan notes	-	4,144,045	-	4,144,045
Derivative assets	-	17,363	-	17,363
Unit trusts and other investment securities (note 23)	121,541	-	-	121,541
Other assets	-	90,000	-	90,000
Financial assets at FVOCI				
Fixed rate Treasury bills - FVOCI – (note 22)	-	1,146,307	-	1,146,307
Fixed rate treasury bonds – FVOCI (note 22)	-	88,356,375	-	88,356,375
Total assets	**1,075,470**	**93,754,090**	**-**	**94,829,560**
At 31 December 2021				
Financial assets at fair value through profit or loss				
Equity securities – listed (note 23)	911,863	-	-	911,863
Loan notes	-	4,223,436	-	4,223,436
Derivative assets	-	96,879	-	96,879
Unit trusts and other investment securities (note 23)	120,794	-	-	120,794
Other assets	-	90,000	-	90,000
Financial assets at FVOCI				
Fixed rate Treasury bills FVOCI – (note 22)	-	614,821	-	614,821
Fixed rate Treasury bonds FVOCI – (note 22)	-	77,002,082	-	77,002,082
Total assets	**1,032,657**	**82,027,218**	**-**	**83,059,875**

The Company does not have other assets 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 amortised 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 recognised at fair value and measured subsequently at amortised 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

3) Financial risk management (continued)

3.8 Fair value hierarchy (continued)

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 2022					
Assets					
Cash and balances with CBK	-	-	38,626,109	38,626,109	38,626,109
Items in course of collection	-	-	401,661	401,661	401,661
Loans and advances to Customers	-	-	276,033,184	276,033,184	276,033,184
Balances due from banking institutions	-	-	25,692,842	25,692,842	25,692,842
Government securities – Amortised cost	-	139,400,834	-	139,400,834	132,947,979
Investment securities	-	-	9,214,555	9,214,555	9,214,555
Other assets	-	-	17,915,531	17,915,531	17,915,531
Total	**-**	**139,400,834**	**367,883,882**	**507,284,716**	**500,831,861**
Liabilities					
Customer deposits	-	-	502,675,954	502,675,954	502,675,954
Due to banking institutions	-	-	5,914,127	5,914,127	5,914,127
Borrowings	-	-	4,206,965	4,206,965	4,206,965
Other Liabilities	-	-	20,201,833	20,201,833	20,201,833
Total	**-**	**-**	**532,998,879**	**532,998,879**	**532,998,879**
At 31 December 2021					
Assets					
Cash and balances with CBK	-	-	43,154,323	43,154,323	43,154,323
Items in course of collection	-	-	269,163	269,163	269,163
Loans and advances to Customers	-	-	241,464,021	241,464,021	241,464,021
Balances due from banking institutions	-	-	45,119,386	45,119,386	45,119,386
Government securities – Amortised cost		132,227,871	-	132,227,871	131,833,944
Investment securities	-	-	12,844,240	12,844,240	12,844,240
Other assets	-	-	10,409,574	10,409,574	10,409,574
Total	**-**	**132,227,871**	**353,260,707**	**485,488,578**	**485,094,651**
Liabilities					
Customer deposits	-	-	469,890,083	469,890,083	469,890,083
Due to banking institutions	-	-	14,775,283	14,775,283	14,775,283
Borrowings	-	-	6,096,755	6,096,755	6,096,755
Other Liabilities	-	-	15,977,995	15,977,995	15,977,995

3) Financial risk management (continued)

3.8 Fair value hierarchy (continued)

Total	**-**	**-**	**506,740,116**	**506,740,116**	**506,740,116**

Financial instruments not measured at fair value

Company	Level 3	Fair Value	Carrying value
	Shs' 000	Shs'000	Shs'000
At 31 December 2022			
Assets			
Due from group companies	94,703	94,703	94,703
Liabilities			
Due to group companies	8,959,800	8,959,800	8,959,800
Other liabilities	370,185	370,185	370,185
Unclaimed dividends	-	-	-
Total	**9,329,985**	**9,329,985**	**9,329,985**
At 31 December 2021			
Assets			
Due from group companies	60,055	60,055	60,055
Liabilities			
Due to group companies	10,297,692	10,297,692	10,297,692
Other liabilities	160,508	160,508	160,508
Unclaimed dividends	19,639	19,639	19,639
Total	**10,477,839**	**10,477,839**	**10,477,839**

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;

4) Capital management (continued)

- 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.

The table below summarises the composition of regulatory capital and capital adequacy ratios of the Group's Banking subsidiaries as at 31 December 2022.

As at 31 Dec 2022	Kenya	Tanzania	Uganda	Rwanda
	Shs '000	Shs '000	Shs '000	Shs '000
Tier I capital	72,475,434	2,363,853	4,125,594	2,702,998
Tier II capital	-	-	73,996	191,770
Total capital	**72,475,434**	**2,363,853**	**4,199,590**	**2,894,768**
Risk-weighted assets				
Credit risk weighted assets	294,721,938	10,008,867	12,413,747	13,517,278
Market risk weighted assets equivalent	40,162,602	423,273	676,724	131,339
Operational risk equivalent assets	69,155,661	1,052,360	803,032	1,692,980
Total risk-weighted assets (TRWA)	**404,040,201**	**11,484,500**	**13,893,503**	**15,341,597**
	Kenya	**Tanzania**	**Uganda**	**Rwanda**
Core capital / TRWA	17.94%	20.58%	29.69%	17.62%

4) Capital management (continued)

Regulator minimum requirement	10.50%	10.00%	10.00%	10.00%
Total capital / TRWA	17.94%	20.58%	30.23%	18.87%
Regulator minimum requirement	14.50%	12.00%	12.00%	12.00%

As at 31 Dec 2021	Kenya	Tanzania	Uganda	Rwanda
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Tier I capital	64,567,000	1,817,000	2,584,000	1,806,000
Tier II capital	91,000	-	72,000	83,000
Total capital	**64,658,000**	**1,817,000**	**2,656,000**	**1,889,000**
Risk-weighted assets				
Credit risk weighted assets	259,371,000	11,203,000	14,235,000	5,825,000
Market risk weighted assets equivalent	39,334,000	387,000	764,000	36,000
Operational risk equivalent assets	53,082,000	699,000	-	757,000
Total risk-weighted assets (TRWA)	**351,787,000**	**12,289,000**	**14,999,000**	**6,618,000**

	Kenya	Tanzania	Uganda	Rwanda
Core capital / TRWA	18.35%	14.78%	17.23%	27.29%
Regulator minimum requirement	10.50%	10.00%	10.00%	10.00%
Total capital / TRWA	18.38%	14.78%	17.71%	28.54%
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.

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 amortised 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 2022, were the net present value of estimated cash flows to differ by +/-1%, the impairment loss is estimated to be Shs 137.0 million higher or lower (2021: Shs 199.5 million).

The most significant period-end assumptions used for the ECL estimate as at 31 December 2022 was cost of recovery.

5. Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

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 amortised cost. 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 amortised cost. If all financial investments at amortised cost were to be so reclassified, the carrying value would increase by Shs 7,340 million (2021: increase by Shs 1,318 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. 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.

Where objective estimates of the potential tax liabilities that may crystallize 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 2022, the fair value of the loan notes would have been estimated at Shs 193 million higher / lower if the determined share price was assumed to be 25% higher /lower (2021 – Shs 257 million).

