NCBA

TWENDE MBELE

2023 INTEGRATED REPORT

AND FINANCIAL STATEMENTS

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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.

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NCBA

Who We Are

Reflections from the **Group Chairman**

Dear Shareholders,

Thank you for your support, confidence and continued investment in NCBA.

On behalf of the Board, I am pleased to present the NCBA Group's Annual Report and Financial Statements for the year ended 31st December 2023.

In spite of an extraordinarily challenging business environment, the Group's performance in 2023 demonstrates the strength derived from the diversity of our customer base as well as our commitment to stand by our clients through both prosperous and difficult periods as they aspire to achieve more. Throughout the year, NCBA was able to demonstrate the health of our business through improved scale, a strong and growing deposit base, ample liquidity and diversification across revenue streams and geographical markets.

I am pleased to report that significant strides have been made in enabling stronger franchise outcomes across the Group's subsidiaries; in NCBA Bank and other Kenya subsidiaries, through the accelerated growth witnessed in Uganda and Rwanda, and the turnaround strategy implemented in Tanzania that saw that business become profitable in 2023.

As you will note in our results, these efforts have made and continue to make substantial contributions to the overall profitability of our business. Each of our respective banking businesses is now profitable and continue to make significant contributions to the Group's overall performance.

The Group's strong performance in 2023 culminated in a profit after tax of KES 21.5 billion, which enabled the Board of Directors to recommend a final dividend of KES 3.0 per share, bringing the total dividend pay-out to KES 7.8 billion for the year.

Even as domestic and global uncertainties deepen, we strive to remain at the forefront of our industry through our agile business model, honing our resource deployment capabilities while responding to emerging climate change imperatives and the vagaries of ever-fluid financial markets.

Last year, this adroit balance between urgent business demands and broader social responsibilities culminated in the successful launch of our bold sustainability commitments, which will continue to support and define our continued growth strategy while empowering the communities in which we operate.

Economic Report

Across all our markets, economies confronted by uncertainties of radical proportions from global to local shocks demonstrated remarkable resilience in 2023.

Kenya, like many other nations in the region, was faced with elevated and sticky inflationary pressures mostly underpinned by commodity price shocks from the energy sector and tightening global financial conditions on the back of the great unwind of the post-COVID policy stimulus and the passthrough effects of the resultant depreciation of the Kenya shilling.

This, alongside unprecedented debt sustainability and default risk concerns on the back of an impending maturity of the country's inaugural Eurobond of USD 2 Billion with a bullet repayment due in June 2024, continued to define the ebbs and flows of key market prices and interest rates throughout 2023.

The unfolding shocks and concerns saw a deterioration in the country's foreign exchange reserve position and undermined the value of the local currency, leading to a foreign exchange liquidity crisis that further ravaged balance sheets at the firm and household level with clear consequences for bank balance sheets.

For the Government, overall fiscal liquidity came under strain with diminished access to international capital markets amid increased spending needs. All of this occurred at a time when fiscal policy adjustments were underway in line with the fiscal consolidation plan as negotiated and agreed to under Kenya's IMF programme.

On the upside, owing to prudent monetary and fiscal policy actions with great support from Kenya's key multilateral lenders, the economy showed great strides toward a sustained, though gradual, recovery from the global and domestic shocks.

Kenya's Real GDP is now estimated to have expanded by about 5.5% in 2023, according to the Kenya National Bureau of Statistics. This is 70 basis points higher than the growth of 4.8% in 2022.

In a welcome reversal of fortunes, the agriculture sector was supported by favourable weather and played an essential role in advancing overall economic growth compared to the contraction of 1.6% recorded in 2022. Given the fact that agriculture's contribution to Kenya's GDP still significantly stands at about 25%, its performance therefore still continues to sway the country's growth outcomes.

We expect this positive outlook on agriculture to sustain GDP growth at about 5.3% in 2024 boosted further by the continued resilience in the services sector.

In the regional markets where we operate, projected growth for 2024 is slightly higher at 6.1%, 5.7% and 7.0% for Tanzania, Uganda and Rwanda, respectively.

These varying macro outcomes across the region largely reflect differing speeds of monetary transmission, fiscal impulses as well as external conditions dependencies. Both Uganda and Tanzania are, expectedly, benefitting from the lift-off in foreign direct investments targeting the extractive resource sectors while Kenya and Rwanda's growth continued to be largely buttressed by a welcome rebound in agriculture.

Our Business

As NCBA, we were well-prepared and committed to sustaining growth in 2023 whilst ensuring we remained adequately equipped to provide continuous assistance to our clients. We anticipated that the macro-economic developments would be accompanied by high interest rates and relatedly higher expected credit losses, lower business volumes and generally much more difficult markets. These significant and somewhat unprecedented forces not only necessitated a more cautious approach to our various undertakings but required even sharper and agile risk analytics for our business.

The success of this approach is evidenced by the strong growth in customer numbers, customer deposits and a much stronger balance sheet. We entered 2024 as a strong, well-capitalized financial group that is well-equipped to weather a wide range of economic environments, to support clients in achieving their financial aspirations and goals and to grow shareholder value while meeting capital priorities such as new investments and paying dividends.

> **The Group`s governance framework led by the Board ensured strong delivery against execution of our strategic imperatives while managing risk to grow shareholder value. A stable and resilient financial sector will ensure our vast customer profile weathers the macro-economic shocks for sustained business growth across the region.**

GDP	NPL Ratio	Global Growth
5.5%	15.5%	3.1%
from 4.8 % in 2022	According to Central Bank of Kenya	In 2023 and rise to 3.2% in 2025

Financial Sector Perfomance

Kenya's financial sector remained stable and resilient in 2023 with most banks being quite liquid, well-capitalized and profitable. However, credit risks arising from the ongoing high interest rate regime and heightened operational risks challenged the industry's performance. Non-performing loans (NPLs) maintained an upward trajectory - currently at 14.8%, according to the Central Bank of Kenya.

According to the Monetary Policy Committee, growth in commercial bank lending to the private sector stood at 13.9 percent in December 2023. Strong credit growth was particularly observed in the following sectors: manufacturing (20.9 percent), transport and communication (20.8 percent), trade (13.1 percent), and consumer durables (9.9 percent). The number of loan applications and approvals remained resilient, reflecting sustained demand, particularly for working capital requirements.

The banking sector continues to be the primary source of credit for private businesses, extending KES 3.6 trillion of the total KES 4.4 trillion credit taken by the private sector as at mid-2023.

As at the close of December 2023, the collective value of bank assets in Kenya surpassed KES 6.5 trillion, approximately US $ 50 billion. This notable expansion was primarily fueled by increases in other assets and loan advances, which are key components of local banks' balance sheets. These factors collectively contributed to an 11% growth in the sector's assets.

The expansion in asset volume has also been propelled by heightened investments in government securities and other investment avenues. This trend has demonstrated a consistent upward trajectory over the past decade.

In the near-term, however, we do foresee further deterioration in the quality of assets which risks higher delinquencies. Even then, the banking sector will broadly remain resilient with higher NPL provisions and continued use of risk-based pricing models.

In 2023, NCBA Group's growth trajectory remained robust, propelled by favourable operating income and a notable 40% decrease in loan impairment charges. The Group's operating expenses closed at 14% up year-on-year on the back of inflationary pressures and continued investment in the current five-year strategy.

This growth trajectory can be attributed to our unwavering focus on key strategic priorities aimed at supporting our customers and enhancing shareholder returns.

We recognize and applaud the efforts by the Government that has continued to make the necessary fiscal policy and monetary policy adjustments that provide opportunities for financial service franchises such as NCBA to meaningfully advance and catalyze the country's economic agenda more holistically.

Corporate Governance

Effective and facilitative corporate governance remains core to our strategy.

The Board of Directors collaborates closely with senior management to ensure the seamless execution of the Group's strategy while ensuring adherence to established structures and policies in a framework that not only safeguards the interests of our stakeholders but also fosters a culture of integrity and ethical conduct.

In 2023, despite elevated credit and market risks, the Audit & Risk, Executive & Strategy, Governance & Nominations and ICT board committees, supported by senior management, continued to deploy a robust risk management strategy and controls to ensure that shareholder value is secured and maximized in a sustainable manner.

We expect this positive outlook on agriculture to sustain GDP growth at about 5.3% in 2024 boosted further by the continued resilience in the services sector.

The Board proudly supported the launch of our Sustainability platform "Change the Story" comprising of 15 Bold Sustainability Commitments. These commitments will enhance our contribution towards sustained community transformation and combating climate risks as we tap into the underlying opportunities aligned to Kenya's long-term development blueprint, Vision 2030, and other regional development goals.

Future Outlook

Global economic activity seems to have had a good start into 2024.

We foresee continued expansion in activity levels across sectors and economies albeit with significant divergence.

According to the IMF's World Economic Outlook January 2024 update, global growth is projected to stay at 3.1% in 2024 and rise to 3.2% in 2025 on account of greater-than-expected resilience in the United Sates and several large emerging markets & developing economies as a result of fiscal support in China.

Given its overall contribution to global growth, the US economy's resilience cannot be understated and indeed it has held relatively higher global growth averages throughout the post-COVID recovery period.

In contrast, broader Europe, including the United Kingdom, still faces weak growth prospects for 2024 as stubborn inflation continues to stifle growth.

On the key prices, global inflation is forecast to decline steadily due to the effects of tighter monetary policies being pursued across the board alongside relatively lower international commodity prices.

Core inflation is generally projected to decline more gradually, whilst headline inflation is not expected to return to target until 2025 in most economies.

In the coming year, Central Banks will be confronted by two primary risks: First, the possibility that inflation may persist at higher levels than anticipated, and second, the risk of stifled economic growth wrought by the maintenance of overly tight policies for an extended period as duly informed by intractable inflation threats.

Consequently, volatility in markets across all asset classes is likely to become the new normal as various economies—both in the OECD and in emerging and frontier markets—adjust to the end of the high-inflation era and the deceleration of monetary policy hikes, which heralds a reversal in the post-COVID rate cycle.

Domestically, Information & Communication (ICT), Education, Finance and Insurance sectors are forecast to stay within their pre-pandemic growth levels, while recovery seems broadly complete in the Hospitality sector.

Of great concern remains the lower-than historical activity levels in the industrial sectors, specifically construction and manufacturing, which are seen expanding at just about 4% and 3%, respectively.

On a more positive note, an impending global monetary policy shift is already opening up Kenya's access to financial markets. This is expected to bring welcome relief to record-high financing costs and reduce the escalation of debt default risks for the country.

With the successful partial buy-back of the June 2024 maturing Eurobond, which decisively beat back the default risk concerns that had previously significantly aggravated the country's sovereign risk profile, the Kenyan shilling has rallied and foreign exchange markets have witnessed welcome liquidity. These positive developments are expected to shore up short-term macro-economic stability and thereby support the positive growth outlook for 2024.

Expectations for inflation are also seeing an easing with the headline number now well-within the target range at 5.7%.

With recovery firmly underway, Kenya's medium-term growth prospects are still quite favourable with the fourth medium term plan now targeting a GDP growth rate of 6%.

Turning to the regional markets, Uganda's economic outlook has somewhat softened, reflecting lagged effects of heightened inflation impacting real incomes, lower-than-expected tax revenue collections, and a slow rebound in external demand. Overall GDP growth should continue to test the 5.7% levels in the short term.

Overall, we expect the Tanzanian economy to remain upbeat next year, with no worrying concerns on overall public debt sustainability. Into the medium-term, market concern will mostly revolve around the foreign exchange market liquidity and the government's ability to secure adequate concessional financing for all the ongoing projects. Nonetheless, Tanzania's GDP growth outcomes should easily remain north of 6%.

Further, Rwanda's economy is forecast to remain a regional outperformer in 2024. Careful calibration of fiscal policy, a proactive monetary policy as well as the country's commitment to building climate resilience is likely to see Rwanda realize the projected GDP expansion of up to 8% in 2024.

Conclusion

Without a doubt, 2023 tested our resilience, adaptability, and commitment to our core values in ways old and new!

Despite the uncertainties that prevailed in the financial markets where we operate, NCBA Group not only weathered the storms but emerged more robust with significant learnings that I believe prepares us even better for our next stage of growth.

Our financial performance has been commendable across every important metric.

This is a result of our prudent risk management, strategic decision-making, the dedication of our talented teams as well as our continuous innovation.

Our commitment to sustainable banking practices remains unwavering.

We understand the impact that our operations have on the environment and society at large and we will continue to work towards minimizing our carbon footprint, fostering financial inclusion, and supporting initiatives that contribute to the well-being of the communities we serve.

Lastly, some appreciation is due: our regulators for keeping us ahead of the curve with the ever-evolving laws and regulations that aid us in delivering outstanding service to customers, our customers for their continued patronage, our shareholders for believing in our mission, purpose and vision, our Board of Directors for their leadership across the Group and our staff for their go getter spirit.

Together **"Twende Mbele"!**

J P M Ndegwa
Group Chairman

Kwa Wenyehisa Wapendwa,

Asante sana kwa uungaji mkono wako, imani yako kwetu na kwa kuendelea kuwekeza katika NCBA.

Kwa niaba ya Bodi, nina furaha kuu kukuwasilishia Ripoti ya Kila Mwaka na Taarifa za Kifedha za Kundi la NCBA kwa mwaka uliokamilika 31 Desemba 2023.

Licha ya mazingira ya kibiashara yaliyojaa changamoto, matokeo ya Kundi yam waka 2023 ni ishara ya nguvu inayotokana na kuwa na msingi wa wateja wa aina mbalimbali pamoja na kujitolea kwetu kuwa na wateja wetu wanapopitia vipindi vya ufanisi au changamoto, wanapoazimia kufanikiwa hata zaidi.

> **Kuhakikisha kukua kwa Thamani ya Wenyehisa kwa njia endelevu chini ya Mfumo wa Utawala Thabiti.**

Kote katika mwaka 2023, NCBA iliweza kudhihirisha hali nzuri ya biashara yetu kupitia kupanuka kwa biashara, kuongezeka kwa wateja na amana walizoweka, mtiririko mzuri wa fedha na kuwa aina tofauti za vyanzo vya mapato na masoko pia.

Ni furaha yangu kuripoti kwamba hatua kubwa zimepigwa katika kuwezesha matokeo mazuri katika biashara zote tanzu za Kundi hili, katika Benki ya NCBA na biashara nyingine tanzu nchini Kenya, kupitia kuongeza kasi kwa ukuaji kulikoshuhudia nchini Uganda na Rwanda, na mkakati wa kuimarisha tena biashara uliotekelezwa Tanzania. Mkakati huo ulichangia kuifanya biashara yetu humo kuandikisha faida mwaka 2023.

Kama utakavyoona kwenye matokeo yetu, juhudi hizi zimefanya na zinaendelea kutoa mchango mkubwa katika faida ya jumla ya biashara yetu. Kila moja ya biashara zetu za benki sasa inatengeneza faida na kuendelea kutoa mchango mkubwa na unaoendelea kuongezeka kwenye matokeo ya jumla ya Kundi.

Matokeo mazuri Kundi mwaka 2023 yalichangia kupatikana kwa faida ya baada ya ushuru ya KES 21.5 bilioni, na kuwezesha Bodi ya Wakurugenzi kupendekeza mgawo wa faida wa mwisho wa KES 3.0 kwa kila hisa, na kufikisha jumla ya mgawo wa faida kwa mwaka huo hadi KES 7.8 bilioni.

Hata changamoto za ndani ya nchi na kimataifa zilipozidi, tunasalia katika mstari wa mbele kwenye sekta yetu kupitia muundo wa biashara yetu wenye urahisi wa kubadilisha na kuchukua hatua, kuimarisha uwezo wetu wa kutumia vyema rasilimali zetu huku tukiendelea kuangazia masuala ibuka ya mabadiliko ya tabia nchi na hatari za masoko ya kifedha yanayobadilika kila uchao.

Mwaka uliopita, kusawazisha huku kati ya mahitaji ya dharura ya biashara na uwajibikaji kwa jamii, kulichangia kuzinduliwa kwa malengo jasiri ya uendelevu ambayo yataendelea kusaidia na kuongoza ukuaji wetu huku yakiwezesha jamii katika maeneo ambayo tunahudumu.