6. Interest income

	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Government securities:				
- Amortised cost	14,407,993	12,028,379	-	-
- Fair value through OCI	10,154,633	7,963,358	-	-
Customer loans and advances	24,909,331	23,455,608	-	-
Credit related fees	13,636,252	12,769,886	-	-
Due from banking institutions	642,800	616,442	33,214	36,707
Investment securities	361,315	468,852	-	-
	64,112,324	**57,302,525**	**33,214**	**36,707**

7. Interest expense

	GROUP 2022 Shs'000	GROUP 2021 Shs'000	COMPANY 2022 Shs'000	COMPANY 2021 Shs'000
Customer deposits	20,408,135	17,696,004	-	-
Deposit from other banking institutions	738,738	1,084,141	-	-
Long term debt– note 37	159,743	284,999	-	-
Lease Liability – note 38	419,078	412,311	-	-
	21,725,694	**19,477,455**	**-**	**-**

8. Impairment losses

Impairment charge for loans and advances

	GROUP 2022 Shs'000	GROUP 2021 Shs'000	COMPANY 2022 Shs'000	COMPANY 2021 Shs'000
Stage 1	347,969	332,176	-	-
Stage 2	(1,276,107)	(5,555,072)	-	-
Stage 3	16,542,825	18,838,258	-	-
Sub total (note 24)	**15,614,687**	**13,615,362**	**-**	**-**
Bad debts Recoveries	(3,105,951)	(2,450,761)	-	-
Other Impairment charges				
Impairment on other assets	(42,993)	46,113	-	-
Total impairment charges	**12,465,743**	**11,210,714**	**-**	**-**
Loans and advances to customers	12,508,736	11,164,601	-	-

Other impairment charges	(42,993)	46,113	-	-
	12,465,743	**11,210,714**	**-**	**-**

9. Net Fees and Commission Income

	GROUP		COMPANY	
Fees and commission income	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Service and transaction fees	3,572,929	2,942,927	-	-
Fees and commission on bills, letters of credit and guarantees	825,302	803,884	-	-
Gross fees and commission income	**4,398,231**	**3,746,811**	**-**	**-**
Fees and commission expense	(464,214)	(408,154)	-	-
Net fees and commission expense	**3,934,017**	**3,338,657**	**-**	**-**

10. Foreign exchange income

	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Realised gains	12,178,753	5,053,727	-	-
Unrealised gains	316,834	2,790	-	-
	12,495,587	**5,056,517**	**-**	**-**

11. Net gains on disposal of financial asset - Group

Net gain on disposal of financial instruments	**134,295**	**694,047**	**-**	**-**

Gain on disposal of financial instruments relates to sale of government securities measured at FVOCI and FVTPL

12. Other income

	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
(a) Fair value loss of financial assets				
Fair value loss of loan note through profit and loss*	(554,651)	(1,002,185)	-	-
(b) Other income				
Dividends from subsidiaries	-	-	11,859,000	6,115,000
Wealth management fees	514,156	439,719	-	-
Insurance commissions	257,793	262,539	-	-
Fair value gain on equity securities at fair value through profit or loss (note 23)	42,066	149,008	-	-
Management fees (Group recharges)	-	-	273,054	225,793
Gain/(loss) on disposal of fixed assets	14,551	1,630	-	-
Management fees (Group recharges)	331,140	154,848	-	-

Gain/(loss) on disposal of fixed assets	74,253	98,487	-	-
Other	244,329	218,957	-	-
	1,478,288	**1,325,188**	**12,132,054**	**6,340,793**

12. Other income

*Fair value loss of financial assets relates to loans notes with guarantee by Government of Kenya for an advance to the national airline. The value of the loan note is impacted by qualitative, judgmental analysis of developments at the original borrower company and in the airline industry, and the future actions of the Government of Kenya and other Shareholders. The valuation is based on discounted value of expected future cash flows.

**Other income includes income on Employee Share Ownership Plan funds advanced by the bank and loan discount amortisation

13. Expenses by Nature

	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Employee benefits (Note 14)	10,184,151	8,019,077	322,636	241,152
Premises and maintenance expenses	1,037,271	1,024,280	-	-
Equipment and motor vehicle expenses	456,485	162,650	-	-
Marketing and business development expenses	1,172,342	795,235	-	-
Security and insurance expenses	1,078,255	850,038	-	-
Staff restructure costs	193,440	(39,886)	-	-
Information technology expenses.	2,781,174	2,272,100	-	-
Communication and stationery	591,487	585,541	-	-
Professional fees	797,054	649,610	-	-
Depreciation expense	698,350	763,683	-	-
Amortisation of intangible assets (software)	1,152,997	1,195,010	-	-
Amortisation of intangible assets (others)	531,125	795,750		
Amortisation of operating lease	125	125	-	-
Deposit Protection Fund	738,567	672,277	-	-
Auditors' remuneration (inclusive of VAT)	36,519	36,519	-	-
Depreciation on right of use assets**	1,006,903	727,583		
Other expenses *	2,663,852	2,571,484	128,298	79,691
	25,120,097	**21,081,076**	**450,934**	**320,843**

*Other expenses mainly includes operational expenses and credit card expenses.

** Depreciation on right of use assets disclosed under other expenses in prior year has been disclosed separately

14. Employee benefits

	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Salaries and allowances	8,369,385	6,563,002	260,231	201,111
Contribution to defined contribution scheme	601,411	554,047	81,134	20,880

Medical	420,295	398,288	(18,729)	19,161
Training	165,752	89,539	-	-
Training	244,186	141,751	-	-
Other Staff Costs	383,122	272,450	-	-
	10,184,151	**8,019,077**	**322,636**	**241,152**

15. Income tax expense

	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Current tax				
Income tax based on taxable profit for the year	5,038,754	6,428,666	78,418	48,207
Prior year under/(over) provision of current tax	883,337	78,523	4,055	630
Deferred tax:				
Deferred income tax charge/(credit) (note 30)	2,807,461	(1,701,928)	(41,520)	(1,025)
(Over)/under provision of deferred tax in prior year	(16,051)	6,085	6,791	-
	8,713,501	**4,811,346**	**47,744**	**47,812**
Profit before tax	22,491,526	15,034,989	11,714,336	6,056,657
Income tax - at the statutory rate of 30 %	6,747,458	4,510,497	3,514,301	1,816,997
Expenses not deductible for tax purposes	4,612,580	2,315,628	80,297	64,685
Income not assessable for tax purposes	(3,983,862)	(2,328,847)	(3,557,700)	(1,834,500)
Under/(over) provision of current tax in prior year	883,337	78,523	4,055	630
(Over)/under provision of deferred tax in prior year	(16,051)	6,085	6,791	-
Deferred income tax not recognised	470,039	229,460	-	-
	8,713,501	**4,811,346**	**47,744**	**47,812**
Current income tax (recoverable)/payable				
At 1 January	2,371,131	(752,786)	(36,212)	(39,318)
Exchange difference on translation	69,872	(7,621)	-	-
Tax charge - current year	5,038,754	6,428,666	78,418	48,206
Tax charge – prior year	883,337	78,523	4,055	630
Income taxation paid	(9,968,025)	(3,375,651)	(57,354)	(45,730)
At 31 December	**(1,604,931)**	**2,371,131**	**(11,093)**	**(36,212)**
Comprising:				
Current income tax recoverable	(2,231,441)	(390,080)	(11,093)	(36,212)
Current income tax payable	626,510	2,761,211	-	-
At 31 December	**(1,604,931)**	**2,371,131**	**(11,093)**	**(36,212)**

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 on 31 May 2023, a final dividend in respect of the year ended 31 December 2022 of Shs 2.25 is to be proposed (2021: Shs 2.25 per share). During the year, the interim dividend paid for 2022 was Shs 2.00 (2021: Shs 0.75).

Dividends paid are subject to withholding tax at the rate of 5% and 15% 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 31st December 2021 or 2022. Diluted earnings per share are therefore equal to basic earnings per share.

	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Group net profit	13,778,025	10,223,643	11,666,592	6,008,845
Weighted average number of ordinary shares				
Number of shares issued/deemed to be outstanding 1 Jan ('000)	1,647,519	1,647,519	1,647,519	1,647,519
Bonus shares	-	-	-	-
Weighted average number of shares ('000) 31 December	1,647,519	1,647,519	1,647,519	1,647,519
Basic EPS (Shs)	8.36	6.21	7.08	3.65

18. Cash and balances with Central Bank

	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Cash in hand	14,777,118	10,098,128	-	-
Balances with central banks	2,059,059	12,993,878	-	-
Included in cash and cash equivalent	16,836,177	23,092,006	-	-
Mandatory reserve deposits	21,799,568	20,073,529	-	-
Less: Impairment loss allowance	(9,636)	(11,212)	-	-
	38,626,109	**43,154,323**	**-**	**-**

The restricted funds with the central banks in Kenya, Uganda, Tanzania and Rwanda are not interest earning and are based on the value of deposits as adjusted by central banks' requirements from time to time. These funds (restricted balances with central banks), as per prudential guidelines, are not available for use by the Banks in day-to-day operations.

19. Items in the course of collection

GROUP	COMPANY

	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Clearing account balances	401,661	269,163	-	-

These are clearing instruments, which included issued cheques and payments instructions that payable on presentations

20. Due from Banking Institutions

	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Current accounts, overnight and call deposits	15,944,968	35,249,860	-	-
Time deposits	9,767,034	9,887,294	-	-
Impairment	(19,160)	(17,768)	-	-
	25,692,842	**45,119,386**	**-**	**-**

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

	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Derivative assets	17,363	96,879	-	-

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.

22. Government securities

	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Treasury bills – amortised cost	1,149,188	641,221	-	-
Treasury bills – FVOCI	10,691,529	22,986,592	-	-
Fixed rate Treasury bonds - FVOCI	88,403,421	77,015,799	-	-
Fixed rate Treasury bonds – amortised cost	122,323,688	108,895,062	-	-
Impairment	(117,166)	(87,827)	-	-
	222,450,660	**209,450,847**	**-**	**-**
Treasury bills and bonds maturing within 91 days from date of acquisition	4,352,060	14,046,867	-	-
Treasury bills and bonds maturing after 91 days but within 360 days from date of acquisition	8,079,471	19,739,963	-	-
Treasury bills and bonds maturing after 360 days from date of acquisition	210,136,295	175,751,844	-	-
Impairment	(117,166)	(87,827)	-	-
	222,450,660	**209,450,847**	**-**	**-**

	GROUP		COMPANY	

The movement in Treasury bonds at amortised cost was as follows:	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
At start of year	108,859,715	64,944,874	-	-
Additions during the year	23,865,247	48,451,748	-	-
Maturities and disposals	(10,447,651)	(4,525,630)	-	-
Impairment	(14,477)	(11,277)	-	-
At end of year	**122,262,834**	**108,859,715**	**-**	**-**

22. Government securities (continued)

The movement in Treasury bonds – FVOCI was as follows:	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
At start of year	76,978,334	63,279,979	-	-
Additions during the year	38,377,783	37,069,951	-	-
Maturities and disposals	(23,420,010)	(21,575,691)	-	-
Changes in fair value (note 41)	(3,565,126)	(1,782,284)	-	-
Impairment	(14,607)	(13,621)	-	-
At end of year	**88,356,374**	**76,978,334**	**-**	**-**
The movement in Treasury bills at amortised cost was as follows:				
At start of year	22,976,297	28,741,860	-	-
Additions during the year	21,282,248	37,260,858	-	-
Maturities and disposals	(33,576,027)	(43,026,259)	-	-
Impairment release / (charge)	2,627	(162)	-	-
At end of year	**10,685,145**	**22,976,297**	**-**	**-**
The movement in Treasury bonds – FVOCI was as follows:				
At start of year	636,501	1,278,724	-	-
Additions during the year	1,488,770	2,238,985	-	-
Maturities and disposals	(981,985)	(2,881,148)	-	-
Changes in Fair Value (note 41)	5,902	4,660	-	-
Impairment	(2,881)	(4,720)	-	-

At end of year	**1,146,307**	**636,501**	**-**	**-**
ECL Movement was as follows:				
At start of year	(87,827)	(58,047)	-	-
Charge for the year	(29,338)	(29,780)	-	-
At end of year	**(117,165)**	**(87,827)**	**-**	**-**

23. Investment Securities

	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Listed equity securities at FVTPL	953,929	911,863	-	-
Unit trusts at FVTPL	50,769	49,526	-	-
Other investment securities at FVTPL	70,772	77,834	-	-
Other investment securities at amortised cost	254,311	233,057	-	-
Financial assets at amortised cost	8,848,430	11,653,835	-	-
ECL on financial assets at amortised cost	(9,727)	(81,875)	-	-
	10,168,484	**12,844,240**	**-**	**-**
ECL Movement was as follows:				
At start of year	(81,875)	(135,395)	-	-
Release for the year	72,148	53,520	-	-
At end of year	**(9,727)**	**(81,875)**	**-**	**-**
The movement in financial assets held at amortised cost was as follows:				
At start of year	11,571,960	6,171,221	-	-
Additions	612,453	5,551,422	-	-
Disposals for the year	(3,417,858)	(204,203)	-	-
ECL writeback for the year	72,148	53,520	-	-
At end of year	**8,838,703**	**11,571,960**	**-**	**-**
The movement in equity securities was as follows:				
At start of year	911,863	762,855	-	-
Fair value gain on equity securities at fair value through profit or loss	42,066	149,008	-	-
At end of year	**953,929**	**911,863**	**-**	**-**

The movement in unit trusts at fair value through profit or loss was as follows:				
At start of year	49,526	54,951	-	-
Fair value gain / (loss) on equity securities at fair value through profit or loss	1,243	(5,425)	-	-
At end of year	**50,769**	**49,526**	-	-

23. Investment Securities (continued)

	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
The movement in other investment securities at fair value through profit or loss was as follows:				
At start of year	77,834	71268	-	-
Fair value gain on equity securities at fair value through profit or loss	(7,062)	6566	-	-
At end of year	**70,772**	**77,834**	-	-
The movement in other investment securities at amortised costs was as follows:				
At start of year	233,057	225,004	-	-
Fair value gain on equity securities at fair value through profit or loss	21,254	8,053	-	-
At end of year	**254,311**	**233,057**	-	-
Classified as:				
Non-current	8,693,925	11,506,280	-	-
Current	1,474,559	1,337,960	-	-
Total	**10,168,484**	**12,844,240**	-	-

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 2022, 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 47.7 million higher or lower (2021: Shs 45.6 million

24. Customer loans and advances - Group

i) Summary of customer loans and advances

	2022 Shs'000	2021 Shs'000
Loans and advances classified as:		
a) Loans and receivables (amortised cost) net of ECL	271,889,139	237,240,585
b) Loan notes at FVTPL	4,144,045	4,223,436
	276,033,184	**241,464,021**
(a) Loans and advances at amortised cost		
Overdrafts	29,930,226	42,599,856
Term loans	255,483,086	221,151,298
Credit cards	992,391	1,433,234
Bills discounted	6,630,132	2,863,464
	293,035,835	**268,047,852**
Provisions for impairment		
Stage 1	(16,079,525)	(22,727,225)
Stage 2	(2,740,074)	(5,928,181)
Stage 3	(2,327,097)	(2,151,861)
Net loans and advances at amortised cost	**271,889,139**	**237,240,585**
(b) Loan notes at fair value through profit or loss		
Loans notes	4,144,045	4,223,436
At start of year	4,223,436	5,011,663
Fair value loss	(554,651)	(1,002,185)
Foreign currency exchange rate movements	475,260	213,958
At end of year	**4,144,045**	**4,223,436**
(c) Current and non-current analysis		
Current	106,647,605	99,646,555
Non-current	169,385,579	141,817,466
	276,033,184	**241,464,021**

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.

24. Customer loans and advances – Group (continued)

	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 2022	187,490,137	44,907,700	35,650,015	268,047,852
Transfer to stage 1	9,485,129	(8,451,834)	(1,033,295)	-
Transfer to stage 2	(13,653,375)	14,826,424	(1,173,049)	-
Transfer to stage 3	(2,024,905)	(14,670,863)	16,695,768	-
Net new financial assets originated or purchased	41,653,596	(2,633,141)	8,300,470	47,320,925
Foreign exchange and other changes	6,954,285	(842,217)	(66,341)	6,045,727
Write-offs	(1,235,633)	(1,638,666)	(25,504,370)	(28,378,669)
Gross carrying amounts as at 31 December 2022	**228,669,234**	**31,497,403**	**32,869,198**	**293,035,835**
Gross carrying amount as at 01 January 2021	189,706,749	51,513,060	32,109,411	273,329,220
Transfer to stage 1	8,240,510	(7,438,133)	(802,377)	-
Transfer to stage 2	(13,733,593)	14,734,345	(1,000,752)	-
Transfer to stage 3	(2,293,041)	(11,585,647)	13,878,688	-
Net new financial assets originated or purchased	19,227,321	6,657,340	2,149,561	28,034,222
Net new financial assets originated or purchased	(12,701,560)	(6,457,195)	1,759,364	(17,399,391)
Write-offs	(956,249)	(2,516,070)	(12,443,880)	(15,916,199)
Gross carrying amounts as at 31 December 2021	**187,490,137**	**44,907,700**	**35,650,015**	**268,047,852**