Ripoti Ya Kiuchumi

Katika masoko yote tunayohudumu, uchumi ulikabiliwa na changamoto kubwa baadhi za kimataifa na nyingine za ndani ya nchi. Lakini licha ya hayo, tulidhihirisha ukakamavu wetu mwaka 2023.

Kenya, kama ilivyokuwa katika mataifa mengi katika kanda hii, ilikabiliwa na kiwango cha juu cha mfumko wa bei hususan kutokana na kupanda kwa gharama ya kawi na kudumishwa juu kwa viwango vya riba kimataifa. Haya yalitokea baada ya kuongezwa kwa viwango vya riba kama njia ya kuchochea ukuaji wa uchumi baada ya janga la COVID na pia athari za kushuka thamani kwa Shilingi ya Kenya.

Mambo haya, pamoja na kuongezeka kwa deni la taifa na wasiwasi wa uwezekano wa kushindwa kulipa madeni wakati malipo ya kwanza ya hati fungani ya Ulaya, yaani Eurobond ya USD 2 Bilioni yalipokuwa yanatarajiwa kutolewa Juni 2024, yaliendelea kuathiri mwenendo wa viashiria muhimu vya kifedha na viwango vya riba kote 2023.

Changamoto na wasiwasi huo, viliathiri akiba ya fedha za kigeni ya Kenya na kuathiri pia thamani ya Shilingi ya Kenya hali iliyosababisha mzozo wa uhaba wa fedha za kigeni. Hili lilichangia zaidi kupunguza mapato ya kampuni na mashirika mbalimbali na pia kuathiri mapato ya jamii, jambo lililokuwa na athari kwa matokeo ya benki.

Kwa Serikali, kulitokea matatizo katika upatikanaji wa fedha kutokana na kutofikika kwa masoko ya mtaji ya kimataifa na pia kuongezeka kwa matumizi ya serikali. Haya yote yalitokea wakati ambapo kulikuwa na mabadiliko ya sera ya kifedha yaliyokuwa yakiendelea kuambatana na mpango wa kuunganisha na kuweka pamoja fedha za serikali kama ilivyoafikiwa chini ya mpango wa Shirika la Fedha Duniani (IMF) kuhusu Kenya.

Lakini jambo la kutia moyo ni kwamba; kutokana hatua za busara za sera za kifedha na kupitia usaidizi kutoka kwa wakopeshaji muhimu wa kimataifa wa Kenya, uchumi ulipiga hatua kubwa kuelekea kuimarika tena kutoka kwa changamoto hizo za kimataifa na ndani ya nchi.

GDP(Pato la Taifa) halisi ya Kenya sasa inatarajiwa kukua kwa takriban 5.5% mwaka 2023 kwa mujibu wa Idara ya Taifa ya Takwimu ya Kenya. Hii itakuwa ni vipimo 70 vya msingi juu ya ukuaji wa 4.8% ulioshuhudiwa 2022.

Katika jambo lililoibua tena matumaini, sekta ya kilimo ilikua kwa *% kutokana na hali nzuri ya anga na ilichangia pakubwa katika kuimarisha kwa jumla ukuaji wa uchumi ukilinganisha na kudorora kwa 1.6% tulikoshuhudia mwaka 2022. Ukizingatia kwamba mchango wa kilimo kwa GDP ya Kenya bado ni takriban 25%, matokeo ya sekta hiyo huwa na usemi mkubwa katika ukuaji wa jumla wa uchumi wa taifa.

Tunatarajia mustakabali huu mzuri katika sekta ya kilimo kuendeleza ukuaji wa GDP katika takriban 5.3% mwaka 2024, ukiongezwa nguvu na ukakamavu katika sekta ya utoaji huduma.

Katika masoko mengine ya kanda ambapo tunahudumu, ukuaji unaobashiriwa kwa mwaka 2024 ni wa juu kidogo katika 6.1%, 5.7% na 7.0% Tanzania, Uganda na Rwanda mtawalia.

Viwango hivi tofauti vya ukuaji wa uchumi katika kanda ni viashiria vya kwa tofauti ya kasi katika upitishaji na kuhisiwa kwa sera za kifedha, pamoja na utegemezi wa mambo kutoka nje. Uganda na Tanzania zote mbili zinafaidi kutokana na ongezeko la uwekezaji wa moja kwa moja katika sekta za utoaji wa madini na mali ghafi ilhali ukuaji nchini Kenya na Rwanda uliendelea kutegemea zaidi kuimarika tena kwa sekta ya kilimo.

Kwa biashara yetu, kama NCBA, tulikuwa tumejiandaa vyema na kujitolea kuendeleza ukuaji mwaka 2023 wakati pia tukihakikisha tuna uwezo wa kutosha wa kuendelea kuwasaidia wateja wetu. Tulitarajia kwamba matukio pana ya kiuchumi yangeandamana na viwango vya juu vya riba na hivyo kuchangia kupanda kwa hasara kutokana na mikopo, kupungua kwa jumla kwa kiwango cha biashara na kwa jumla kusababisha mazingira magumu sokoni. Changamoto hizi kubwa ambazo hazikuwa zimetarajiwa zilitufanya kuwa makini zaidi katika shughuli zetu lakini pia zikahitaji umakinifu hata zaidi katika udadisi wa hatari katika biashara yetu.

Kufanikiwa na mtazamo huo kumedhihirishwa na ongezeko kubwa la wateja, kukua kwa amana za wateja na hali nzuri ya mizania ya kifedha ya baishara yetu. Tuliingia mwaka 2024 tukiwa kampuni ya kifedha yenye kiwango kizuri cha mtaji na yenye uwezo wa kuhimili changamoto mbalimbali na kuwasaidia wateja katika azma zao za kifedha na malengo yao. Kadhalika, tuna uwezo wa kukuza thamani ya wenyehisa na pia kutimiza mahitaji mengine ya kimtaji kama vile uwekezaji mpya na kulipa mgawo wa faida.

Matokeo Katika Sekta Ya Kifedha

Sekta ya kifedha Kenya ilisalia thabiti na kakamavu mwaka wa 2023.

Benki nyingi zilikuwa imara, zikiwa na mtaji wa kutosha na zilitengeneza faida. Hata hivyo, hatari ya mikopo kutokana na viwango vya juu vya riba na kuongezeka kwa hatari ya uendeshaji shughuli, zilitoa changamoto kwa matokeo ya sekta hii.

Mikopo ambayo hailipwi (NPLs) iliendelea kuongezeka – na kwa sasa imefikia 14.8% kwa mujibu wa Benki Kuu ya Kenya.

Kwa mujibu wa Kamati ya Sera ya Kifedha, ukuaji katika mikopo iliyotolewa na benki za kibiashara kwa sekta ya kibinafsi ilifikia asilimia 13.9 Desemba 2023.

Ukuaji mkubwa wa mikopo ulishuhudiwa hasa katika sekta zifuatazo: viwanda (asilimia 20.9), uchukuzi na mawasiliano (asilimia 20.8), biashara (asilimia 13.1), na bidhaa za kutumiwa kipindi kirefu (asilimia 9.9). Idadi ya maombi ya mikopo na mikopo iliyoidhinishwa ilibaki imara, na kuashiria kuendelea kwa mahitaji hasa ya mtaji wa kuendesha biashara.

Sekta ya benki inaendelea kuwa chanzo cha msingi cha mikopo kwa biashara katika sekta ya kibinafsi, ambapo ilitoa mikopo ya KES 3.6 trilioni kati ya jumla ya mikopo ya KES 4.4 trilioni iliyotolewa kwa sekta ya kibinafsi kufikia katikati mwa mwaka 2023.

Kufikia mwisho wa Desemba 2023, jumla ya thamani ya mali ya benki Kenya ilipita KES 6.5 trilioni, takriban US $ 50 bilioni. Upanuzi huu mkubwa ulichangia pakubwa na ongezeko katika mali nyingine, na mikopo, ambayo ni kiungo muhimu katika hali ya kifedha ya benki za humu nchini. Mambo haya kwa Pamoja yalichangia ukuaji wa 11% katika mali kwenye sekta hii.

Upanuzi huu wa mali pia umechochewa na kuongezeka kwa uwekezaji katika hati za serikali na njia nyingine za uwekezaji. Mtindo huu umekuwa ukiendelea kupanda kwa mwongo mmoja uliopita.

Katika kipindi cha wastani hata hivyo, tunatarajia kudorora katika ubora wa mali jambo ambalo litaongeza hatari. Hata hivyo, sekta ya benki bado itasalia imara kutokana na kutengwa kwa kiwango kikubwa kwa ajili ya NPL na pia kutumiwa kwa muundo wa kuongozwa na hatari wakati wa kuamua riba.

Mwaka 2023, mkondo wa ukuaji wa Kundi la NCBA ulisalia imara, ukitiwa nguvu na mapato ya kuridhisha yaliyotokana na shughuli za kibiashara na kushuka kwa 40% katika hasara inayotokana na thamani ya mikopo. Gharama ya uendeshaji shughuli ya Kundi ilipanda 14% mwaka baada ya mwaka kutokana na athari za mfumko wa bei na kuendelea kuwekeza katika mkakati wa sasa wa kipindi cha miaka mitano.

Mkondo huu wa ukuaji umetokana na hatua yetu ya kuangazia mikakati muhimu yenye lengo la kuwasaidia wateja wetu na pia kuongeza faida kwa wenyehisa wetu.

Tunatambua na kupongeza juhudi za Serikali ambayo imeendelea kufanya mabadiliko yafaayo ya sera ya kifedha na kiuchumi ambayo yanatoa fursa kwa kampuni zinazotoa huduma za kifedha kama sisi NCBA, kupiga hatua za maana na kuchangia utimizwaji wa ajenda ya kiuchumi ya taifa hili kwa njia kamilifu.

Utawala Wa Kampuni

Utawala bora na wezeshi wa kampuni bado ni nguzo muhimu katika mkakati wetu.

Bodi ya wakurugenzi hufanya kazi kwa pamoja na kwa karibu na wasimamizi, wakuu kuhakikisha tuendelea kutekeleza mkakati wa Kundi huku wakihakikisha kufuatwa kwa mifumo na sera zilizowekwa ambazo sio tu kwamba zinalinda maslahi ya wadau wetu bali pia kuendeleza utamaduni wa uwajibikaji na maadili.
Mwaka 2023, licha ya kuongezeka kwa hatari kuhusiana na mikopo na masoko, kamati za bodi za Ukaguzi wa Hesabu & Hatari, Utawala & Uteuzi na ICT, zikisaidiwa na wasimamizi wakuu, zimeendelea kutekeleza mkakati madhubuti wa usimamizi wa hatari na udhibiti ili kuhakikisha thamani ya wenyehisa inalindwa na wanapata faida kwa njia endelevu.

Bodi ilisaidia kuzinduliwa kwa jukwaa la Uendelevu lenye jina "Change the Story" (Badilisha Taarifa) na ambalo lina Ahadi 15 za Uendelevu na lenye msingi wake katika haja yetu ya kutaka kuchukua hatua kuhakikisha mazingira bora na siku za usoni endelevu. Ahadi hizi zitaongeza mchango wetu katika kuhakikisha mabadiliko endelevu kwenye jamii na kukabiliana na hatari za mabadiliko ya tabia nchi tunapoendelea kutumia fursa zinazoendana na mpango wa maendeleo wa muda mrefu wa Kenya, Ruwaza ya 2030 na malengo mengine ya kimaendeleo katika kanda.

Mustakabali

Shughuli za kiuchumi duniani zinaonekana kuanza vyema 2024. Tunatarajia kuongezeka kwa shughuli katika sekta zote na uchumi, lakini kwa viwango tofauti.

Kwa mujibu wa ripoti ya Mtazamo wa Kiuchumi wa Dunia wa IMF wa Januari 2024, uchumi wa dunia unabashiriwa kusalia katika 3.1% mwaka 2024 na kuongezeka hadi 3.2% mwaka 2025 kutokana na ukakamavu wa zaidi ya ilivyotarajiwa nchini Marekani na katika masoko mengine kadha makubwa yanayoibuka, pamoja na mataifa yanayoendelea. Hii ni Pamoja na usaidizi wa kifedha nchini China.

Ukizingatia mchango wake katika jumla ya ukuaji wa uchumi wa dunia, uthabiti wa uchumi wa Marekani hauwezi kudunishwa na bila shaka uchumi huo ndio ulioweka wastani wa ukuaji wa uchumi wa dunia kuwa juu kidogo kipindi chote cha baada ya COVID.

Upande ule mwingine, sehemu kubwa ya Ulaya ikiwemo Uingereza bado mataifa yanaathiriwa na matarajio ya kiwango cha chini cha ukuaji mwaka 2024 kutokana na mfumko wa bei kuendelea kuathiri ukuaji wa uchumi.

Kuhusu bei muhimu, mfumko wa bei duniani unatarajiwa kushuka pakubwa, kutokana na kutekelezwa kwa sera za kifedha zilizokazwa katika mataifa mengi, pamoja na bei za chini za bidhaa katika masoko ya kimataifa.

Mfumko halisi wa bei, ambao haujumuishi vyakula na kawi, unatarajiwa kushuka polepole. Mfumko kwa jumla hautarajiwi kurejea hadi kiwango kinacholengwa hadi 2025 katika mataifa mengi.

Katika mwaka ujao, Benki Kuu zitakabiliwa na hatari mbili kuu; Moja, ni uwezekano kwamba mfumko huenda ukasalia katika viwango vya juu kuliko ilivyotarajiwa, na pili ni hatari ya kudumaa kwa ukuaji wa uchumi kutokana na kudumishwa kwa sera za kifedha zilizokazwa kwa kipindi kirefu kutokana na hatari ya mfumko.

Matokeo yake ni kwamba kutotabirika katika masoko kwenye aina mbalimbali za mali huenda ikawa kawaida wakati mataifa mbalimbali – katika mataifa ya OECD (Shirika la Ushirikiano wa Kiuchumi na Maendeleo) na pia katika Masoko Yanayoibuka na Masoko ya Wastani – yatakapokuwa yanajiweka sawa baada ya kumalizika kwa kipindi cha mfumko wa juu, na pia kulegezwa kwa sera za kifedha jambo litakalofikisha kikomo mzunguko wa viwango vya riba na mfumko wa kipindi cha baada ya COVID.

Ndani ya nchi, sekta za Teknolojia ya Habari & Mawasiliano (ICT), Elimu, Fedha na Bima zinabashiriwa kusalia katika viwango vya ukuaji wa kipindi cha kabla ya janga la COVID. Sekta ya afya kwa kiwango kikubwa ni kama imerejea hali ya kawaida.

Wasiwasi zaidi upo kwenye viwango vya chini kuliko kawaida vya shughuli katika sekta ya viwanda, hasa katika ujenzi na utengenezaji wa bidhaa ambazo zinakua kwa viwango vya 4% na 3%, mtawalia pekee.

Lakini jambo linalotia matumaini ni kwamba matarajio ya kubadilishwa kwa mwenendo wa sera za kifedha kimataifa tayari unachangia kurahisisha uwezo wa Kenya kufikia masoko ya kifedha. Hili linatarajiwa kuleta nafuu katika gharama ya upatikanaji wa fedha na mikopo, na kupunguza hatari ya Kenya kushindwa kulipa mikopo yake.

Baada ya kufanikiwa kununua tena hati za Eurobond zilizofaa kulipwa Juni 2024 jambo ambalo liliondoa wasiwasi wa Kenya kushindwa kulipa ambao ulikuwa umeongeza hatari ya kuikopesha Kenya, shilingi ya Kenya ilianza kuimalika na masoko ya ubadilishanaji wa sarafu yameanza kushuhudia upatikanaji wa fedha. Matukio haya ya kuridhisha yanatarajiwa kuongeza uthabiti wa kiuchumi katika kipindi kifupi na hivyo kusaidia ukuaji wa uchumi 2024.