Impairment of financial assets

- The loss allowance recognised 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 recognised during the period, as well as releases for financial instruments de-recognised 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 derecognised 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	**2,151,861**	**5,928,181**	**22,727,225**	**30,807,267**
Changes in the loss allowance	-	-	-	-
Transfer to stage 1	(13,475)	(66,393)	79,868	-
Transfer to stage 2	(647,758)	980,903	(333,145)	-
Transfer to stage 3	(201,623)	(3,680,365)	3,881,988	-
Net new impairments created/(released)	1,147,937	904,914	13,160,140	15,212,991
Changes in models/risk parameters	77,867	616,509	(251,743)	442,633
Foreign exchange and other movements	(14,979)	(31,675)	5,717	(40,937)
Total charge to profit or loss	**347,969**	**(1,276,107)**	**16,542,825**	**15,614,687**
Write-offs	(172,733)	(1,912,000)	(23,190,525)	(25,275,258)
At 31 December 2022	**2,327,097**	**2,740,074**	**16,079,525**	**21,146,696**
At start of year	**1,945,249**	**11,972,801**	**17,026,656**	**30,944,706**
Changes in the loss allowance	-	-	-	-
Transfer to stage 1	482,331	(278,983)	(203,348)	-
Transfer to stage 2	(107,574)	182,656	(75,082)	-
Transfer to stage 3	(300,578)	(7,369,838)	7,670,416	-
Net new impairments created/(released)	(348,824)	3,615,107	14,221,490	17,487,773
Changes in models/risk parameters	573,981	(2,137,700)	(812,051)	(2,375,770)
Foreign exchange and other movements	32,840	433,686	(1,963,167)	(1,496,641)
Total charge to profit or loss	**332,176**	**(5,555,072)**	**18,838,258**	**13,615,362**
Write-offs	(125,564)	(489,548)	(13,137,689)	(13,752,801)
At 31 December 2021	**2,151,861**	**5,928,181**	**22,727,225**	**30,807,267**

25. Other assets

	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Deposits, prepayments and other deferred charges	1,652,687	982,607	-	-
Receivables from mobile banking operators*	12,673,066	5,202,102	-	-
Other receivables	3,679,778	4,224,865	-	-
	18,005,531	**10,409,574**	-	-

Other receivables mainly relates to suspense accounts across the Group. Mobile banking relates to funding for mobile initiated transactions and other mobile banking funding accounts are funding for mobile loans.

*Mobile banking and other funding increased to fund growing customers borrowing needs and increased transactions needs.

26. Investment in associates

	Country of incorporation	Effective interest	2022 Shs 000	2021 Shs 000
CBA Mutuya Property Group Limited	Kenya	23.34%		
As start of the year			2,964,327	2,896,394
Share of associate's profits			33,619	67,933
At end of year			**2,997,946**	**2,964,327**
AIG Kenya Insurance Company Limited	Kenya	33.33%		
At start of the year			**987,290**	**1,004,351**
Share of associate's profits			130,751	32,939
Dividends received			(90,000)	(50,000)
At end of year			**1,028,041**	**987,290**
Bridge MicroFinance	Cote d'Ivoire	35.00%		
As start of the year			4,843	16,230
Share of associate's profit / (loss)			38,830	(11,387)
At end of year			**43,673**	**4,843**
Total investment in associates			**4,069,660**	**3,956,460**

Summarised statement of financial position

	CBA Mutuya Property Group Limited		AIG Kenya Insurance Limited		Bridge MicroFinance	
Summarised statement of financial position	2022 Shs 000	2021 Shs 000	2022 Shs 000	2021 Shs 000	2022 Shs 000	2021 Shs 000
Current						
Assets	1,885,068	1,808,136	1,269,330	1,176,176	914,425	850,331
Liabilities	(123,344)	(207,433)	(944,893)	(894,489)	(406,610)	(305,574)
Net current assets	**1,761,724**	**1,600,703**	**324,437**	**281,687**	**507,815**	**544,757**
Non-current						
Assets	16,456,968	12,955,398	5,056,599	4,791,374	3,289,076	2,022,157
Liabilities	(2,887,445)	(281,849)	(3,035,372)	(2,784,480)	(3,595,424)	(2,456,779)
Net non-current assets	13,569,523	12,673,549	2,021,227	2,006,894	(306,348)	(434,622)
Net assets	**15,331,247**	**14,274,252**	**2,345,664**	**2,288,581**	**201,467**	**110,135**
Summarised statement of comprehensive income						
Revenue	**438,776**	**416,832**	**2,202,563**	**1,994,889**	**449,019**	**102,794**
Profit / (loss) for the year	319,040	292,734	392,289	283,183	90,661	(32,532)
Total Share of associate's profit / (loss) for the year	**33,619**	**67,933**	**130,751**	**32,938**	**38,830**	**(11,386)**

Share of associate's profit / (loss) for the year	2022 Shs 000	2021 Shs 000
CBA Mutuya Property Group Limited	33,619	67,933
AIG Kenya Insurance Limited	130,751	32,938
Bridge MicroFinance	38,830	(11,386)
	203,200	**89,485**

26. Investment in associates (continued)

The associates are unlisted.

- AIG Kenya Insurance Company Limited is an insurance company which underwrites all classes of general insurance risks as defined by the Insurance Act. In 2021, NCBA Bank Kenya PLC transferred this investment to NCBA Group PLC at cost.
- CBA Mutuya Property Group Limited is a property holding company which invests in investment property for rental income.
- Bridge Microfinance, a company registered in the Republic of Cote d'Ivoire. The company is mainly involved in 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

Investments in associates are classified as non-current assets.

There are no material contingent liabilities that may affect the financial position of the associate investments companies.

27. Investment in subsidiaries

NCBA Group PLC, is the parent to the subsidiaries listed below:

Company name	Country of incorporation	Principal activity	Percentage of ownership interest (%)	2022 Shs '000	2021 Shs '000
NCBA Bank Kenya PLC	Kenya	Banking	100	57,247,745	57,247,745
NCBA Bank Tanzania Limited	Tanzania	Banking	100*	7,085,647	5,083,890
NCBA Bank Uganda Limited	Uganda	Banking	100	4,946,083	4,132,587
NCBA Bank Rwanda PLC	Rwanda	Banking	100	3,300,113	2,842,845
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 Bancassurance Intermediary Limited	Kenya	Insurance Agency	100	1,000	1,000
National Industrial Credit Trustees	Kenya	Dormant	100	500	500
LOOP DFS Ltd (previously Banqtech Limited)	Kenya	Financial Innovation	100	200,001	1
Commercial Bank of Africa (Tanzania) Limited	Tanzania	Dormant	100	-	-
Commercial Bank of Africa (Uganda) Limited	Uganda	Dormant	100	-	-
				74,081,089	**70,608,568**

*The Group acquired the minority interest share increasing Group ownership to 100% in 2022 (2021 - 93.44%).

27) Investment in subsidiaries (continued)

Year 2022	NCBA 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	Total Shs'000
Balance as at 1 January 2022	57,247,745	5,083,890	4,132,587	2,842,845	200,000	1,101,501	70,608,568
Additional capital injection during the year	-	2,001,757	813,496	457,268	-	200,000	3,472,521
Balance at end of year	**57,247,745**	**7,085,647**	**4,946,083**	**3,300,113**	**200,000**	**1,301,501**	**74,081,089**
Year 2021							
Balance as at 1 January 2021	55,108,505	4,105,890	3,355,173	2,263,995	200,000	1,101,501	66,135,064
Additional capital injection during the year	-	978,000	777,414	578,850	-	-	2,334,264
Impact of intercompany loan finance costs (Note 2.27)	2,139,240	-	-	-	-	-	2,139,240
Balance at end of year	**57,247,745**	**5,083,890**	**4,132,587**	**2,842,845**	**200,000**	**1,101,501**	**70,608,568**

Others includes NIC Properties Limited, NCBA Investment Bank Limited, NCBA Leasing LLP, Mercantile Finance Company Limited, NCBA Bancassurance Intermediary Limited, National Industrial Credit Trustees and LOOP DFS Limited.

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 (%)	2022 Shs '000	2021 Shs '000
CBA Capital Limited	Kenya	Dormant	100	-	-
Syndicate Nominees Limited	Kenya	Nominee	100	2	2
CBA Insurance Agency Limited	Kenya	Insurance agency	100	-	-
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
				23,002	**23,002**

The subsidiaries below are owned indirectly by NCBA Group PLC through LOOP DFS Limited.