Matarajio kuhusu kudhibitiwa kwa mfumko wa bei pia ni ya kutia moyo, ambapo mfumko kwa jumla sasa upo karibu na lengo katika 5.7%.

Huku kujikwamua kwa uchumi kukiwa bado kunaendelea, matazamio ya ukuaji wa uchumi wa Kenya katika kipindi cha wastani bado ni mazuri, ambapo mpango wa kipindi cha wastani cha nne sasa unalenga ukuaji wa GDP katika kiwango cha 6%.

Tukiangazia masoko katika kanda, mtazamo wa uchumi wa Uganda kwa kiasi umelegea, jambo linaloashiria viwango vya juu vya mfumko wa bei kuathiri mapato halisi, kukusanywa kwa kodi ya kiwango cha chini kuliko ilivyotarajiwa, na kujikokota kwa mahitaji ya bidhaa nje ya nchi. Kwa jumla, ukuaji wa GDP unatarajiwa kuendelea kuwa katika karibu 5.7% katika kipindi kifupi.

Kwa jumla, tunatarajia uchumi wa Tanzania kusalia imara mwaka ujao. Hakuna wasiwasi wowote kuhusu uendelevu wa deni la serikali. Katika kipindi cha wastani, wasiwasi sokoni utakuwa tu kuhusu upatikanaji wa sarafu za kigeni na uwezo wa serikali kupata ufadhili kwa ajili ya miradi inayoendelea. Hata hivyo, ukuaji wa GDP Tanzania unatarajiwa kuwa zaidi ya 6%.

Uchumi wa Rwanda unatarajiwa kukua kwa kiwango kikubwa zaidi katika kanda hii mwaka 2024.
Mabadiliko ya makini ya sera ya kifedha, pamoja na kujitolea kwa serikali kujenga ukakamavu wa kukabiliana na mabadiliko ya tabia nchi ni mambo ambayo huenda yakaiwezesha Rwanda kutimiza ukuaji wa GDP wa hadi 8% mwaka 2024.

Hitimisho

Bila shaka, mwaka 2023 ulifanyia majaribio ukakamavu wetu, uwezo wa kubadilika, na kujitolea kwetu kutimiza maadili yetu ya kale na yale mapya!

Licha ya changamoto zilizokuwepo katika masoko ya kifedha maeneo tunayohudumu, Kundi la NCBA iliweza kuhimili na kutokea likiwa imara zaidi na likiwa na mafunzo muhimu ambayo ninaamini yanatuandaa vyema kwa hatua ifuatayo ya ukuaji.

Matokeo yetu ya kifedha ni ya kuridhisha katika kila kipimo.

Hii ni kutokana na usimamizi wa busara wa hatari, maamuzi ya kimkakati, kujitolea kwa wafanyakazi wetu wenye vipaji, pamoja na kuendelea kuvumbua.

Kujitolea kwetu kuhakikisha shughuli endelevu za benki hakubadiliki. Tunaelewa athari ambazo shughuli zetu zinaweza kuwa nazo kwa mazingira na jamii kwa jumla na tutaendelea kujitahidi kupunguza uzalishaji wetu wa gesi ya mkaa, na kuendeleza ujumuishaji wa kifedha kwa wote, na pia kusaidia mikakati inayochangia kuboresha maslahi ya jamii maeneo tunayohudumu.

Mwisho kabisa, ni lazima kutoa shukrani: kwa mamlaka zinazosimamia sekta yetu kwa kutuweka mbele kupitia sheria na kanuni zinazobadilika kwa wakati na kutusaidia katika kutoa huduma bora kwa wateja, wateja wetu kwa kuendelea kuwa na imani nasi na kutumia huduma zetu, na wenyehisa kwa kuamini katika azma yetu, malengo na ndoto kuu, Bodi ya Wakurugenzi kwa uongozi wao kote katika Kundi na wafanyakazi wetu kwa moyo wao wa kujitolea na kujitahidi.
Pamoja **"Twende Mbele"!**

J P M Ndegwa
Mwenyekiti

Our Vision & Values

Inspiring Greatness Everyday

Welcome to the bank that says go for it, Welcome to the bank that banks on your ambition, Welcome to NCBA

Our Purpose

To be the Financial Partner that Inspires your Growth

Our Values

Driven by being:
- Decisive
- Passionate
- Bold

Open by being:
- Honest
- Transparent
- Inclusive

Responsive:
- Speed
- Simplicity & Innovation
- Focusing on our customers

Trusted:
- Teamwork
- Integrity
- Accountability

At NCBA, our customers are at the heart of everything we do

We are driven by our promise to offer exceptional innovative products and services that are tailored to our customers' specific needs

From personal banking products to scalable business banking solutions that grow as your business does

Board of Directors

James P.M. Ndegwa
Group Chairman - Non-Executive

Year appointed to Board: **2003**
Year appointed Chairman: **2005**

Desterio A. Oyatsi
Deputy Group Chairman

Other NCBA Directorships and Responsibilities:
Chairman, Board Governance and Nominations Committee

Year appointed to Board: **2019**

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)

Year appointed to Board: **2013**

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

Year appointed to Board: **2019**

Andrew S. M. Ndegwa
Non-Executive

Other NCBA Directorships and Responsibilities:
NED of NCBA Bank Kenya PLC and LOOP DFS Limited

Year appointed to Board: **1997**

Esther N. Ngaine
Non-Executive

Other NCBA Directorships and Responsibilities:
INED of NCBA Bank Kenya PLC and Chairman, Bank Board Credit Committee, and NED of NCBA Bank Tanzania Limited

Year appointed to Board: **2014**

David Abwoga
Executive

Other NCBA Directorships and Responsibilities:
Group Director Finance, NED of NCBA Bancassurance Intermediary Limited and NED NCBA Leasing LLP

Year appointed to Board: **2018**

John S. Armitage
Non-Executive

Other NCBA Directorships and Responsibilities:
INED of NCBA Bank Kenya PLC and LOOP DFS Limited

Year appointed to Board: **2019**

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

Year appointed to Board: **2019**

Philip R. Lopokoiyit
Independent, Non-Executive

Other NCBA Directorships and Responsibilities:
INED of NCBA Investment Bank Limited and NED of NCBA Bank Uganda Limited

Year appointed to Board: **2018**

Mukeshchandra K. R. Shah
Independent, Non-Executive

Other NCBA Directorships and Responsibilities:
INED of NCBA Bank Kenya PLC and Chairman, Group Board Audit and Risk Committee and Bank Board Audit Committee

Year appointed to Board: **2019**

Kathryne Maundu
Group Company Secretary

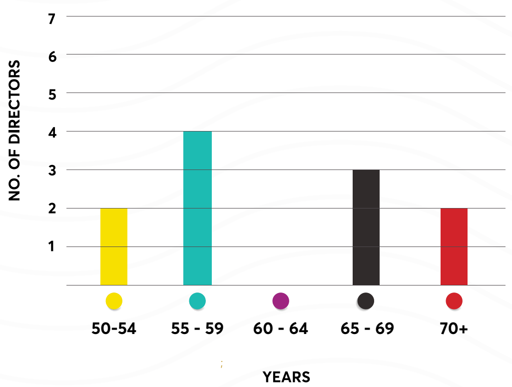
Directors' Independence

- Non-Executive Directors
- Independent Non-Executive Directors
- Executive Directors

Directors' Length of Service

- 0 - 4 years
- 5 - 9 years
- 10 - 14 years
- 15+ years

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/**
- The Group had a change in company secretary, which was notified to the public on 29 April 2024.

Senior Management

John M. Gachora, MBS
Group Managing Director & Chief Executive Officer
Year Joined NCBA
2013

David Abwoga
Executive Director, Finance
Year Joined NCBA
2015

Tim Armitage
Group Director,Risk & Controls
Year Joined NCBA
2022

Monicah Kihia
Group Director, Human Resources & Culture
Year Joined NCBA
2014

Lennox Mugambi
Group Director, Asset Finance and Business Solutions
Year Joined NCBA
2015

Louisa Wandabwa
Director of Strategy & Chief of Staff
Year Joined NCBA
2020

Nelly Wainaina
Group Director, Marketing, Communication & Citizenship
Year Joined NCBA
2022

Gift Shoko
Group Director, Regional Business
Year Joined NCBA
2015

Pauline Ndote
Group Director, Credit Risk Management
Year Joined NCBA
2009

Eric Muriuki
Group Director, Digital Business
Year Joined NCBA
2007

Tirus Mwithiga
Group Director, Retail Banking
Year Joined NCBA
2020

Notes:

During the course of the year, the following changes occurred within the Senior Management team:

Mr. John Okulo (Group Director, Corporate Banking) resigned from service to the Group to pursue another career opportunity. Pending a substantive appointment to the position, Mr. Charles Omondi was appointed to act as the head of the Division.

Mr. Michael Wachira (Group Director, Global Markets) left service to the Group to pursue private interests. Pending a substantive appointment to the position, Mr. Raphael Agung was appointed to act as the head of the Division.

Mr. Julius Kamau (Group Director, Technology and Operations) resigned from service to the Group to pursue another career opportunity. Pending a substantive appointment to the position, Mr. Isaac Owilla was appointed to act as the head of the Division.

NCBA

TWENDE MBELE

Our Business

Message from the
Group Managing Director

As a Highly Regarded Corporate Brand, NCBA is driving results through laser focus on our key strategic priorities to support customers.

Our 2023 Performance

3%	KES 61.6B	Operating Income
56%	KES 21.5B	Profit After Tax
15%	KES 579B	Customer Deposits
19%	KES 735B	Assets
27%	KES 930B	Digital Loans

Dear Shareholder,

The global landscape in 2023 was marked by uncertainty and change, which posed significant challenges for us all. This notwithstanding, NCBA Group demonstrated remarkable resilience, adaptability and growth.

I am pleased to share with you the Group Performance and some of the successes attained in 2023.

Strategic Imperatives

At the heart of our success lies a clear strategy that guides our decisions and actions towards creating a sustainable and profitable business model. Over the last four years, we have progressed well on our NCBA 1.0: Going for the Top, 2020-2024 Strategy.

In the journey to become a distinguished brand known for customer experience, we deployed an aggressive service level improvement drive and subsequently delivered higher customer satisfaction as noted through our impressive net promoter scores (NPS) of 85% up by 5%. To solidify our customer promise, the NCBA Way of serving customers was clearly defined and immersed across the Group, and the Service Charter was relaunched in October. As a confirmation of these efforts, NCBA scooped four awards in 2023 under Customer Experience.

Our objective to strategically scale retail banking is well on course. In 2023, we opened eight new branches in Kenya, bringing us to a total of 92 branches across 26 counties. In the regional markets, we opened new branches in Rwanda and Uganda bringing our total Group footprint to an extensive branch network of 109 branches at year end. We further brought our services closer to our customers by rolling out an agency banking programme which on-boarded an additional 476 agents across all 47 counties in Kenya.

In line with our strategic pillar to deepen leadership in asset finance, we have successfully built a moat around our asset finance business and retained our #1 position with a 34% market share. Through this business, we enabled over 6,000 customers to take up vehicle loans worth KES 25 billion, a 9% growth from prior year. Our industry leadership of the car ecosystem was enhanced by title sponsorship of NCBA-Kenya Motor Industry Association (KMI) Motor Show in Nairobi where almost 10,000 car enthusiasts gathered to explore the latest vehicle technologies and make purchasing decisions.

In 2023, we re-launched our CarDuka e-commerce platform which matches sellers and buyers of vehicle and auto related equipment and delivered 50% annual growth. Our 17th edition of Johari Awards attracted more than 1,000 partners, activating our CarDuka platform. Towards our sustainability objectives, we continued to onboard customers benefiting from the allocated KES 2 billion towards financing of Electric Vehicles (EVs) and KES 500 million towards financing of Solar Photovoltaic (PV) systems.

In 2023, we maintained our position as the #2 Corporate Bank in East Africa with a substantial deposit base of KES 253 billion (20% YoY Growth) and grew cross border corporate relationships across the region by 29%. The sectoral anchored business model culminated in notable improvement in the Bank's market share in key sectors such as Diplomatic Missions (60%), Insurance Companies (26%) and the SACCO sector (12.6%).

In 2023, we continued to invest towards our Digital Transformation strategic objective. The enhancements made to our mobile and internet banking platforms enabled us to deliver a 53% increase in revenue from these platforms. Notably, the integration of the NCBA Investment Bank services on the mobile app accelerated strong growth in Assets under Management to KES 52 billion in 2023 (21% growth year-on-year)

NCBA continued to support over 60 million customers across Africa to access micro-lending and savings, disbursing KES 930 billion of loans an increase of 28% year-on-year. At the heart of our success lies the dedication, talent and hard work of our colleagues. Management has remained committed to providing an environment where every individual has the opportunity to thrive and unleash their potential. In 2023, we continued to foster a high-performance employee culture by driving greater focus on learning hours (learning hours increased 110% year-on-year) and by promoting 448 colleagues across the group to greater responsibility. As an organization, we are proud that gender balance and diversity have been maintained at a Male to Female staff ratio of 49:51. These collective efforts to invest in the well-being of our colleagues boosted employee engagement scores to 88% (vs 82% in the prior year), and NCBA was recognized as the 2023 Employer of the Year Awards and as the 2nd Runner up under the Great Workplace Environment category.

2023 Priorities and Financial Outcomes

The growth trajectory for the Group remained solid compared to 2022 driven by positive operating income and elevated profitability of the regional subsidiaries. NCBA Group PLC posted a profit after tax of KES 21.5 billion, a 56% increase year-on-year. Our regional subsidiaries (Tanzania, Rwanda, and Uganda) collectively delivered a profit before tax of KES 3.0 billion, a notable improvement from the loss of KES 308 million posted in Full Year 2022. The enhanced regional banking subsidiaries' profit contribution of 14% was driven by the Group's turnaround strategy in Tanzania through recalibration of the business model and a rightsizing of the operating models in Uganda and Rwanda to accelerate growth.

The strong financial results in 2023 were on the back of the execution of the 2023 organizational priorities:

- Balance Sheet Optimisation
- Accelerate Customer Growth
- Embed Risk and Control Culture
- Increase Regional Subsidiaries Contribution
- Define Sustainability Agenda

Our balance sheet optimization efforts have delivered an increased yield on earning assets of 11.7% up from 10.1% with Net Interest Margin increasing from 5.7% to 6.1% and subsequently a 12%

growth in Net Interest Income year-on-year. Through these comprehensive initiatives, we sustained value creation and strengthened our competitive market positioning as the 3rd largest bank based on customer deposits and assets.

On regional subsidiaries, the diligent execution of our strategic initiatives propelled growth in profitability by more than 100% year-on-year. A significant highlight on the balance sheet was the substantial growth in deposits, which surged from KES 47 billion in December 2022 to KES 65 billion by December 2023. Net loans and advances increased from KES 29 billion to KES 41 billion yet retaining quality with reduction in non-performing loans from 12% to 8% year-on-year. This continues to demonstrate our commitment to supporting economic growth in the regions we operate.

Building on the gains of 2022, we accelerated customer acquisition to the core bank, driving deposit mobilization up by 15% in 2023 supported by a 20% increase in customer numbers. We strategically targeted diverse customer profiles through elevating our proposition to business clients to cover large commercial entities, small and medium enterprises as well as micro businesses. On individual customers, we focused on high opportunity sectors to enhance inclusivity across board through various acquisition and retention initiatives in Kenya and abroad. By implementing these strategies, we expanded our customer base to over 60 million customers both at the core bank and digital businesses.

On the Risk and Controls priority, the Group faced strong macroeconomic headwinds driven by both financial market pressures locally and globally. In this environment, the progress made on strengthening the balance sheet has ensured the quality of our credit book remains stronger than market peers, with an NPL ratio of 12.1% (vs 14.8% in the industry). In 2023, we focused on an organization-wide initiative to enhance the control environment in NCBA Group. Through this process, we have built a collective understanding of our risk culture and ambition, and established departmental level forums for more robust engagement on risk matters.

With insurance increasingly becoming a basic financial need for the type of customers served, NCBA announced its intention to acquire 100% of AIG Kenya Insurance Company Limited subject to regulatory approvals. By bringing together NCBA's physical and digital distribution platforms and AIG Kenya's insurance capabilities, the transaction will unlock the Group`s ambition to become a universal bank and catalyze deeper market penetration of insurance in Kenya and the region.

Sustainability

In 2023, we embarked on a Group-wide, in-depth research and capacity building exercise to situate our sustainability imperative in line with the opportunities arising from a defined strategic response on environmental, social and governance (ESG) factors material to our business operations. This culminated in the launch of our sustainability transformation agenda "Change the Story" in August 2023. Change the Story is anchored on five strategic pillars and a set of 15 bold commitments. This includes an ambitious commitment to earmark KES 100 million annually for community transformation and engagement. This year, we provided scholarships to the value of KES 11.1 million, for academically talented and underprivileged students.

Further, we committed to grow 10 million trees by 2030, which we view as critical to enhancing Africa's ability to counter the negative impacts of climate change. To achieve this, we have leveraged strategic partnerships with private sector actors and the Government to amplify our tree-growing programme. In 2023, NCBA planted a total of 344,437 trees and cumulatively planted over 7 million trees since 2018.

On the commitment to mobilize KES 30 billion of Green and Sustainable Financing, NCBA joined forces with Proparco, a subsidiary of the AFD Group to unlock a USD 50 million facility. The funding is targeted towards fostering sustainable economic development and to promote diversity, equity, and inclusion. To hold us accountable to our audacious goals, we signed up for the UN Global Compact membership.

Looking Forward

2024 will be a pivotal year as we consolidate our 2020 to 2024 strategy cycle wins. Over the last four years, NCBA's executive leadership team and the more than 3,200 colleagues across our 5 markets have demonstrated an unwavering commitment to delivering on our strategic objectives.

I express deep appreciation to the Board of Directors at the Group and in the subsidiaries for their invaluable dedication and enthusiasm that has taken NCBA Group to greater heights.

I extend sincere gratitude to our esteemed customers for being a part of this incredible journey. Together, we will continue to write NCBA Group's success story, and I am confident that the best is yet to come.

Finally, I would like to express my gratitude to our shareholders for their support and all our other stakeholders who continue to trust in our brand.

Let's Go for It! Twende Mbele!

John Gachora
Group Managing Director

Taarifa ya Mkurugenzi Mkuu

> **Kama kampuni inayoheshimika na kupendwa sana, NCBA inapata matokeo mazuri kutokana na shughuli zake kupitia kuangazia kwa makini mambo muhimu tunayoyapatia kipaumbele huku tukikabiliana na mazingira ya kiuchumi yenye changamoto kuwasaidia wateja wetu na pia kuongeza thamani kwa wenyehisa wetu.**

Our 2023 Performance

▲ 3%	KES 61.6B	Operating Income
▲ 56%	KES 21.5B	Profit After Tax
▲ 15%	KES 579B	Customer Deposits
▲ 19%	KES 735B	Assets
▲ 27%	KES 930B	Digital Loans

Kwa Mwenyehisa mpendwa,

Kwa niaba ya Bodi ya Wakurugenzi na viongozi wakuu wa Kundi, nina furaha kuu kukuwasilishia ripoti ya matokeo ya kifedha ya Kundi katika mwaka wa kifedha uliokamilika 2023.

Mwaka 2023 kimataifa ulijawa na wasiwasi na mabadiliko ambayo yalikuwa changamoto kwetu sote. Lakini licha ya hilo, Kundi la NCBA lilidhihirisha ukakamavu mkubwa, uwezo wa kubadilika, na ukuaji.

Mambo muhimu ya kimkakati

Nguzo kuu ya mafanikio yetu ilikuwa ni mkakati wazi ambao unaongoza maamuzi yetu na hatua zetu katika kuwa na muundo wa biashara ulio endelevu na unaotengeneza faida. Katika miaka minne iliyopita, tumepiga hatua vyema katika mkakati wetu wa Our NCBA 1.0: Going for the Top (NCBA Yetu 1.0: Kwenda Kileleni), 2020-2024.

Katika safari yetu ya kuwa nembo inayojulikana kwa kutoa huduma bora wa wateja, tulitekeleza kampeni kubwa ya kuboresha utoaji wa huduma na matokeo yake ni kwamba kiwango cha wateja kuridhika kiliongezeka. Hii inadhihirishwa na kuimarika kwa kipimo cha uwezekano wa wateja kutupendekeza kwa wengine (NPS) hadi 85%, ambapo kiliongezeka kwa 5%. Ili kuendelea kutimiza ahadi yetu kwa wateja, Mtindo wa NCBA wa kuwahudumia wateja ulielezwa vyema na kukolezwa kote kwenye Kundi, na Mkataba wa Huduma pia ulizinduliwa Oktoba. Kama thibitisho la juhudi hizi, NCBA ilishinda tuzo nne kuhusiana na huduma kwa wateja katika mwaka 2023.

Lengo letu la kupanua huduma za benki kuwafikia wateja linaendelea vyema. Mwaka 2023 tulifungua matawi manane mapya ya benki nchini Kenya na kufikisha jumla ya matawi yetu kuwa 92 katika kaunti 26. Katika masoko mengine katika kanda, tulifungua tawi jipya Rwanda na kufikisha idadi ya matawi ya Kundi nchini humo kuwa 109 kufikia mwisho wa mwaka huo. Tulifikisha huduma zetu karibu zaidi na wateja pia kwa kuzindua mpango wa mawakala wa benki, ambao ulisajili mawakala 476 katika kaunti zote 47 nchini Kenya.

Kuambatana na nguzo yetu ya mkakati ya kukoleza uongozi wetu katika biashara ya mikopo ya kununua mali, tumefanikiwa kuikinga vyema na tulidumisha nafasi yetu katika #1, ambapo tunadhibiti 34% ya soko. Kupitia biashara hii, tumewawezesha zaidi ya wateja 6,000 kuchukua mikopo ya kununua magari ya KES 25 bilioni, ongezeko la 9% kutoka mwaka uliotangulia. Uongozi wetu katika biashara ndogo ya ununuzi wa magari iliongezwa nguvu na udhamini wetu wa maonyesho ya magari ya NCBA-Kenya Motor Industry Association (KMI) jijini Nairobi ambapo zaidi ya wapenzi wa magari 10,000 walikusanyika kujionea teknolojia za kisasa zaidi za magari na kufanya maamuzi yao ya ununuzi. Mwaka 2023, tulizindua upya jukwaa letu la uuzaji na ununuzi wa magari kupitia mtandao wa CarDuka. Jukwaa hili huwakutanisha wanunuzi na wauzaji wa magari na vifaa vingine vya magari. Tulishuhudia ukuaji wa 50% mwaka huo. Awamu ya 17 ya Tuzo zetu za Johari iliwavutia washirika zaidi ya 1,000, ambao walianza kutumia jukwaa la CarDuka. Kubusiu malengo yetu ya uendelevu, tuliendelea kutekeleza ufadhili wa KES 2 bilioni kwa magari yanayotumia umeme (EVs) na KES 500 milioni kwa ufadhili wa mitambo inayotumia sola (PV).

Mwaka 2023 tulihifadhi nafasi yetu kama Benki #2 ya Mashirika kanda ya Afrika Mashariki, ambapo tuna amana za jumla ya KES 206 bilioni (ongezeko la 20% mwaka baada ya mwaka) na tulikuza uhusiano wa mashirika ya mataifa tofauti katika kanda hii kwa 29%. Muundo wa biashara wa kuangazia sekta ulichangia kuimarika pakubwa kwa udhibiti wa benki hii katika soko kwenye sekta muhimu kama vile Mabalozi na Diplomasia (60%), Kampuni za Bima (26%) na sekta ya SACCO (12.6%).

Mwaka 2023, tuliendelea kuwekeza katika malengo yetu ya kimkakati ya Mageuzi ya Dijitali. Maboresho yaliyofanyiwa majukwaa yetu ya kupokea huduma za benki kupitia njia ya simu na mtandao yalituwezesha kuongeza mapato kutoka kwa majukwaa hayo kwa 53%. Muhimu zaidi, kufungamanishwa kwa huduma za kitengo chetu cha uwekezaji cha NCBA Investment Bank kwenye programu tumishi ya simu, kuliongeza kasi ya kuongezeka kwa mali zilizo chini ya usimamizi wetu kufikia KES 52 bilioni mwaka 2023 (ukuaji wa 21% mwaka baada ya mwaka)

NCBA iliendelea kuwasaidia zaidi ya wateja 60 milioni kote Afrika kufikia huduma za mikopo midogo na uwekaji akiba, ambapo tulitoa mikopo ya jumla ya KES 930 bilioni ambalo ni ongezeko la 28% mwaka baada ya mwaka. Mafanikio yetu yametokana na wafanyakazi wetu wenye vipaji, wenye kujitolea na wenye kutia bidii sana. Wasimamizi wameendelea kujitolea kuhakikisha mazingira ambapo kila mfanyakazi anapata fursa ya kunawiri na kuonyesha uwezo wake. Mwaka 2023, tuliendelea kukuza utamaduni wa matokeo mema miongoni mwa wafanyakazi wetu kwa kutilia mkazo masaa ya kujifunza (masaa ya kujifunza yaliongezeka 110% mwaka baada ya mwaka), na pia kwa kuwapandisha vyeo wafanyakazi 448 kote katika Kundi na kuwapa majukumu zaidi. Kama shirika, tunajivunia kwamba tumedumisha usawa wa kijinsia katika kiwango cha wafanyakazi Waume na Wanawake cha 49:51, na pia kukumbatia watu wa sifa na asili mbalimbali. Juhudi hizi za Pamoja za kuwekeza katika maslahi ya wafanyakazi wetu ziliongeza kiwango cha wafanyakazi kuhusishwa hadi 88% (ukilinganisha na 82% mwaka uliopita) na NCBA ilitambuliwa katika tuzo za Mwajiri Bora wa Mwaka za 2023 kwa kutunukiwa nafasi ya tatu katika kitengo cha Mazingira Bora ya Kazi.

Vipaumbele na Matokeo ya Kifedha 2023

Mkondo wa ukuaji wa Kundi ulisalia imara ukilinganisha na 2022, ukichangiwa na mapato mazuri kutoka kwa shughuli zetu kuu na pia kuongezeka kwa kiwango cha faida kutoka kwa kampuni zetu tanzu katika kanda. NCBA Group PLC ilipata faida ya baada ya ushuru ya KES 21.5 bilioni, ongezeko la 56% ambapo Jumla ya Mikopo ghafi ya Kundi iliongezeka 18% mwaka 2023. Kampuni zetu tanzu katika kanda (Tanzania, Rwanda, na Uganda) kwa Pamoja zilizalisha faida ya kabla ya ushuru ya KES 3.0 bilioni, ambayo ni mafanikio makubwa kutoka kwa hasara ya KES 308 milioni iliyopatikana katika Mwaka wa Kifedha wa 2022. Mchango wa pamoja wa faida wa 14% wa benki hizo tanzu uliongozwa na mkakati wa Kundi wa kufufua biashara zetu Tanzania kupitia kubadilisha muundo wa biashara yetu huko na pia kuweka miundo yetu Uganda na Rwanda katika kiwango kifaacho ili kuchochea ukuaji.

Matokeo mazuri ya kifedha ya 2023 yalitokana na utekelezaji wa vipaumbele muhimu vya shirika letu vya 2023;

- Kuboresha Hali ya Kifedha
- Biashara Tanzu katika Kanda
- Ongezeko la Wateja
- Hatari na Udhibiti wake
- Uendelevu

Juhudi zetu za kuboresha hali ya kifedha ya Kundi na kutumia vyema rasilmali zetu ziliongeza kiwango cha mapato kutoka kwa mali yetu hadi 11.7% kutoka 10.1%, nacho kiwango cha mapato kutoka kwa mikopo kikaongezeka kutoka 5.7% hadi 6.1% na kuchangia ongezeko la 12% katika mapato kutoka kwa mikopo, mwaka baada ya mwaka. Kupitia mikakati hii ya kina, tuliweza kuendeleza uongezaji wa thamani na kuongeza nguvu nafasi yetu sokoni, ambapo NCBA iliorodheshwa nambari 3 kwa Amana za Wateja na Mali.

Kuhusu biashara zetu tanzu katika kanda, utekelezaji wa uangalifu wa mikakati yetu uliongeza kiwango cha faida kwa zaidi ya 100% mwaka baada ya mwaka. Jambo muhimu kwenye mizania ya hali ya kifedha lilikuwa ni kuongezeka pakubwa kwa amana zilizowekwa na wateja, ambazo ziliongezeka kutoka KES 47 bilioni mwaka Desemba 2022 hadi KES 65 bilioni kufikia Desemba 2023, jumla ya mikopo iliongezeka kutoka KES 29 bilioni hadi KES 41 bilioni, lakini bado tukadumisha ubora wa mikopo kwa kupunguza mikopo isiyolipwa kutoka 12% hadi 8% mwaka baada ya mwaka. Hili linaendelea kudhihirisha kujitolea kwetu katika kusaidia ukuaji wa uchumi katika mataifa tunayohudumu.

Kwa kuendeleza kutoka kwa mafanikio tuliyoyapata mwaka 2022, tuliongeza kasi ya kuwatafuta wateja zaidi wa benki, ambapo kiasi cha amana zilizowekwa na wateja kilipanda kwa 15% mwaka 2023, idadi ya wateja nayo ikaongezeka 20%.

Tulihakikisha tunakuwa na wateja wa aina mbalimbali kupitia kuboresha huduma tunazotoa kwa wateja wa kibiashara ili kuvutia kampuni kubwa, Pamoja na biashara ndogo ndogo na za wastani. Kwa wateja binafsi, tuliangazia sekta zenye fursa kubwa ili kuhakikisha tunawajumuisha wateja wa aina na sifa mbalimbali kupitia mikakati mbalimbali Kenya na nje ya nchi. Kwa kutekeleza mikakati hii, tulipanua idadi yetu ya wateja hadi zaidi ya 60 milioni katika benki halisi na biashara za dijitali.

Kuhusu kipaumbele chetu cha Hatari na Udhibiti, benki ilikumbana na changamoto kubwa za kiuchumi zilizotokana na shinikizo za kifedha sokoni ndani ya nchi na kimataifa. Katika mazingira haya, hatua zilizopigwa katika kuimarisha mizania ya hali ya kifedha zilihakikisha ubora wa mikopo tuliyotoa unakuwa ni wa kiwango cha juu kuliko wenzetu wa kiwango sawa, ambapo kiwango cha mikopo isiyolipwa (NPL) kilikuwa 12.1% (ukilinganisha na 14.8% katika sekta). Mwaka 2023, tuliangazia mkakati wa shirika lote wa kuboresha mazingira yaliyodhibitiwa katika Kundi la NCBA. Kupitia shughuli hii, tumepata ufahamu wa Pamoja wa utamaduni wetu kuhusu hatari na azma yetu, na kuanzisha majukwaa katika ngazi ya idara ambapo majadiliano zaidi kuhusu hatari yatatokea.

Ikizingatiwa kwamba bima ni hitaji la kifedha ambalo linaanza kuwa la msingi kwa wateja tunaohudumia, NCBA ilitangaza nia ya kununua 100% ya hisa za Kampuni ya Bima ya AIG Kenya, ikisubiria kuidhinishwa kwa ununuzi huo na mamlaka. Kwa kuleta pamoja majukwaa halisi ya NCBA kupitia matawi na utoaji wa huduma kupitia dijitali, Pamoja na uwezo wa AIG Kenya katika bima, ununuzi huo utaliwezesha Kundi kufikia azma yake ya kuwa benki ya huduma zote na pia kusaidia kuenea zaidi kwa huduma za bima Kenya na katika kanda.