Company name	Country of incorporation	Principal activity	Percentage of ownership interest (%)	2022 Shs '000	2021 Shs '000
Banqtech Ghana Limited	Ghana	Active	77.91%	25,550	-
LOOP Payco Limited	Kenya	Active	100.00%	6,000	-
				31,550	**-**

27) Investment in subsidiaries (continued)

Banqtech Ghana limited was incorporated in 2022 as a private limited liability company in Ghana for the provision of digital financial services to merchants and consumers.

LOOP Payco Limited was incorporated in 2022 as a private limited liability company in Kenya for the provision of digital financial services.

Investment in subsidiaries is classified as non-current asset.

28. Intangible assets

	2022 Shs'000	2021 Shs'000
Software	5,810,137	5,551,514
Other intangible assets	-	531,125
	5,810,137	**6,082,639**

Intangible assets are classified as non-current

a) Software

	2022 Shs'000	2021 Shs'000
At start of year	5,551,514	5,119,244
Additions during the year	1,393,174	1,567,494
Capitalisation of work in progress	-	66,264
Amortisation charge for the year	(1,152,997)	(1,195,010)
Disposals	-	(14,919)
Foreign exchange movement on consolidation	18,446	8,441
At end of year	**5,810,137**	**5,551,514**
Cost	14,868,080	13,409,248
Accumulated amortisation	(9,062,166)	(7,843,511)
Foreign currency exchange rate movement on consolidation	4,223	(14,223)
	5,810,137	**5,551,514**

b) Other Intangible assets

	Total Shs' 000
Year ended 31 December 2022	
At start of year	531,125
Amortisation charge for the year	(531,125)
At end of year	-
Year ended 31 December 2021	
At start of year	1,326,875
Amortisation charge for the year	(795,750)
At end of year	**531,125**

28. Intangible assets (continued)

Software comprises capitalised computer software costs, mainly relating to business software developments, generated internally with the support of external vendors. The capitalised costs are amortised over the estimated useful lives of three to ten years. Remaining useful lives of these intangible assets vary but do not exceed ten years.

The other intangibles assets relates to customer relationships and arose on the merger transaction between NIC Group PLC and Commercial Bank of Africa Limited.

29. Property and Equipment - Group

At 1 January 2022	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	2,641,312	6,395,145	186,129	442,130	9,664,716
Accumulated depreciation	(1,682,359)	(5,350,342)	(150,011)	-	(7,182,712)
Net book amount	**958,953**	**1,044,803**	**36,118**	**442,130**	**2,482,004**
Year ended 31 December 2022					
Opening net book amount	**958,953**	**1,044,803**	**36,118**	**442,130**	**2,482,004**
Asset additions - at cost	5,033	233,249	23,918	272,245	534,445
Exchange rate movements	13,757	20,168	4,283	2,698	40,906
Capitalisation of work in progress	302,557	151,275	-	(453,832)	-
Asset disposals	(3,714)	(131,057)	(29,616)	-	(164,387)
Depreciation eliminated on disposals	3,714	129,429	29,616	-	162,759
Depreciation charge	(231,721)	(438,418)	(28,211)	-	(698,350)
	1,048,579	**1,009,449**	**36,108**	**263,241**	**2,357,377**
At 31 December 2022					
Cost	3,003,166	6,742,948	194,621	263,241	10,203,976
Accumulated depreciation	(1,954,587)	(5,733,499)	(158,513)	-	(7,846,599)
Net book amount	**1,048,579**	**1,009,449**	**36,108**	**263,241**	**2,357,377**
At 1 January 2021					
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 2021					
Opening net book amount	**986,030**	**1,230,704**	**64,220**	**891,703**	**3,172,657**
Asset additions - at cost	883	181,282	-	165,691	347,856
Exchange rate movements	2,764	8,818	(388)	2,719	13,913
Capitalisation of work in progress	189,717	140,936	-	(330,653)	-
Transfers to prepayments	-	-	-	(221,066)	(221,066)
Asset disposals	-	(7,829)	-	(66,264)	(74,093)
Depreciation eliminated on disposals	-	6,420	-	-	6,420
Depreciation charge	(220,441)	(515,528)	(27,714)	-	(763,683)
	958,953	**1,044,803**	**36,118**	**442,130**	**2,482,004**
At 31 December 2021					
Cost	2,641,312	6,395,145	186,129	442,130	9,664,716
Accumulated depreciation	(1,682,359)	(5,350,342)	(150,011)	-	(7,182,712)
Net book amount	**958,953**	**1,044,803**	**36,118**	**442,130**	**2,482,004**

29. Property and Equipment - Group (continued)

Work in progress comprise improvements on leased properties, equipment and fittings 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 cost of Shs 6.1 billion were fully depreciated as at 31 December 2022 (2021 - Shs 6.2 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% (2021 - 30%). The movements in the deferred income tax account were as follows:

	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	**2022 Shs'000**	2021 Shs'000
At start of year	11,832,708	9,609,035	24,491	-
Profit or loss credit (note 15)	(2,807,461)	1,701,928	41,520	23,466
Prior year under provision	16,051	(6,085)	(6,791)	1,025
Income tax on changes in value of FVOCI financial instruments	1,259,424	527,830	-	-
At end of year	**10,300,722**	**11,832,708**	**59,220**	**24,491**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2022

30. Deferred income tax

Group

Year ended 31 December 2022	At start of year Shs'000	Prior year over/under provision Shs '000	Recognised in profit or loss Shs '000	Recognised in other comprehensive income Shs '000	At end of year Shs'000
Property and equipment	664,349	(68)	34,336	-	698,617
Intangible assets recognised on merger	(159,338)	-	159,338	-	-
Accelerated depreciation	3,610	-	-	-	3,610
Exchange rate difference on consolidation	(91,963)	-	(21,417)	191,657	78,277
IFRS 16 right of use and lease liability	163,215	-	21,403	-	184,618
Leave pay provision	10,784	-	7,562	-	18,346
Loan loss Provision	8,861,579	16,119	(2,864,481)	-	6,013,217
Changes in fair value of FVOCI financial instruments (note 41)	1,048,117	-	-	1,067,767	2,115,884
Changes in fair value of assets carried at FVTPL	11,507	-	-	-	11,507
Tax losses	2,663,297	-	(144,202)	-	2,519,095
Deferred income tax de-recognised	(1,342,449)	-	-	-	(1,342,449)
Net deferred income tax asset	**11,832,708**	**16,051**	**(2,807,461)**	**1,259,424**	**10,300,722**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2022

30. Deferred income tax (Continued)

Year ended 31 December 2021	At start of year Shs'000	Prior year over/under provision Shs '000	Recognised in profit or loss Shs '000	Credited to revaluation reserves revaluation Shs'000	At end of year At end of Shs'000
Property and equipment	638,231	(89,442)	115,560	-	664,349
Intangible assets recognised on merger	(398,063)	-	238,725	-	(159,338)
Accelerated depreciation	3,610	-	-	-	3,610
Exchange rate difference on consolidation	(95,290)	-	(15,520)	(6,855)	(117,665)
IFRS 16 right of use and lease liability	466,282	-	(33,672)	-	432,610
Leave pay provision	(390,675)	-	4,711	-	(385,964)
Provisions for bad debt impairment losses and other provisions	8,016,421	83,357	889,154	-	8,988,932
Changes in fair value of FVOCI financial instruments (note 41)	539,134	-	-	534,685	1,073,819
Changes in fair value of assets carried at FVTPL	11,507	-	-	-	11,507
Tax losses	2,160,327	-	502,970	-	2,663,297
Deferred income tax de-recognised	(1,342,449)	-	-	-	(1,342,449)
Net deferred income tax asset	**9,609,035**	**(6,085)**	**1,701,928**	**527,830**	**11,832,708**

Company

Company

Year ended 31 December 2022	At start of year Shs'000	(Debited) Credited to profit and loss account Shs'000	Debited to revaluation reserves Shs'000	At end of year Shs'000
Deferred income tax asset				
Provisions for staff bonus accrual and other general accruals	24,491	34,729	-	59,220
Year ended 31 December 2021				
Deferred income tax asset				
Provisions for staff bonus accrual and other general accruals	23,466	1,025	-	24,491

31) Lease Prepayments – Leasehold Land

Group

	2022 Shs'000	2021 Shs'000
Cost		
At start of year and end of year	526,000	526,000
Amortization		
At start of year	3,750	3,625
Charge for the year	125	125
At end of year	3,875	3,750
Net book value	**522,125**	**522,250**

Operating lease prepayments - leasehold land is classified as non-current assets

32) Right of use asset – Group

	2022 Shs'000	2021 Shs'000
At 1 January	2,979,464	3,087,305
Additions during the year	1,044,513	603,198
Prior period lease amendment	5,142	-
Derecognition of ROU on Terminated Leases	(100,856)	(17,044)
Depreciation charge for the year	(1,006,903)	(727,583)
Forex variations	18,988	33,588
Net book value	**2,940,348**	**2,979,464**

Right of use assets is classified as non-current assets

33) Goodwill - Group

	2022 Shs'000	2021 Shs'000
At start of year and end of year	**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 recognised upon consolidation of interest in subsidiaries.

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 recognised 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 2021, the Group reassessed the carrying amounts of pre-combination goodwill values existing in both former Groups. These were impaired accordingly.

34) Customer deposits – Group

	2022 Shs'000	2021 Shs'000
Current accounts	207,389,813	223,441,882
Call deposits	27,421,081	17,031,643
Time deposits	208,741,451	210,667,357
Savings accounts	57,756,843	17,325,709
Others	1,366,766	1,423,492
	502,675,954	**469,890,083**

Current and non-current analysis

	2022 Shs'000	2021 Shs'000
Current	501,486,427	460,104,486
Non-current	1,189,527	9,785,597
	502,675,954	**469,890,083**

The maturity analysis is based on the remaining periods to contractual maturity from year end.

35. Due to banking institutions – Group

	2022 Shs'000	2021 Shs'000
Maturing within 3 months		
Time deposits	2,100,568	7,006,859
Current account balances	3,813,559	7,768,424
Total due to banking institutions	**5,914,127**	**14,775,283**

All the balances due to banking institutions had maturities of less than 91 days and are classified as current

36. Other liabilities

	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Accrued expenses	7,938,680	7,995,304	370,185	160,508
Other settlement items	6,703,083	4,467,887	-	-
Other liabilities	5,560,070	3,514,805	-	-
	20,201,833	**15,977,996**	**370,185**	**160,508**

Other liabilities include items in suspense across the Group.

The other liabilities are classified as current liabilities

37) Borrowings – Group

a) Summary of borrowings

	2022 Shs'000	2021 Shs'000
African Development Bank		
Principal amount	1,234,800	1,697,400
Accrued interest	17,532	24,395
	1,252,332	**1,721,795**
Agence Francaise de Developpement (AFD)		
Principal amount	728,818	850,211
Accrued interest	2,921	296
	731,739	**850,507**
International Finance Corporation (IFC)		
Principal amount	-	812,695
Accrued interest	-	1,884
	-	**814,579**
European Investment Bank (EIB)		
Principal amount	2,215,437	2,707,040
Accrued interest	7,457	2,834
	2,222,894	**2,709,874**
	4,206,965	**6,096,755**
Maturity Profile:		
Current	1,706,467	2,198,664
Non-current	2,500,498	3,898,091
	4,206,965	**6,096,755**

b) Net borrowings reconciliation

	2022 Shs'000	2021 Shs'000
Opening balance	6,096,755	13,319,474
Accrued interest	159,743	318,590
Repayments (cash flow movement)	(2,360,521)	(7,936,076)
Foreign exchange movements	310,988	394,767
Closing balance	**4,206,965**	**6,096,755**

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 had a long-term subordinated debt facility 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. This facility was fully paid on 15 June 2022.

ii) Other borrowings

NCBA Bank Kenya PLC has four long-term senior loans as below:

- US$ 54 million unsecured facility raised from EIB in December 2016, with a tenure of 7 years. Outstanding principal balance as at 31 December 2022 was US$ 17.9 million (2021: US$ 24 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 2022 was EUR 5.5 million (2021: EUR 6.6 million);
- US$ 65 million unsecured facility raised from African Development Bank in 2020. The facility is payable over a period of 7 years, including a two (2) year moratorium. Outstanding principal balance as at 31 December 2022 was US$ 10 million (2021: US$ 15 million)
- US$ 35 million unsecured facility raised from IFC in December 2014, with a tenure of 7 years. This facility was fully paid on 15 June 2022.

The borrowings from above lenders requires compliance with various specified financial ratios / covenants as per respective contractual agreements. The Group was compliant with all covenants as 31 December 2022.

The facilities bearing interest at rates referenced to six months Libor, will transition to Secured Overnight Financing Rate (SOFR) with the cessation of LIBOR from 30 June 2023.

38) Lease liability

	2022 Shs'000	2021 Shs'000
At start of year 2022	3,599,681	3,778,787
Additions during the year	715,854	603,199
Prior period lease amendment	839	-
Derecognition on lease termination	(10,670)	(167,949)
Interest expense accruals (lease liability) during the year	419,078	412,311
Lease liability debits (rent paid) in the year	(1,118,868)	(1,073,995)
Foreign translation movements	8,650	47,328
At end of year	**3,614,564**	**3,599,681**
Current and non-current analysis		
Current	2,872,205	2,895,600
Non-Current	742,359	704,081
	3,614,564	**3,599,681**

The prior period lease amendment relates to leases whose rent amounts as per the lease agreement were based on estimates but these were then finalised at the beginning of the year, once actuals were confirmed.

39) Share capital – Group and Company

	2022 Number of shares (thousands)	2021 Value Shs '000	2021 Number of shares (thousands)	2021 Value Shs '000
Issued and fully paid				
At start of year	1,647,519	8,237,598	1,647,519	8,237,598
At close of year	**1,647,519**	**8,237,598**	**1,647,519**	**8,237,598**

40) Share premium – Group and Company

	2022 Shs'000	2021 Shs'000
At start of year	21,424,322	21,424,322
At end of year	**21,424,322**	**21,424,322**

41. Revaluation reserve - Group

Changes in fair value of financial Instruments at FVOCI		
At start of year	369,963	1,617,562
Changes in fair value of FVOCI financial instruments (note 22)	(3,559,224)	(1,782,284)
Deferred income tax on changes in fair value of FVOCI financial instruments (note 30)	1,067,767	534,685
At end of year	**(2,121,494)**	**369,963**

The revaluation reserves, which is non-distributable, arises from changes to fair value of Government securities held at FVOCI.

The fair value gains on financial assets measured at FVOCI net of taxes amounted to Shs 2,491,457

(2021: Shs 1,247,599).

42. Statutory loan loss reserve

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 recognised 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	2022 Shs'000	2021 Shs'000
Deposits with NCBA Bank Kenya PLC	84,875	9,649
Other receivables from NCBA Group companies	9,828	50,406
	94,703	**60,055**
Due to group companies - Company		
Due to NCBA Bank Kenya PLC	8,959,800	10,297,692

The balance due to NCBA Bank Kenya PLC includes Shs 8.2 billion (2021 – Shs 10.2 billion) on transfer of investments in regional subsidiaries from NCBA Bank Kenya PLC to NCBA Group PLC.

Loans and advances to directors - Group	2022 Shs'000	2021 Shs'000
At start of year	267,422	232,483
Advanced during the year	27,919	63,414
Repaid during the year	(35,255)	(28,475)
At end of year	**260,086**	**267,422**
Loans and advances to other key management personnel - Group		
Loans and advances to other key management personnel	530,351	419,523

Loans and advances / facilities to companies controlled by directors, common shareholders or their associates - Group

	2022 Shs'000	2021 Shs'000
On-balance sheet	21,621,311	19,108,228
Off-balance sheet	1,737,158	1,549,280
Income earned on related party loans and advances - Group		
Interest income earned on related party loans and advances during the year	1,515,857	1,480,327
Commissions earned on related party loans and advances during the year	102,127	100,960

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

	2022 Shs'000	2021 Shs'000
Related party deposits	20,943,511	19,573,770
Interest expense incurred on related party deposits during the year	1,260,310	810,553

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

	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Salaries and other short term employment benefits	1,024,767	745,443	260,231	201,111
Post-employment benefits	62,577	60,472	19,683	15,746
	1,087,344	**805,915**	**279,915**	**216,857**

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

	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Fees for services as directors	62,496	53,473	41,530	42,500
Other emoluments (included in key management compensation above)	301,994	175,517	183,434	216,216
	364,490	**228,990**	**224,964**	**258,716**

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.