Uendelevu

Mwaka 2023, katika Kundi lote, tulianzisha utafiti wa kina na pia shughuli ya kuhamasisha ili kuweka sawa lengo letu la uendelevu kuendana na fursa zinazojitokeza kutoka kwa hatua wazi za kimkakati kuhusu mazingira, jamii na utawala (ESG) kwenye biashara na shughuli zetu. Hili mwishowe liliishia katika uzinduzi wa ajenda yetu ya mabadiliko endelevu kwa jina "Change the Story" (Badilisha Taarifa) mwezi Agosti. Badilisha Taarifa ina msingi wake katika nguzo tano kuu na ahadi kumi na tano jasiri. Hizi ni pamoja na ahadi ya kutenga KES 100 milioni kila mwaka za mageuzi na ushirikishwaji wa jamii. Mwaka huu, tulitoa ufadhili wa kimasomo wa thamani ya KES11.1 milioni, kwa watoto walio na vipaji ambao hawakuwa na uwezo.

Pia, tuliahidi kukuza miti 10 milioni kufikia mwaka 2030, jambo ambalo tunalitazama kama la muhimu katika kuimarisha uwezo wa Afrika kukabiliana na athari za mabadiliko ya tabia nchi. Ili kutimiza hili, tumetumia ushirikiano wa kimkakati na wadau wengine katika sekta ya kibinafsi na Serikali ili kuimarisha mpango wa upandaji wa miti. Mwaka 2023, NCBA ilipanda jumla ya miti 344,437, na kwa jumla imepanda miti zaidi ya 7 milioni tangu 2018.

Kuhusu ahadi ya kutafuta KES 30 bilioni za Ufadhili wa Mazingira na Uendelevu, NCBA ilishirikiana na Proparco, kampuni tanzu ya AFD Group kutoa mfuko wa ufadhili wa USD 50 milioni. Lengo ni fedha hizi kutumiwa katika kuchochea maendeleo endelevu ya kiuchumi na kuendeleza pia kushirikishwa kwa watu wa asili na sifa mbalimbali na usawa. Ili kuhakikisha tuna mtu wa kutuwajibisha kuhusu malengo haya, tulijiandikisha katika mpango wa Umoja wa Mataifa wa Global Compact.

Tukitazama mbele

Mwaka 2024 utakuwa muhimu sana tunapojaribu kuimarisha mafanikio tuliyoyapata katika msururu wa mikakati kuanzia 2020 hadi 2024. Katika miaka minne iliyopita, uongozi tendaji wa NCBA, wafanyakazi zaidi ya 3300 kote katika mataifa 5 tunayohudumu, wamedhihirisha kujitolea kwa hali ya juu katika kutimiza malengo yetu ya kimkakati.

Natoa shukrani zangu za dhati kwa Bodi ya Wakurugenzi katika Kundi na katika kampuni zetu tanzu kwa kujitolea kwao na shauku, jambo ambalo limesaidia Kundi la NCBA kufikia makuu.

Natoa shukrani zangu kwa wateja wetu kwa kuwa sehemu ya safari hii ya ufanisi. Kwa Pamoja, tutaendelea kuandika taarifa ya ufanisi ya Kundi la NCBA na nina imani kwamba makuu zaidi yaja.

Mwisho kabisa, ningependa kutoa shukrani zangu kwa wenyehisa wetu kwa uungaji mkono wao na kwa wadau wetu wengine ambao wameendelea kuwa na imani na nembo yetu

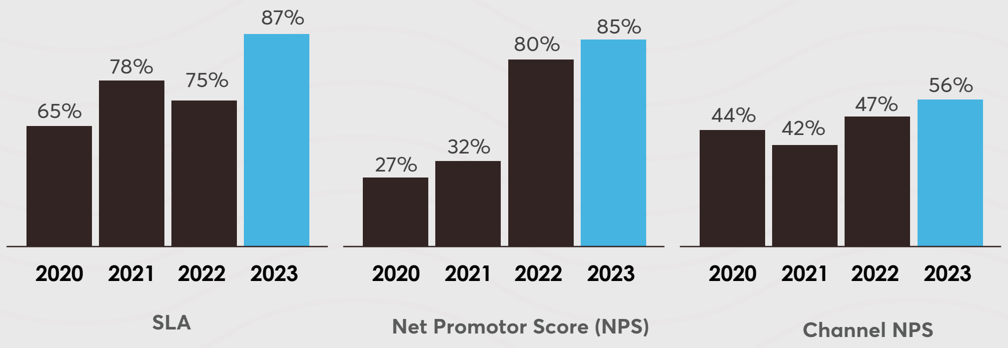
Tujizatiti! Twende Mbele!

John Gachora
Meneja Mkurugenzi wa Kundi

STRATEGIC FOCUS
2020 - 2024

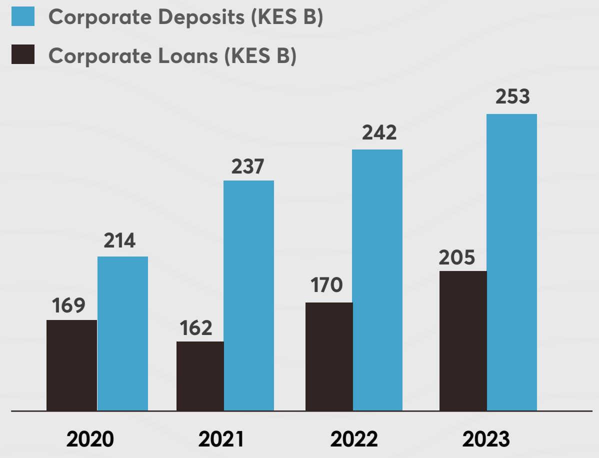
Become a Distinguished Brand Known for Customer Experience

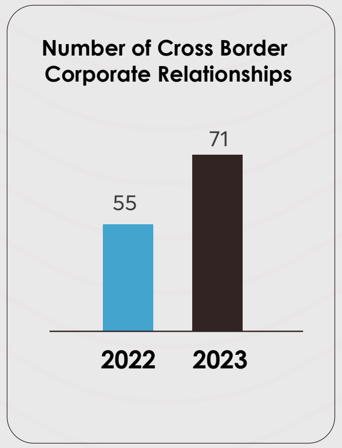
We have made significant digital investments into our core bank and these have improved process efficiencies, reduced cost and overall, enhanced customer experience with all our metrics tracking up.



Deepen Leadership in Corporate Banking

We are the number 2 Corporate Bank in East Africa with a large and growing deposit base of KES 253B and growing cross border relationships.

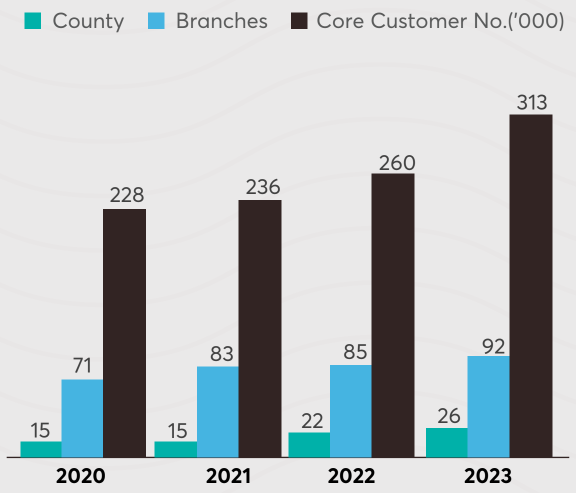


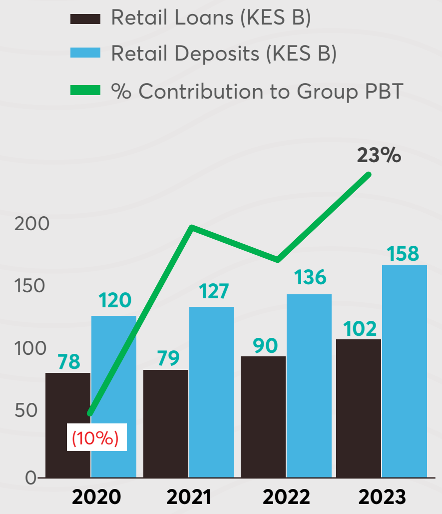


Scale Retail Banking

Our focus on expanding our branch footprint has grown our retail banking customer base and delivered tangible balance sheet growth. We have increased our footprint in Kenya and acquired more customers. The network effects have made our retail business a more significant contributor.

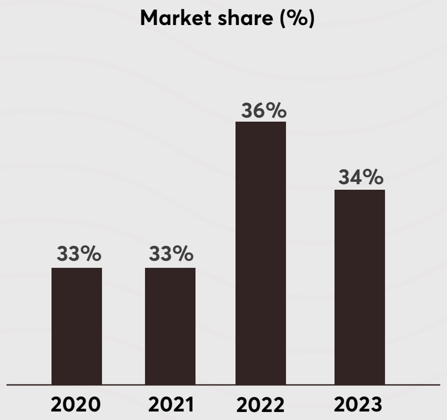
92 Branches in **26** Counties

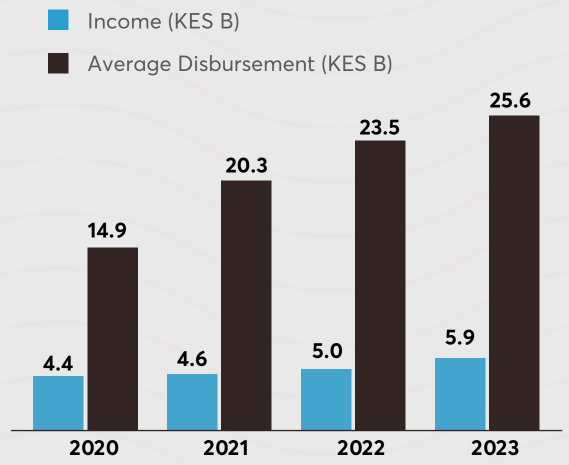




Deepen Leadership in Asset Finance

We have maintained our leadership in asset finance (34% market share) through innovating relentlessly and building strategic partnerships.

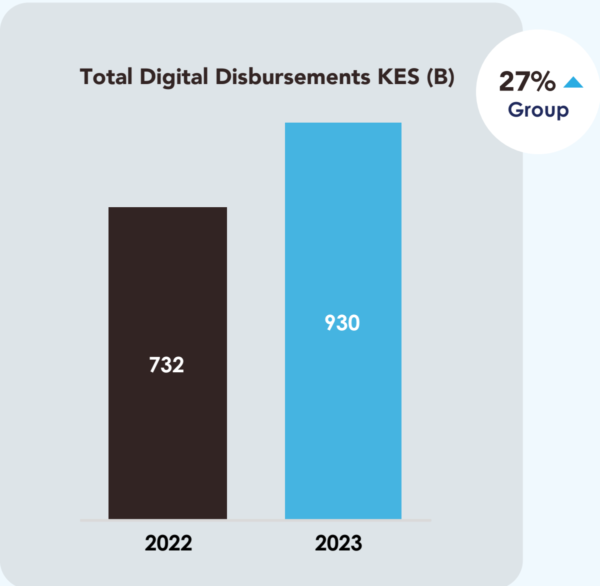




Digital transformation

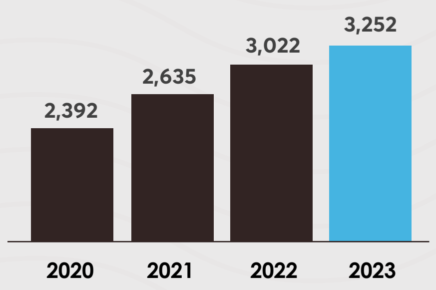
Our investment in Digital Banking enabled us to disburse KES 930B digitally in 2023 (up 27% YoY), supporting our financial inclusion agenda and diversifying our customer base across Sub Saharan Africa.

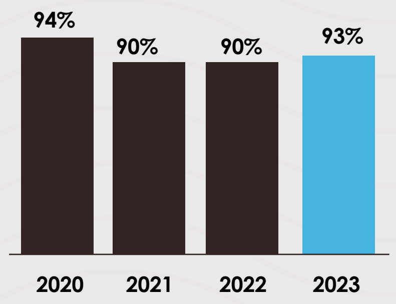
Fuliza	KES 789.6B	27% ▲
Mshwari	KES 102.4B	17% ▲
LOOP	KES 1.2B	87% ▲
Mo-Kash (UG)	KES 12.5B	38% ▲
Mo-Kash (RW)	KES 15B	114% ▲
M-Pawa	KES 5.3B	101% ▲
MoMo Ivory Coast	KES 4.3B	68% ▲



Develop a High-Performance Employee Culture:

Our employees, the "Go Getters" are our greatest asset in achieving our strategy. We have maintained a high-performance culture, with high levels of employee satisfaction, positioning us as an employer of choice

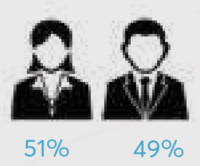




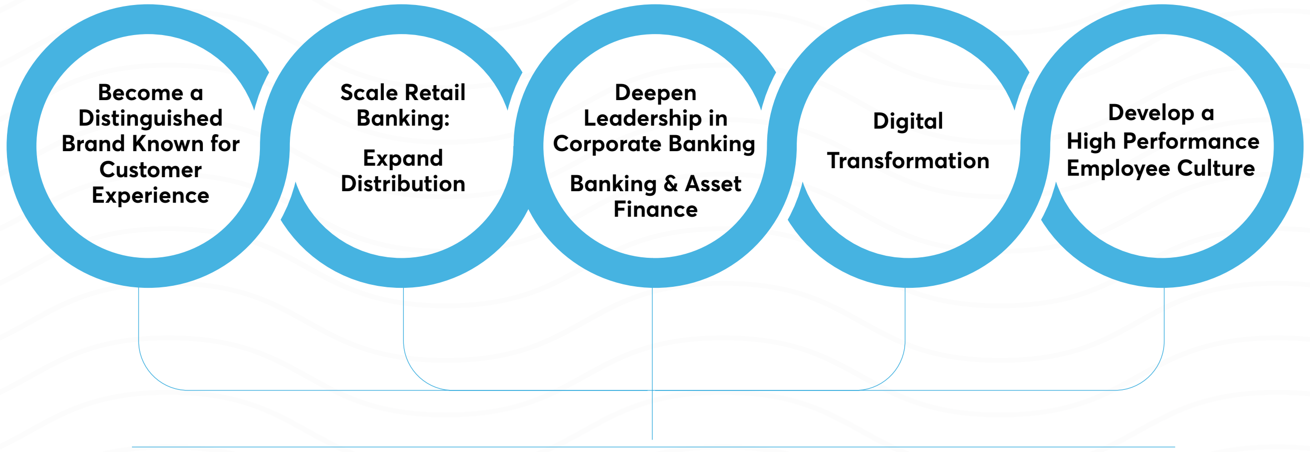
448 Promotions / Appointments

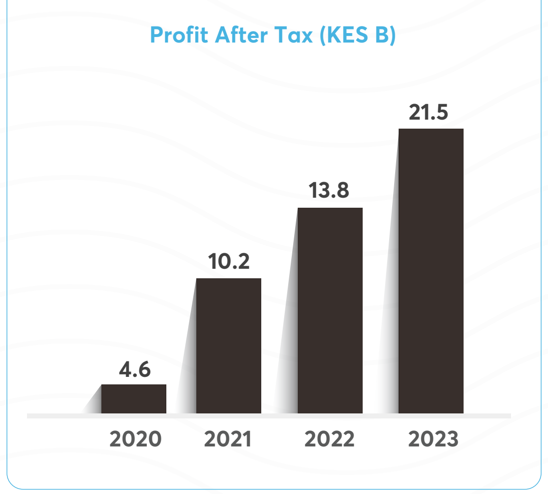
61 Interns Engaged by the Bank

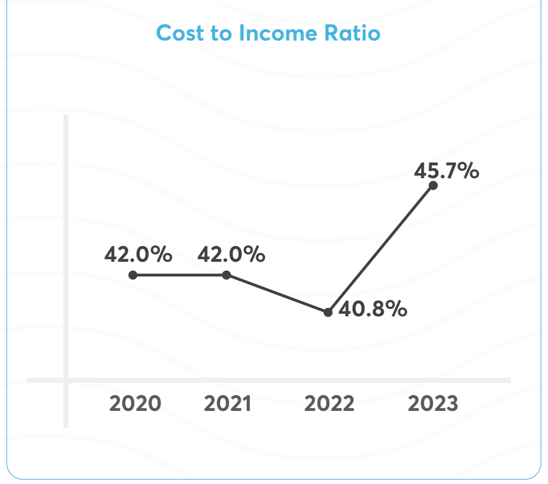
Gender Split

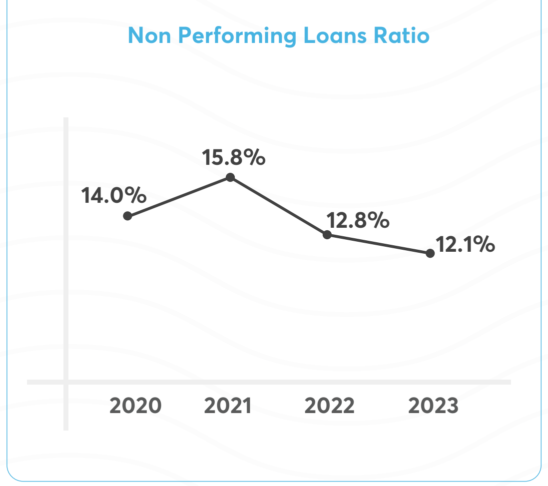


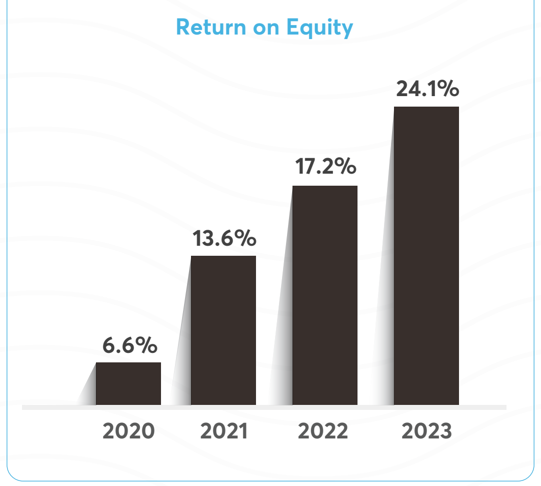
Our Strategy continues to deliver with all our metrics in line with targets to deliver results.