	GROUP		COMPANY	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Cash and balances with Central Banks (note 18)	38,626,109	43,154,323	-	-
Less: Cash reserve requirement*	(21,799,568)	(20,073,529)	-	-
	16,826,541	**23,080,794**	**-**	**-**
Due from banking institutions (note 20)	25,692,842	45,119,386	84,875	9,650
Due to banking institutions (note 35)	(5,914,127)	(14,775,283)	-	-
Government securities	4,352,060	14,046,867	-	-
	40,957,316	**67,471,764**	**84,875**	**9,650**

*The restricted funds with the central banks in Kenya, Uganda, Tanzania and Rwanda are not interest earning and are based on the value of deposits as adjusted by central banks' requirements from time to time. These funds (restricted balances with central banks) as per prudential guidelines, are not available for use by the Banks in day-to-day operations.

45. Notes to the statement of cash flows

	Notes	GROUP		COMPANY	
		2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Reconciliation of profit before taxation to cash generated from operations					
Profit before income tax		**22,491,526**	**15,034,989**	**11,714,334**	**6,056,657**
Share of profit from associates	26	(203,200)	(89,485)		
Fair value loss of loan note		554,651	-	-	-
Fair value gain on equity securities		(42,066)	-	-	-
Unrealised Foreign exchange income		(316,834)	-	-	-
(Loss) / gain on disposal property and equipment		(14,984)	67,673	-	-
Impairment losses	8	12,465,743	11,210,714		
Amortisation of other intangible assets	28	1,152,997	1,195,010	-	-
Amortisation of other intangible assets	28	531,125	795,750	-	-
Depreciation charge on property and equipment	29	698,350	763,683	-	-
Depreciation of right of use asset	32	1,006,903	727,583	-	-
Amortisation of lease prepayments	31	125	125	-	-
Interest expense on lease liability	38	419,078	412,311	-	-
Interest expense on borrowings	37	159,743	318,590	-	-
Interest income		(64,112,324)	(57,302,525)	(33,214)	(36,707)
Interest expense		21,725,694	19,477,455	-	
Total non-cash items		**(25,974,999)**	**(22,423,116)**	**(33,214)**	**(36,707)**
Cash flows from operating activities before changes in operating assets and liabilities		**(3,483,473)**	**(7,388,127)**	**11,681,120**	**6,019,950**
Increase in balances held with Central Banks-mandatory reserves		(1,726,039)	(1,869,683)	-	-
Increase in loans and advances		(47,661,067)	(6,266,579)	-	-
(Increase)/decrease in other assets		(8,164,563)	2,920,657	-	-
Decrease due from group companies		-	-	40,577	(3,371)
Decrease due to group companies		-	-	(1,337,892)	(204,924)
Increase in customer deposits		32,785,871	48,385,629	-	-
Increase in other liabilities		4,613,703	6,189,103	190,038	60,866
Decrease in unclaimed dividends		-	(33,392)	-	(13,753)
Changes in operating assets and liabilities		**(20,152,095)**	**49,325,735**	**(1,107,277)**	**(161,182)**
Cash generated from operations		**(23,635,568)**	**41,937,608**	**10,573,843**	**5,858,768**

45. Notes to the statement of cash flows (continued)

Restatement of Statement of Cash Flows

The cash flow statement for the comparative period ended 31 December 2021 has been restated to make the following enhancement as required by IAS 7:31 and has a nil impact.

Interest income of Shs 57,302,525,000 and interest expense of Shs 19,477,455 have been disclosed separately under cash flows from operating activities in the note. The amounts had previously been disclosed within the line items "increase in loans and advances" of Shs 6,266,579,000 and "increase/ (decrease) in other assets" of Shs 2,920,657,000 included in changes in operating activities for the year ended 31 December 2021. The items have nil impact on the aggregate "Net cash flow (used)/from operating activities" for the year ended 31 December 2021.

The effect of these reclassifications is as follows:

Contingent liabilities	As reported 2021 Shs'000	Reclassification adjustment Shs'000	As reclassified 2021 Shs'000
Non-cash items	15,401,954	(37,825,070)	(22,423,116)
Net movement in cash generated from operations	11,500,665	37,825,070	49,325,735
	26,902,619	**-**	**26,902,619**

46. Off-balance sheet financial instruments, contingent liabilities, commitments and operating leases

In common with 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.

	2022 Shs'000	2021 Shs'000
Letters of credit	20,087,009	17,300,749
Acceptances	10,035,685	9,791,061
Guarantees	30,589,672	31,711,449
	60,712,366	**58,803,259**

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.

Commitments	2022 Shs'000	2021 Shs'000
Un-drawn formal standby facilities, credit lines and other	11,384,035	20,307,419
commitments to lend Foreign exchange forward contracts	5,409,360	6,966,710
Purchase of property and equipment	558,947	543,190

46. Off-balance sheet financial instruments, contingent liabilities, commitments and operating leases (continued)

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 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 assessments, beyond the provisions already recorded.

47. 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 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 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 233 billion (2021 – Shs 212 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 governance and internal control policies and procedures that ensure the proper discharge of fiduciary duties.

48. Events After Reporting Period

There are no significant events after the reporting period to report in these financial statements. (2021: none)

49. Operating segments

The Group principle are within various geographical segments, Kenya, Uganda, Tanzania and Rwanda. Further to the geographical segmentation and this is the basis of allocation of resources by Chief Operating Decision Makers.

i) Corporate and Institutional banking

Targets medium to large corporate clientele and institutions, with a focus on liability mobilization and asset growth. The Bank uses the following distribution channels.

ii) Retail banking (SME and Consumer 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.

49. Operating segments (Continued)

iv) Digital Bank

This segment focuses on mobile savings and lending products at a micro level.

v) Investment banking

IInvestment 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 by geographical segments.

50. Segmental reporting

Statement of profit or loss – Year ended 31 December 2022

	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Rwanda Shs'000	Group Shs'000
Interest income and other credit-related fees	56,856,063	2,430,532	2,857,017	1,968,712	64,112,324
Interest expense	(19,351,433)	(947,098)	(857,919)	(569,244)	(21,725,694)
Net interest income	**37,504,630**	**1,483,434**	**1,999,098**	**1,399,468**	**42,386,630**
Non – interest revenue	16,389,566	407,432	406,887	283,651	17,487,536
Operating and other Income	**53,894,196**	**1,890,866**	**2,405,985**	**1,683,119**	**59,874,166**
Impairment charges	(10,423,857)	(1,643,835)	(217,679)	(180,372)	(12,465,743)
Operating expenses	(20,893,695)	(1,813,181)	(1,462,965)	(950,256)	(25,120,097)
Profit before share of associate's profit	**22,576,644**	**(1,566,150)**	**725,341**	**552,491**	**22,288,326**
Share of associates profit	203,200	-	-	-	203,200
Profit before income tax	**22,779,844**	**(1,566,150)**	**725,341**	**552,491**	**22,491,526**
Income tax expense	(8,456,596)	(213,769)	42,239	(85,375)	(8,713,501)
Profit for the year	**14,323,248**	**(1,779,919)**	**767,580**	**467,116**	**13,778,025**

50. Segmental reporting (continued)

Statement of profit or loss – Year ended 31 December 2021

	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Rwanda Shs'000	Group Shs'000
Interest income and other credit-related fees	51,881,126	2,093,946	2,208,287	1,119,166	57,302,525
Interest expense	(17,571,418)	(909,764)	(626,860)	(369,413)	(19,477,455)
Net interest income	**34,309,708**	**1,184,182**	**1,581,427**	**749,753**	**37,825,070**
Non – interest revenue	8,921,392	385,155	346,650	167,181	9,820,378
Operating and other Income	**43,231,100**	**1,569,337**	**1,928,077**	**916,934**	**47,645,448**
Impairment charges	(8,836,499)	(680,224)	(1,428,781)	(265,210)	(11,210,714)
Operating expenses	(17,798,256)	(1,828,732)	(1,264,462)	(597,780)	(21,489,230)
Profit before share of associate's profit	**16,596,345**	**(939,619)**	**(765,166)**	**53,944**	**14,945,504**
Share of associates profit	89,485	-	-	-	89,485
Profit before income tax	**16,685,830**	**(939,619)**	**(765,166)**	**53,944**	**15,034,989**
Income tax expense	(4,906,167)	(216,550)	281,920	29,451	(4,811,346)
Profit for the year	**11,779,663**	**(1,156,169)**	**(483,246)**	**83,395**	**10,223,643**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2022

50. Segmental reporting (continued)

Statement of financial position – As at 31 December 2022

	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Rwanda Shs'000	Group Shs'000
Assets					
Cash and balances with Central banks	30,870,881	2,875,399	3,495,314	1,384,515	38,626,109
Government securities	205,373,018	4,265,677	9,712,724	3,099,241	222,450,660
Due from banking institutions	18,671,505	2,960,308	2,515,374	1,545,655	25,692,842
Customer loans and advances	247,011,015	11,971,813	6,992,342	10,058,014	276,033,184
Investment securities	10,168,484	-	-	-	10,168,484
Other assets	42,656,406	878,763	1,877,004	1,278,192	46,690,365
Total assets	**554,751,309**	**22,951,960**	**24,592,758**	**17,365,617**	**619,661,644**
Liabilities					
Customer deposits	458,619,230	17,114,437	16,310,149	10,632,138	502,675,954
Due to banking institutions	172,213	1,579,341	1,606,446	2,556,127	5,914,127
Borrowings	4,206,965	-	-	-	4,206,965
Other liabilities	19,489,777	1,826,391	1,762,119	1,364,620	24,442,907
Total liabilities	**482,488,185**	**20,520,169**	**19,678,714**	**14,552,885**	**537,239,953**
Shareholders' funds	72,263,124	2,431,791	4,914,045	2,812,731	82,421,691
Total liabilities and shareholders' funds	**554,751,309**	**22,951,960**	**24,592,759**	**17,365,616**	**619,661,644**

Statement of financial position – As at 31 December 2021

	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Rwanda Shs'000	Group Shs'000
Assets					
Cash and balances with Central banks	37,313,718	2,354,922	2,678,558	807,125	43,154,323
Government securities	196,051,953	3,858,698	6,931,844	2,608,352	209,450,847
Due from banking institutions	38,114,581	1,902,633	4,376,663	725,509	45,119,386
Customer loans and advances	216,319,333	11,700,178	6,780,914	5,537,253	240,337,678
Investment securities	13,970,581	-	-	-	13,970,581
Other assets	34,572,523	1,509,446	1,908,501	1,064,753	39,055,223
Total assets	**536,342,689**	**21,325,877**	**22,676,480**	**10,742,992**	**591,088,038**
Liabilities					
Customer deposits	430,781,371	13,751,586	18,115,509	7,241,618	469,890,084
Due to banking institutions	10,497,192	3,472,419	14,434	791,239	14,775,284
Borrowings	6,096,755	-	-	-	6,096,755
Other liabilities	18,452,096	1,935,805	1,124,371	826,613	22,338,885
Total liabilities	**465,827,414**	**19,159,810**	**19,254,314**	**8,859,470**	**513,101,008**
Shareholders' funds	70,515,275	2,166,067	3,422,166	1,883,522	77,987,030
Total liabilities and shareholders' funds	**536,342,689**	**21,325,877**	**22,676,480**	**10,742,992**	**591,088,038**

NOTICE OF THE 63RD ANNUAL GENERAL MEETING

Notice is hereby given that the **63rd Annual General Meeting (AGM)** of the shareholders of **NCBA Group PLC** will be held via electronic communication on **Wednesday, 31st May 2023** 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 2022 and the Directors' and Auditor's reports thereon.
3. To confirm the interim dividend of Shs 2.00 per ordinary share paid on 30th September 2022 and declare a final dividend of Shs 2.25 per ordinary share (2021: Shs 3.00 per ordinary share).
4. To approve the Directors' Remuneration Policy and Report and the remuneration paid to the Directors in the year ended 31st December 2022, and to authorize the Board to fix the remuneration of the Directors for the year 2023.
5. **To elect Directors:**
   (a) In accordance with Article 7.18 of the Company's Articles of Association, the following Directors retire by rotation and being eligible, offer themselves for re-election:
      i) A. S. M. Ndegwa; and
      ii) Mrs. E. N. Ngaine
   (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) Hon. A. H. Abdi; and
      iii) P. R. Lopokoiyit.
6. To appoint Deloitte & Touche as 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
9 May 2023

Notes:

NCBA Group PLC has convened and will conduct a Virtual AGM pursuant to section 283 of the Companies Act.

2. The Company, pursuant to Section 283 (3) of the Companies Act, has made available 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;
   b) the Company's Financial Statements and reports for the year 2022;
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 Road, Nairobi, Kenya, before Monday, 29th May 2023 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.
4. A copy of this notice, proxy form and full copy of the Group financial statements including explanatory notes are available from the Company's website **https://ncbagroup.com/** (investor relations). Completed proxy forms, which must contain the appointed person's mobile telephone and email contact, should be delivered either physically where practicable to the Company's registered office or at C&R Group's registered office; or by sending a clear scanned copy via email to **proxy@candrgroup.co.ke** no later than Monday 29th May 2023 at 12:00 noon.
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 *483*121# from their mobile telephones for all Kenyan telephone networks 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** or

c) Via a link to the AGM Platform that will be sent to them via SMS and/or Email and following the various registration prompts.

d) Registration opens on Thursday 18th May 2023 at 08:00 am and will conclude on Tuesday 30th May 2023 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 official 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) 869 0360 between 8:00 am and 4:00 pm or email **digital@candrgroup.co.ke.**

6. Shareholders wishing to raise questions or seek clarification in relation to matters to be considered at 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** or via a link to the AGM Platform and clicking the Q&A tab on the display screen; or
   c) by short message service (SMS) through ***483*121#** 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 Road, 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 29th May 2023 at 12:00 noon.

The Directors of the Company will provide feedback to the enquiries received through the Group Company Secretary at the earliest opportunity but no later than 24 hours before the start of the virtual AGM and will publish the full set of enquiries and feedback on the Company's website **https://ncbagroup.com/** (investor relations).

NOTICE OF THE 63RD ANNUAL GENERAL MEETING (CONTINUED)

In addition to the above, Shareholders will have the opportunity to ask additional questions relating to the AGM agenda on the day, and within the duration, of the AGM through either the USSD or Online platforms. The Directors will thereafter address these questions, the responses to which will be published on the Company's website **https://ncbagroup.com/** (investor relations) within 2 working days of the conclusion of the AGM.

7. Shareholders wishing to vote may do so by:

    a) Accessing Virtual AGM via online at **https://digital.candrgroup.co.ke** or via a link to the AGM platform and clicking the Voting tab on the display screen; or

    b) Accessing Virtual AGM via USSD platform*483*121# and use the menu prompts menu option for "Voting" and follow the various prompts regarding the voting process.

Voting will open with registration on 18th May 2023 at 08:00 am and will close on 30th May 2023 at 5:00 pm, while the results will be announced at the AGM on 31st May 2023 and published within 24 hours following the conclusion of the AGM on the Company's website **https://ncbagroup.com/** (investor relations).

The voting procedures have been published on the Company's website **https://ncbagroup.com/** (investor relations) for ease of reference. Shareholders and proxies who may require assistance can call the helpline (020) 869 0360 between 8:00 am and 4:00 pm or email **digital@candrgroup.co.ke.**

8. The live stream broadcast of the AGM will be available for Shareholders accessing the Virtual AGM 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) week 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' and providing a link to the live stream.

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 **https://ncbagroup.com/** (investor relations).

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 **31st May 2023** and at any adjournment thereof.

As witness my / our hand this __________________day of __________ 2023

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 Friday **26th May 2023**.

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 ______________________________________

wa sanduku la posta ______________________________Simu ya rununu____________________

barua pepe ____

akiwa mwakilishi wangu/wetu kunipigia/kutupigia kura kwa niaba yangu/yetu katika Mkutano wa Mwaka wa Kampuni utakaofanyika tarehe **31 Mai 2023** au tarehe yoyote iwapo mkutano utahairishwa. Nashuhudia kwa mkono/mikono yangu/yetu siku hii ya

Tarehe ____________________________mwezi wa __________ 2023

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**, **Ijumaa 26 Mei 2023**.

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.

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