Themes Affecting Our Business

Sustainability

In 2023, sustainability emerged as a pivotal theme profoundly impacting business operations amid a heightened global consciousness regarding the looming climate crisis. This shift catalyzed a fundamental reorientation amidst priorities among investors and consumers, compelling businesses to prioritize environmental, social, and governance (ESG) considerations. As NCBA, we recognized the need to contribute to the global agenda and install sustainability as a core tenet and a key area of managerial focus in 2023.

In 2023, we saw businesses embarking on comprehensive sustainability plans with clear objectives and timelines, encompassing not only their operations but also scrutinizing the ESG credentials of their entire supply chains. NCBA was not left behind. We embarked on a Group-wide initiative to define our Sustainability Agenda. We defined a holistic ESG strategy which underscored the interconnectedness of business activities with their environmental and social ramifications, and identified tangible steps aimed at reducing negative impacts. The integration of ESG considerations into core strategies marked a significant departure from previous practices and highlighted sustainability as a driving force for positive change and ecological responsibility.

Our 5 Strategic Pillars:

Environmental

1. Minimize Our Direct Impact on the Climate and Amplify Our Tree Planting Programme,
2. Ignite Our Customers› Transition to a Low Carbon Operating Model,
3. Mitigate the Impact of Climate Related Risks to Our Long-Term Performance

Social

4. Enhance the Impact of Our Community Engagement Model

Governance

5. Optimize our Corporate Governance

By embracing sustainability, we aim to shape a future where sustainability is not just a goal, but a shared reality, inspiring positive change and reducing our ecological footprint.

Digital Transformation Powered by Artificial Intelligence (AI)

The rapid evolution of technology, particularly in artificial intelligence (AI) and data analytics, is reshaping the financial services industry. Generative AI holds immense potential to enhance operational efficiency, automate processes, and personalize customer experiences. We have seen many global organizations leveraging AI-powered tools to streamline back-office operations, enhance risk assessment, and offer customized products and services to their customers.

NCBA is geared to address the changing preferences of both corporate and retail customers and is adopting automated self-service applications and integrating emerging technologies. We have deployed automated bots to enhance the efficiency and effectiveness of risk management, reporting, and financial crime detection. Through the implementation of our Robotic Process Automation (RPA), we have automated 44 key processes, resulting in a remarkable saving of 91,000 man-hours.

With the rapid advancements in technology, cybersecurity threats continue to loom large in the banking sector. We have invested in cutting-edge technology such as Cloud Migration, Data Quality Management, Server Upgrade and robust protocols such as Security Assurance, Information Security Awareness Programs, Vendor/ Third Party Security Control, Data Security Controls and fraud management system firewalls to detect, prevent and respond to threats promptly. We also continue to upskill employees to stay vigilant and proactively put in place measures to thwart potential attacks. We are committed to ensuring the utmost protection of our customers' financial data and personal information and believe that the measures we have put in place put us one step ahead in addressing cyber security threats.

As NCBA, our digital transformation initiatives significantly enhanced our operational efficiency, cost reduction, and customer experience in 2023. Additionally, our NCBA Now Mobile Platform upgrade in 2023 has led to a substantial 37% year-on-year growth in mobile transaction volumes, underscoring the effectiveness of our channel enhancements. We invested USD 31 million in modernizing our infrastructure which has:

- Enabled open banking through API modernization
- Facilitated Cloud adoption for scalability
- Fortified our cybersecurity infrastructure

In an increasingly digital world, we recognize that while we have laid a digital foundation, much more is required to stay ahead of the curve.

USD 31M Investment in infrastructure modernization

44 Key Processes Automated

The Future of Work

In 2023, the future of work emerged as a defining theme reshaping operations within financial institutions, driven by rapid technological advancements and evolving societal norms. Remote work evolved from a convenience to a necessity, leading companies to adopt flexible and hybrid models, blurring traditional office boundaries and revolutionizing collaboration. The war for talent intensified as organizations sought skilled professionals proficient in emerging technologies, sparking fierce competition and prompting institutions to revamp recruitment strategies with attractive perks and upskilling opportunities. This competition spurred innovation and emphasized creativity, adaptability, and continuous learning as essential traits. Additionally, diversity, equity, and inclusion became critical focal points, with financial institutions prioritizing initiatives to foster inclusive cultures and provide opportunities for all employees to thrive. Ultimately, by embracing flexibility, talent acquisition, and inclusivity, financial institutions positioned themselves to navigate present challenges and seize future opportunities in the evolving landscape of work.

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 2023.

- 448 colleagues received promotions or moved into new roles.
- We also onboarded 61 interns into our Go Getter Internship Programme, 10 of whom have been absorbed into the business and the rest of the team will remain our pool of ready-now talent for future opportunities.

Our results have shown that we were more successful and efficient than ever; we maintained a market leading staff intensity ratio (i.e. staff cost to operating income) at 19.5% 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.

448 Promotions/ Appointments

61 Interns Engaged by the Bank

Enhanced Regulatory Compliance

In 2023, regulatory compliance emerged as a paramount concern for East African financial institutions, profoundly influencing business operations across the industry. Heightened regulatory scrutiny, particularly in areas such as anti-money laundering (AML), fraud prevention, and cybersecurity, compelled banks to prioritize stringent compliance measures. Regulators imposed stricter guidelines and enforcement mechanisms, necessitating significant investments in technology, personnel, and infrastructure to ensure adherence to evolving regulatory frameworks. Financial institutions found themselves grappling with the complexities of compliance, as non-compliance posed severe financial and reputational risks, prompting a fundamental reevaluation of risk management strategies.

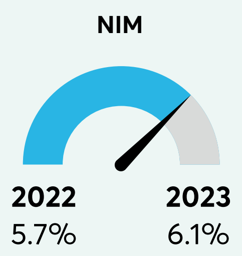
AML and fraud prevention became focal points for regulatory compliance efforts, with authorities ramping up efforts to combat financial crimes and illicit activities. Banks were required to implement robust AML controls, leveraging advanced technologies to enhance transaction monitoring and detection capabilities. Kenya closed 2023 as one jurisdiction under increased monitoring by the Financial Action Taskforce (FATF) and is working with the organization to address strategic deficiencies to counter money laundering, terrorist financing, and proliferation financing.

Given this reality, we expect regulators to impose stringent requirements for safeguarding customer data and infrastructure, mandating comprehensive cybersecurity frameworks and regular assessments. This will likely increase the cost of compliance for NCBA Group, particularly given our broad relationships with global financial partners. Nonetheless, at NCBA, we are embarking on a holistic approach to risk management in order to navigate the increasingly complex regulatory environment.

Key Focus Areas in 2023

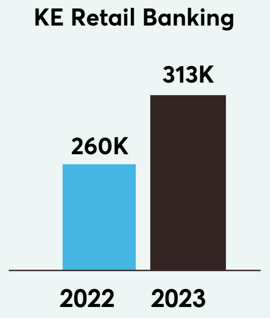
Balance Sheet Optimization

In 2023, we enhanced the value generated from our substantial balance sheet. Through effective pricing strategies, we refined our asset mix, strategically reallocating investments to capitalize on emerging opportunities. Ultimately, we elevated our balance sheet optimization efforts, growing our Net Interest Margin (NIM) to 6.1% in 2023.



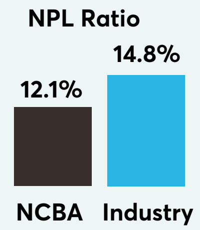
Accelerate Customer Growth

Building on the gains of our customer experience efforts in 2022, we accelerated our customer acquisition to the core bank, with customer growth and retention efforts driving deposit mobilization 15% up in 2023. We transformed our distribution channels and prioritized exceptional customer experience as the cornerstone for fostering loyalty and retention. We continue to foster lasting relationships that drive sustained growth and profitability across our business operations.



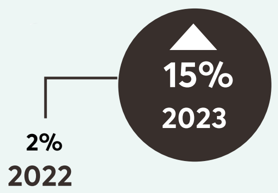
Embed Risk & Controls Culture

In 2023, NCBA established a robust risk culture and routine to safeguard our business operations while implementing proactive credit risk monitoring. We embedded the appropriate mindset and practices across the organization to identify, assess, and mitigate risks effectively. By fostering a culture that prioritizes risk awareness and responsiveness, we fortified our resilience against potential threats and ensured the continuity of our operations.



Increase Subsidiary Contribution

In 2023, we diversified our revenue sources and enhanced the bottom line contribution from all our business lines. We strategically leveraged the strengths and capabilities of our subsidiaries to capture opportunities across various markets and industries by optimizing each subsidiary's performance and aligning their objectives with our corporate goals. Our focus on enhancing our subsidiaries' contributions demonstrated success, with our regional and non-banking subsidiaries contributing 15% of Group PBT, up from 2% in 2022.



Define Sustainability Agenda

In 2023, we identified sustainability as one of our top priorities across the Group, where we launched our comprehensive sustainability agenda by defining our approach against Five Strategic Pillars and Fifteen Bold 'Change the Story' Commitments. We also signed a USD 50M facility with Proparco to mobilize funding towards sustainable financing.

USD 50M

Funding towards Green & Sustainable Platforms, Women in Business and SMEs

Our Diversified Business Model

Corporate Banking

We had a dynamic year in our corporate banking business. We closed the year with a 20% increase in gross loans (KES 206B) and a milestone in customer deposits, which crossed the KES 250B mark in Kenya alone. This continues to reinforce our sectoral approach to engaging with our customers, where our teams are more focused, have a deeper understanding and are better equipped to offer creative solutions to our customers. With great enthusiasm, we see immense regional opportunities as our corporates continue to seek opportunities across East Africa. Our new to bank acquisitions reached 162 new customers in 2023, from 2022 (146), and this bolstered our business immensely. All this compounded to NCBA maintaining its No.2 corporate bank position.

Retail Banking

Our retail business is thriving! With a commitment to growth and customer-centricity, we expanded our branch network, adding 8 new branches in Kenya in 2023, totaling 92 well-positioned and efficiently sized branches across 26 counties. Our efforts are now pointing to positive financial outcomes with a 23% increase contribution to Group PBT from 9% in 2022. This fills us with confidence that our strategy is now showing desirable outcomes. We continue to seek new locations which will adequately serve our plethora of customers. Additionally, through a well-structured pilot programme, we initiated an Agency Banking pilot program, onboarding 476 agents across all 47 counties. We prioritized customer engagement initiatives, including Diaspora Banking activations and Workplace Banking schemes, signing up 22 new schemes.

NCBA Leasing

In 2023, we achieved significant milestones, with a remarkable 70% increase in gross rental income, contributing KES 147 million profit before tax (PBT) to the Group. NCBA Leasing saw its Leased Assets surpassing the KES 5 billion mark (KES 4.4 billion in 2022) and this success was driven by robust partnerships with equipment suppliers and service providers nationwide. The implementation of process automation enhanced customer experience, with plans for further automation planned for 2024. Additionally, NCBA Leasing demonstrated commitment to sustainability by offering innovative Electric Vehicle and Solar leasing solutions, resulting in up to 50% reduction in motor vehicle running costs and power expenses for customers, requiring minimal initial capital outlay.

NCBA Bancassurance Intermediary Limited

NCBA Bancassurance Intermediary Limited is licensed to offer insurance solutions. It is currently ranked among the top five Bancassurance intermediaries in the market and has in place strategies that will ensure it enhances its market positioning to the top three. In 2023, we launched our "Go Insure" platform for online motor insurance transactions, pushing 60% of applications digitally with plans for claim processing to follow. In 2023, we saw a 46% income surge driven by increased sales, venturing into new bank segments, and enhancing staff training. The subsidiary generated KES 292 million to the overall Group's profit before tax (PBT), an 84% growth from the previous year. Lastly, we delivered KES 3.3 billion of Gross Premiums Underwritten from KES 1.7 billion in 2022, a 91% growth.

Digital Business

Our digital business is substantial with over 60 million customers spread across East and West Africa. In 2023, our total digital disbursements rose by 27% to KES 930 billion, furthermore, our businesses in the region continued to perform well, with Rwanda's digital business delivering strong profitability in 2023. We continue to explore new markets and see immense opportunities in more Sub-Saharan African countries through value additive partnerships which allow NCBA, through LOOP DFS, to showcase its historical strength in engaging with mobile-based customers, offering them payment solutions, lending products and by building an eco-system of merchants who can access customers effectively through our platform.

Asset Finance

NCBA maintains its market leadership in Asset Finance, boasting a market share of 34% and upholding a 60-year legacy of providing competitive and innovative financing solutions for movable assets. We continue to diversify our array of partnerships to various industries (motor vehicle, appliances, etc.). With this, we continue to support all our customers through the right solutions. In 2023, our total balance sheet expanded to KES 45 billion, marking a notable 13% growth from the previous year. This growth was fueled by serving our customers who collectively accessed KES 25 billion in loans, indicating the trust and confidence placed in us by our customers and partners.

NCBA Investment Bank

NCBA Investment Bank, a subsidiary of NCBA Group PLC, positions itself as a one-stop shop for various financial needs, offering expertise, convenience, and diverse investment options. We offer this range of financial services through three main categories:

1. Advisory:

Provides expert advice on corporate finance, capital raising, and project finance and bridges the gap between investors and issuers for debt and equity capital raises. We offer services like due diligence, business restructuring, M&A, and valuations and we are considered a go-to partner for debt capital markets transactions. Last year, our advisory business delivered KES 160 million of top line, a 78% growth in advisory incomes during that period.

2. Brokerage:

As a licensed member of the Nairobi Securities Exchange, we enable investment in various securities by facilitating approvals for new issuers on the NSE and providing research reports to support investment decisions.

3. Wealth Management:

Offers investment solutions for various client profiles and goals. "NCBA Wealth" caters to high net worth individuals and institutions with managed portfolios by providing Collective Investment Schemes (unit trusts) like NCBA Equity Fund and Fixed Income Funds. We also manage pension funds through segregated portfolios and umbrella schemes. Other services include Individual Pension Plan and Income Drawdown Fund for individual retirement planning. We are excited about our wealth management platform's ability to continue to offer more valuable tailor-made solutions to customers. Our assets under management grew by 21% to KES 52 billion in the financial year ending 2023.


NCBA
TWENDE
MBELE

Letter from our AG Group Director, Corporate Banking

Charles Omondi

Corporate Business

The year 2023 began with a sense of optimism but soon faced challenges that tested the resilience of businesses across various sectors. Natural calamities such as droughts and floods, coupled with global economic uncertainties, contributed to food insecurity, inflationary pressures and increased operational costs. Despite these adversities, the Corporate Banking division not only exhibited remarkable resilience and growth but also responded proactively by providing tailored solutions, which ensured our clients continued to conduct their businesses in a seamless manner.

Our Financial Performance

Our focus on customer acquisition, retention and quality of relationship management resulted in growth in our customer base, a 20% increase in gross loans (KES 206B) and a milestone in customer deposits, which crossed the KES 250B mark. The Kenya business provided balance sheet support to our regional teams in Rwanda, Uganda and Tanzania, improving their PBT contribution to KES 3B from previous year loss position of KES 280 million. It is also worth noting that there was commendable improvement in the overall Non-Performing Loan (NPL) ratio that decreased by 15% to close at 12.8%, which is well below industry average. This is a true testament to the robust risk management culture ingrained within the relationship management team.

The sector-led business structure continued to guide the team in building industry expertise, which has since culminated in notable improvement in the Bank's market share in key sectors such as Diplomatic missions (60%) and Insurance Companies (26%). Recognizing the significance of SACCOs in Kenya's economic landscape and appreciating that this is a nascent sector in our business, we continued to foster financial inclusion and provided bespoke solutions to various cooperative movements, which led to our overall market share closing at an impressive 12.6%. Our custody business witnessed significant growth, with Assets Under Custody closing at KES 280B. We are strengthening our competitive position by introducing Trustee services and have obtained a risk rating of A- from Thomas Murray, a global risk intelligence company.

Trade finance offerings, including our innovative digital platform, "Bedee", played a pivotal role in facilitating transactions totaling KES 150B across all our key sectors. Moreover, our digital transformation journey, revamped banking services and even expanding our innovative cross-border offerings ensured that the ease of customer transacting with NCBA remained at the core of our daily interactions.

Strategic Partnerships

NCBA partnered with key industry players such as the Kenya Association of Manufacturers, Cereal Millers Association, Naivasha Horticultural Fair, Kenya Healthcare Federation and public sector institutions which strengthened our relevance to various sectors. Through various initiatives, we played a critical role in enabling the Government's agenda to create affordable housing and enhance revenue collection efficiency through E-Citizen. This underscores the Bank's commitment to playing a critical role in the transformation of the Kenyan economy.

In line with the Bank's sustainability strategy, we continued to forge strategic alliances and participated in sector-specific events, including clean energy initiatives covering Manufacturing, Energy, Agriculture, Trade, Faith Based and NGO's, which further demonstrated our steadfastness in driving positive change and supporting the UN Sustainable Development Goals. In conjunction with our Global Market and Research team, we demonstrated thought leadership through the periodic "Economic Forums" where we hosted our customers and subject matter experts delving into topical issues affecting their businesses.

Looking Ahead

In 2024, we are cognizant of the government's Bottom-up Economic Transformation Agenda (BETA) which focuses on five core pillars: Agriculture; Micro, Small and Medium Enterprises; Housing and settlement; Healthcare; and Digital superhighway and Creative Economy. However, as a division, we see great business opportunities created within this vast ecosystem that will require the Bank to always innovate by having "digital at the core" and for the relationship management team to have a closer and elevated engagement with our customers.

The Kenyan economy is expected to remain resilient, supported by robust performance in the services sector and expected recovery in agriculture. We also expect manufacturing to remain a key driver of industrial activities in Kenya as it propels the broader economic development through forward and backward linkages with other sectors.

The services sector maintained a strong growth momentum in 2023 and is expected to continue in 2024, with the hospitality sector having recovered well and showing positive signs towards contributing to greater foreign currency inflows.

As a business, we shall continue to invest in our people, leverage our technology and digital endowments, and inculcate a robust risk management culture. Above all, and acknowledging that we have built a very resilient business buttressed by unwavering customer loyalty, we shall remain committed to customer-centricity in all our engagements.

KES 6.5B
Profit Before Tax

20%
KES 206B
Loans

4%
KES 253B
Deposits

Retail Banking Business

Letter from our
Group Director, Retail Banking

Tirus Mwithiga

Our 2023 Performance

KES 5.8B
Profit Before Tax

13%
KES 102B
Gross Loans

16%
KES 158B
Customer Deposits

20%
313K
Customer Numbers

The Retail Banking division in NCBA Bank provides banking services to individual clients under Consumer Banking and Affluent Clients and for the small and medium enterprise clients under our Commercial and SME banking propositions. As we celebrate our 60-year history, we remain steadfast in our commitment to continue growing our franchise by onboarding more customers, expanding our reach, and meeting the evolving needs of our diverse clientele. Our Retail Banking business is substantial to the Group's performance, achieving a y-o-y profit before tax (PBT) growth of over 100% (KES 5.8 billion in 2023 from KES 2.1 billion in 2022). The retail loan and deposits book has grown by 13% and 16%, respectively, from the previous year.

Network Business And Distribution

We continue to scale our Retail Banking business by expanding our branch network; building from 2020, where we had 70 branches across 15 counties (32% country coverage). We added eight new branches in 2023 in Kenya, making it a total of 26 new branches over the last 30 months. Our branch network is now standing at 92 branches across 26 counties (55% coverage).

In addition, we expanded our network coverage by rolling out an Agency Banking pilot programme in two counties: Kajiado and Kiambu. Following the successful pilot in the two counties, we have now onboarded an additional 476 agents across all 47 counties. Our customers can now enjoy select services through our partnership with Postbank.

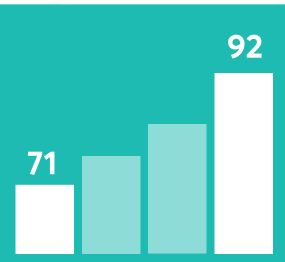
Banking Services To Individual Clients

2023 has been a year encapsulated by varied macro-economic challenges, which have undermined disposable incomes available to individual clients. Despite this, our balance sheet growth from this segment – in both customer numbers, deposits and lending book remained robust, reflecting prudent risk management and strategic decision-making. Our commitment to maintaining a strong financial position has allowed us to weather the storms and continue serving our customers with confidence.

In line with our compelling segments proposition, we held diverse customer engagement initiatives for our Affluent and Personal Banking clients: ranging from customer appreciation events to well-curated experiential events designed to wow our customers. In addition, we signed up value addition partnerships with other non-financial industry players for the benefit of our customers.

To reach the over 3 million Kenyans that live abroad, we held two Diaspora Banking activation tours; one in the United States that saw the team visit five different cities – Boston, New York, Minneapolis, Seattle and Dallas and a second in the United Kingdom where they visited London and Glasgow as well as Scotland which was a new frontier. In these activations, we interacted with thousands of Kenyans on how they can save, invest and finance their projects back home with our support. Additionally, locally, we signed up 22 new schemes in the year under our Workplace Banking value proposition with both government ministries, state corporations and private sector entities, particularly supported by our growing presence through the new branch locations.

55%
Country coverage



Branch Count (2020 - 2023)

92
Branches across 26 counties

476
Agents across 47 counties

Our Customer Experience and service delivery from our branch and Relationship manager channels continued to benefit from the strong establishment of a service culture, including a bank-wide training programme and strong key performance indicators (KPIs) that ensure that all critical dimensions of service are measured and monitored for quality.

Becoming A Bank Known For Commercial & SME Banking

The Commercial and SME sector remains a significant opportunity for growth and development in Kenya. To strengthen our coverage, focus and capacity to provide effective coverage over this segment, we reorganized our management by appointing a senior leader at Director level and also initiated the establishment of a Commercial Banking proposition targeting very large family-owned and managed enterprises with turnovers of over KES 500 million per annum.

As part of our client engagement and development efforts, we had our very first Commercial and SME International Business Trip since the merger, with 86 customers visiting Turkey for a period of 12 days, where they toured various factories and engaged potential business partners. We also held several client engagements with business owners, most notably exposing them to the challenges and opportunities of establishing better governance and multi-generational succession plans for their family-owned businesses.

NCBA and Strathmore Business School entered into a strategic partnership aimed at providing enhanced support and resources to Small and Medium Enterprises. Through the partnership, the Strathmore Enterprise Development Programme (EDP), a 16-week Programme that addresses the strategy, structure and systems of SME companies, was offered at discounted rates to NCBA clients.

In addition, the Programme provided opportunities for the SMEs to visit each other's businesses in a peer to peer review initiative as well as other industrial visits. We had two Cohorts of 30 students each enrolled in 2023, and more continue to enroll in the programme. The participants also formed a thriving business network among themselves, a value add that they did not have before joining this NCBA initiated Programme.

Sustainability is at the core of our business values, and we are proud to report that our commitments to environmental, social, and governance (ESG) principles are taking root within our Retail Banking operations – especially for the SMEs that we provide banking services to. Our sustainability initiatives include environmentally responsible lending practices and a focus on green financing. We believe that sustainable business practices not only benefit society but also contribute to the long-term success of our organization.

Driving Convenience Through Digital And Online Banking Channels

NCBA has made significant strides in the realm of digital banking through a mobile banking solution that enables customers to access a wide range of services, including account management, fund transfers, bill payments, and even investment opportunities. The user interface has been designed with simplicity in mind, ensuring that users from diverse backgrounds can navigate the platform effortlessly.

These mobile and internet banking platforms have undergone substantial enhancements, resulting in a stable, secure and user-friendly experience for our customers. Looking ahead, we remain dedicated to staying at the forefront of digital innovation. Our roadmap includes further enhancements to our mobile and internet banking platforms, incorporating emerging technologies such as artificial intelligence and machine learning to provide more personalized and predictive banking experiences.

Conclusion

We extend our gratitude to our shareholders, customers, and employees for their unwavering support. With a solid foundation, a diversified business model, and a commitment to sustainability, we are well-positioned to navigate the future and continue delivering value to all stakeholders.

Letter from our
Group Director, Asset Finance
& Business Solutions

Lennox Mugambi

KES **25.6B**
Total Disbursements

KES **1.9B**
Profit Before Tax

Asset Finance & Business Solutions

NCBA continues to be the market leader in Asset Finance with a 34% market share. The market positioning reflects our 60-year-old legacy of assisting clients to acquire new and used movable assets at competitive and innovative terms and continued product innovation. In 2023, our total balance sheet grew to KES 45 billion, a 13% growth from the previous year, which was achieved by transforming the lives of more than 6000 customers who collectively took up KES 25 billion worth of loans. This is indeed an affirmation of the trust and confidence placed in us by our customers and partners. Profit before tax grew by more than 100% to KES 1.9 billion, which demonstrates the significant contribution of the business to the Group's profitability. Below are some of the key activities that drove this performance:

Strategic Partnerships: Our distinctive strategic partnerships with the asset finance industry players increased our Retail Asset Finance disbursements by 18%. This was achieved through strengthened relationships with the partners.

Automation: Our fully automated end to end application, appraisal and approval process ensured that we deliver world-class turnaround time. A conditional approval of 15 seconds and issuance of offer letters within an average of 1.4 days meant that customers and partners were committed to the certainty of our processes.

CarDuka Platform: The use of our CarDuka e-commerce platform enabled customers to participate in motor vehicle and parts and accessory purchases, auctions and access to other services like insurance purchase and car loan applications.

KMI Motor Show: The sponsorship of the NCBA-Kenya Motor Industry Association (KMI) Motor Show at Sarit Centre, Nairobi, witnessed active participation from more than 40 automotive partners and was graced by more than 10,000 attendees. This worked in affirming NCBA as a true supporter of the automotive industry.

Johari Awards: Our 17th edition of Johari Awards, which attracted more than 1,000 partners, served as a platform to recognize and acknowledge the integral role the valued dealers and insurance partners play in supporting our business.

Sustainability: In line with our sustainability commitment, we committed to set aside KES 2 billion towards the financing of Electric Vehicles (EVs) and KES 500 million towards the financing of Solar Photovoltaic (PV) systems. Through strategic partnerships with electric vehicle and solar PV partners, we are actively contributing towards the promotion of a sustainable agenda.

Conclusion

NCBA's commitment to innovation and provision of customer-centric financing solutions has made us cement our market leadership position in Asset Finance. We will continue to deliver value adding solutions and services to ensure we increase our market share and be known as a trusted financial partner to both individuals and businesses.

NCBA Leasing

The leasing business has continued to trailblaze in innovative asset acquisition solutions to the benefit of both equipment vendors and other partners. This has been made possible through the provision of bespoke leasing solutions to customers by offering convenient and cost-effective propositions for their business and personal use.

NCBA Leasing LLPs gross rental income increased by 69% and contributed a profit before tax of KES 147 million to the Group. This performance was made possible by an increase in leased assets that crossed the KES 5 billion mark in 2023. The growth in leased assets has been made possible through continued support by equipment suppliers and service providers like insurance companies, parts and accessories suppliers as well as service workshops across the country.

In line with our strategy of enhancing process efficiency, we managed to roll out the first phase of automation of our processes, which has provided an enhanced customer experience. Phase two will be rolled out in the first quarter of 2024, and this will conclude the automation of all leasing processes.

NCBA Leasing is aligned with the Group's sustainability commitments by continuing to provide innovative electric vehicle and solar leasing solutions to personal, commercial and industrial customers in all sectors of the economy. The proposition is in partnership with Electric Vehicles (EVs) and Solar Photovoltaic (PV) suppliers. It has enabled the delivery of cost and energy efficient solutions that have reduced motor vehicle running costs and cost of power by up to 50% of what customers were previously incurring.

This comes with little or no initial capital outlay, therefore, customers are able to pay for their lease rentals from the cost savings.

NCBA Bancassurance Intermediary Limited

NCBA Bancassurance Intermediary Limited (NCBA BIL) is licensed and regulated by the Insurance Regulatory Authority (IRA) under Bancassurance regulations of 2020, which enables the company to provide insurance and risk management solutions to the NCBA Group's customers and the general public through partnerships with reputable insurance companies in the market. Customers can conveniently access a wide range of Health, General and Life insurance products at a personal and company level.

In 2023, total income grew by 46%, driven by an increase in sales volumes supported by insurance penetration into new bank segments and robust of branch staff dubbed "The Bancassurance Masterclass" which enhanced staff product knowledge and improved operational efficiencies. The subsidiary generated KES 292 million to the overall Group's profit before tax during the 2023 financial year, an 84% growth from the previous year.

In line with our process efficiency strategy, NCBA BIL launched 'Go Insure', an insurance digital platform that enables customers to purchase motor insurance electronically, submit and track Insurance claims and renewals. This has significantly improved service delivery and decreased the turnaround time for motor insurance end-to-end process. Currently, more than 60% of the applications are processed through this platform and we expect most insurance claims to be processed digitally. This will improve claims processing, which has historically been one of the industry's biggest pain point.

Letter from our Group Director,
Digital Business
Eric Muriuki

With a history spanning over 15 years, we have grown to service over 60 million customers across 5 African markets in Kenya, Uganda, Tanzania, Rwanda and Ivory Coast.

Digital Business - LOOP DFS

Overview

LOOP Digital Business is a financial technology (FinTech) function championing customer-centric innovation in financial services with the aim of enabling growth across Africa through transforming the way Africans access and engage with financial solutions. With a history spanning over 15 years, we have grown to service over 60 million customers across 5 African markets in Kenya, Uganda, Tanzania, Rwanda and Ivory Coast. Driven by a vision to develop a Pan-African Digital Platform that is the greatest catalyst for growth to our partners, customers and other stakeholders, the fintech division continues to be a key driver of the Group's short and long-term strategy.

As a digital lifestyle platform, LOOP, the premier solution for the Fintech subsidiary, seeks to empower customers with the tools and solutions they need to live their lifestyles effortlessly. It brings together the best of mobile money and banking worlds through a simple platform that delivers payment, credit and savings services while at the same time offering personalised journeys and deals to complement customers' interests and needs. The service is available on the Apple App Store and Google Play Store.

Financial Performance in 2023

We recorded a balance sheet growth of 36% in the year ending 2023, mainly on account of customer deposits which increased by 31% to KES 56 billion. Disbursements across all markets and products overcame the prevailing economic headwinds to rise by 27% to KES 930 billion. The disbursements were distributed over a count of 3.2 billion transactions, which indicates an average transaction value of KES 250 to KES 300.

The products have enhanced access to finance for vulnerable sections of the population across Africa at a lending volume of over KES 2.5 billion per day. The business takes pride in its expertise with regard to the design of profitable credit scorecards across the region. Impairment charge held flat at KES 3.7 billion despite growth in disbursements.

Regional digital business increased in profitability by 64% in the year and contributed 40% of the overall performance, which indicates enriched geographical diversity of the business. Profitability across the business grew by 19% before exceptional items, which represents a strong performance in an environment of prevalent economic headwinds.

27%

KES 930B
Total Digital Disbursements

Key Wins In 2023

NEO Uganda Go-Live – in Q2'2023

In Q2 2023, Uganda successfully launched its core technology platform NEO, enhancing processing performance for Mo Kash. Additionally, gaining approval from the Bank of Uganda for centralized hosting in Kenya streamlined operations, reduced costs and complexity. The rollout of the new platform to the remaining markets, including Ivory Coast in Q2 2024, remains on track.

LOOP Merchant

We implemented our platform strategy by launching the LOOP Merchant proposition in Q3 2023, initially targeting a closed-user group and subsequently onboarding over 10,000 merchants by December 2023. We have also provided unified digital payment acceptance services with plans for further expansion in 2024 including the introduction of Discover, a digital marketplace, and LOOP Merchant credit propositions such as overdrafts, term loans, and Buy-Now-Pay-Later options.

LOOP Consumer

We revamped our LOOP Consumer mobile app in late January 2023, introducing new features like Money Pool, Virtual & Linked Cards, and Scan-to-Pay for over 300,000 users. We plan to expand our services by adding new billers, Buy-Now-Pay-Later options, and diverse credit offerings to enrich user experience and utility.

Project ZERO (Operations)

In our efforts to optimize cost efficiency, scalability and control within operations, we successfully completed rollout of Project ZERO, achieving innovative, automated operations with negligible human interventions. As a result, we have achieved an average increase of 70% in value of time gained and a 33% reduction in TAT from robotics process automation (RPA).

Enterprise Agility (Phase 2)

Following on from Phase 1 in late 2022, we successfully completed Phase 2 of our Agility Transformation programme that shall aid us in reorganising our mode of delivery, speed and time-to-market, and ultimately responsiveness to our customers' needs and feedback.

Amani Cycling Strategic Partnership

In 2023, We entered into a strategic partnership with AMANI Project, a cycling super-team composed of the best riders from East Africa, aimed at fostering community engagement and promoting healthy lifestyles through a thrilling cycling series dubbed the LOOP Safari Race Series. The partnership also aims to showcase Kenya as one of the premier off-road cycling destinations in the world. By organizing events in a variety of terrain including Mt. Kenya, the Rift Valley, Swahili Coast and Lake Victoria, the partnership shall invite residents and tourists alike to exploit the natural wonders of Kenya.

Platform Strategy

Having obtained our Data Controller and Processor certification for LOOP DFS in Kenya in 2022, we received a Payment Service Provider (PSP) licence in 2023, advancing our journey to create a stand-alone Fintech subsidiary. Going forward into 2024, we have expanded our partnership with Vodacom (Tanzania) towards extending digital financial services to cater to the Merchant segment.

We are excited about our future prospects, and are well on our way towards developing a financial services-centric digital platform that shall enable our customers' lifestyles. To support this, we have built a scalable, multi-tenant hosting capability, 'Global Build', to provide our platform partners with the ability to effectively serve their customers, beyond their strategic endowments. LOOP is already live in Kenya, and our immediate focus shall be on MNOs, Internet Commerce and providing services to our ecosystem partners and their customers.

Letter from our Managing Director, Invesment Bank

Kathure Nyamu

About NCBA Investment Bank

NCBA Investment Bank Limited is the investment banking subsidiary of the NCBA Group PLC. The Company is licensed and regulated by the Capital Markets Authority. We are also licensed by the Retirement Benefits Authority to offer pension fund management services. NCBA Investment Bank's mandate comprises three offerings: Advisory, Brokerage and Wealth Management Services.

Investment Banking

Advisory

Our Advisory unit provides 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 clients meet their financing needs and helping investors meet their return objectives through a diversified product array. Corporate finance advisory services include; due diligence reviews, business restructuring, mergers and acquisitions, spin-offs and, stand-alone company or business valuations and working capital reviews for optimization. Capital raising services cut across debt and equity capital raises (both public and private), including syndicated facilities, and structured products, including securitization products. Project finance entails structuring financing for large capital-intensive projects on a limited/non-recourse basis. NCBA Investment Bank is considered the go-to financial partner for debt capital markets transactions. We have structured and placed listed medium-term notes that cut across banks, mortgage finance and insurance companies.

Brokerage

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

Wealth Management

NCBA Investment Bank has developed fit-for-purpose investment solutions to meet our clients' short to long-term investment goals that reflect their financial status, risk preferences, liquidity needs, investment horizon and other unique factors. Our Private Wealth Management service offering christened "NCBA Wealth" is a premier solution to high net worth investors and institutional clients. 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 investor's execution only services, which provides our clients a platform to invest in government bonds, listed shares, offshore investments through our custodial accounts. The clients access investments without the burden of administering the portfolios while retaining the decision-making control over buying, selling or re-investment decisions.

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 third largest unit trust service provider in the market despite having been in the market for approximately 10 years. This embodies the trust our clients 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. Further, the NCBA Umbrella Retirement Benefit Scheme received approval from the Retirement Benefits Authority during the year to receive and manage Tier II NSSF contributions from eligible employers as per the NSSF Act of 2013.

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.

Financial Performance

NCBA Investment Bank recorded strong growth in revenues and profitability, with revenues of KES 808 million in 2023, representing a 27% increase and a 19% growth in profit before tax of KES 454 million in 2023, up from KES 382 million in 2022. The growth was supported by a 21% increase in Assets under Management (AUM) to KES 52 billion, coupled with a 78% growth in advisory income for the financial year ending 2023.

Key Initiatives

We embarked on an automation journey to ease our clients' 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 clients 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 are on course to implement the second phase of the automation, which will entail an online offering, to be rolled out in 2024.

19%

KES 454M

Profit Before Tax

21%

KES 52B

Assets Under Management


NCBA
TWENDE
MBELE

Our Regional Presence

Letter from our Group Director,

Regional Business

Gift Shoko

65B 38%

Customer Deposits

45B 36%

Net Loans & Advances

In 2023, our Regional Subsidiaries experienced remarkable progress and growth, propelled by the diligent execution of our key priorities for the year. Through strategic initiatives, we capitalized on emerging opportunities, resulting in a notable increase in profitability by more than 100% compared to the previous financial year.

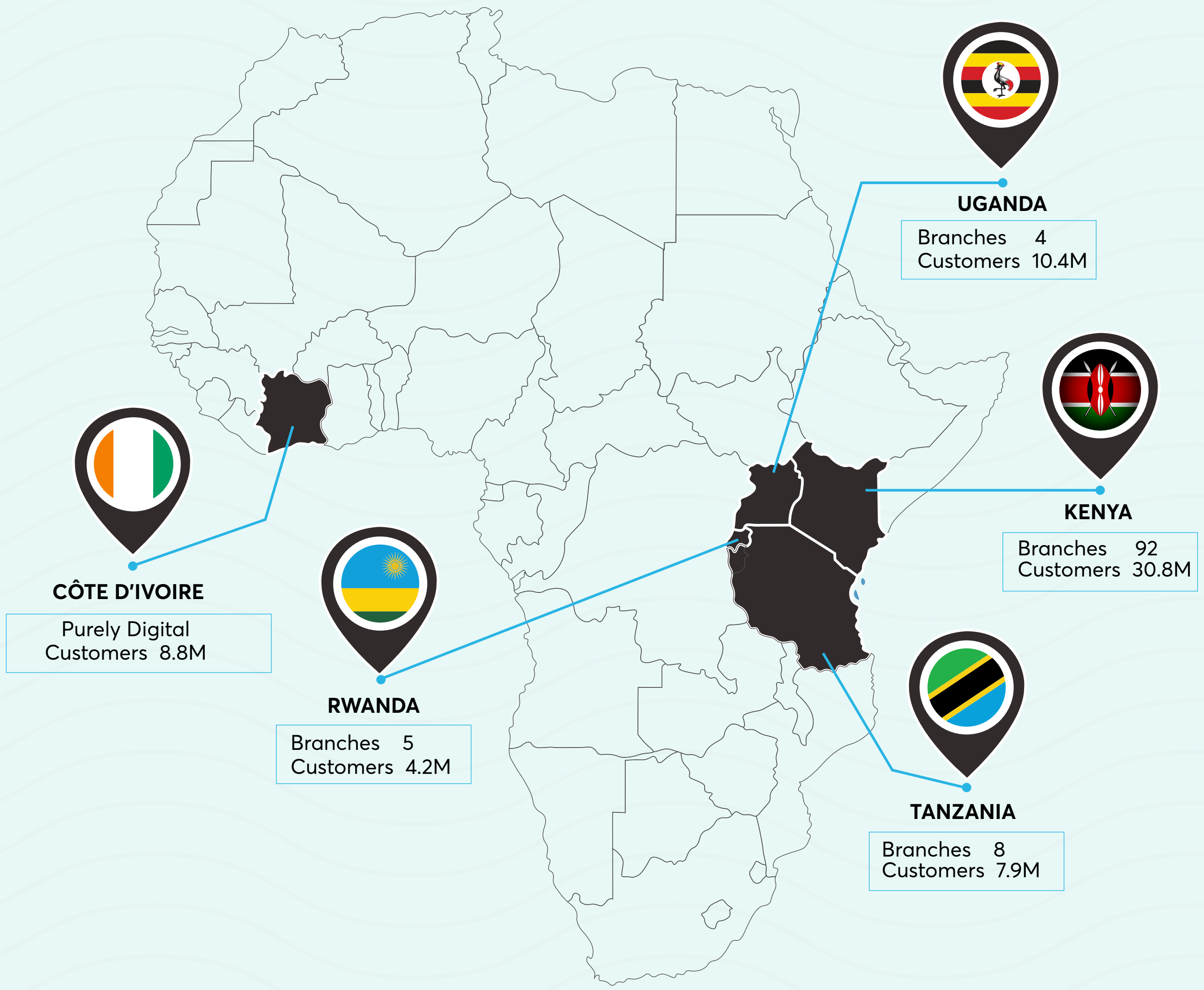
A significant highlight on the balance sheet was the substantial growth in deposits, which surged from KES 47 billion in December 2022 to KES 65 billion by December 2023, representing an impressive increase of KES 18 billion. Furthermore, loans and advances saw a substantial year-on-year increase from KES 33 billion in December 2022 to KES 45 billion by December 2023, demonstrating our commitment to supporting economic growth in the regions we operate. Additionally, we grew our corporate customer number cross border relationship numbers up by 29% in 2023.

Another key driver of our success was our proactive approach to credit risk management. We implemented rigorous credit risk assessment processes, adopted a risk-based pricing approach, diversified our credit portfolio, and strengthened our monitoring and surveillance mechanisms. These efforts resulted in a reduction in non-performing loans from 12% to 8% and substantial recovery of accounts previously written off during the COVID-19 pandemic.

Operational efficiency and cost management remained central to our strategy. Through continuous process improvements, optimization initiatives, and prudent cost controls, we enhanced our profitability margins and drove bottom-line growth. Our disciplined approach to managing expenses led to a significant improvement in our profit before tax (PBT) margin. The Cost-to-Income ratio, a measure of overall efficiency, improved from 67% in the same period of 2022 to 57%.

In line with our sustainability commitment, we embedded Environmental, Social, and Governance (ESG) considerations into our strategy, focusing on 15 "Change the Story" initiatives aimed at creating positive impacts in our communities and environment. In Uganda, our major key win was the launch of a partnership with NFA to plant 50,000 trees in 2024. We further partnered with key stakeholders like Mwananchi Communications Ltd and the Tanzania Golf Union to champion our commitment to inclusive community development. In Overall, the progress made by our subsidiaries in 2023 underscores the success of our regional market expansion strategy and our dedication to delivering value to customers while driving sustainable profitability.

Looking ahead, we remain focused on building on this momentum, further strengthening our position in regional markets, and driving continued growth and success for our business.



Letter from our Chief Executive Officer, NCBA Uganda

Mark Muyobo

NCBA Bank Uganda remains profitable year-on-year with the Bank reporting a profit before tax of KES 1.2 billion in 2023 compared to KES 725 million in 2022.

Uganda - Business Overview

10.4M	162	4	4
Number of Customers	Number of Employees	Number of Branches	ATM's

In 2023, NCBA Bank Uganda continued to deliver against the set strategic business priorities, which demonstrated the Bank's resilience in the midst of the ever-changing macro-economic factors and risk uncertainties faced by the banking sector during the year. There has been significant improvement year-on-year across our key financial and non-financial performance indicators. We were able to grow our balance sheet driven by increased lending to our customers and increase in deposits from our customers. Consequently, our operating income grew by 30% year-on-year, with increased customer transactional activity by 8%. As a Bank, we remain focused on executing our strategy by adopting a client centric approach.

Looking at Uganda's macro-economic outlook, the country's economy rebounded in 2023, with all three sectors (agriculture, industry, and services) weathering recent successive shocks to push growth in gross domestic product (GDP) to 5.3% during FY23 compared to 4.7% in 2022. Private consumption increased, while public investment was scaled back as fiscal space narrowed and private investment retracted in response to a tight monetary stance. Ahead of a possible transition into an oil producer in 2025, the Ugandan economy shows promise for our business to continue supporting our valued clients, shareholders, and business partners.

In 2023, we defined ourselves to be a financial institution that inspires greatness in its customers with our integrated business model centered on the corporate customer ecosystem through providing solutions along the value chain. Our people are our strength and we acknowledge the great work they have done. We embarked on a people development journey to attract strong, capable talent and retain them. This has led to a more engaged and high-performing culture.

The increased strength of our balance sheet, prudent risk management, organic growth of the business lines, and expense management through cost rationalization became a catalyst that drove our 2023 financial performance. We remain profitable year-on-year with the Bank reporting a profit before tax of KES 1.2 billion in 2023 compared to KES 725 million in 2022.

Amounts in KES

1.2B ▲69%	35.4B ▲44%	10.5B ▲50%	23.5B ▲44%	3.1B ▲30%
Profit Before Tax	Total Assets	Net Loans & Advances	Customer Deposits	Operating Income

Sustainability

In line with our Sustainability commitment to champion inclusive communities through Regional sport development- Golf, we held the first tournament of the NCBA Golf Series 2023 at Kitante Golf Club as well as the Singleton Match Play Challenge in Entebbe Golf Club. NCBA sponsored the Uganda Ladies Open that had over 200 delegates competing for 11 days. We also sponsored the US Kids Golf- Uganda chapter. The bank planted trees at these tournaments as well as in 7 different schools and locations around Kampala city. We are launching our partnership with National Forestry Authority (NFA) Uganda to plant 50,000 trees in 2024.

We have embedded ESG as a focus area within our strategy. We plan to focus on 15 "Change the story" areas namely; grow trees, green financing, investment in Electric Vehicles (EVs), reduce our direct emissions, support our communities, eliminate plastic, green supply chain, align with 2015 Paris Agreement, assessment of climate related risks, ignite our 3000+ staff, regional sport development, diversity & inclusion, and empowering women and youth.

As we enter 2024, our commitment to the laid out strategic initiatives remains steadfast despite the uncertain macro-economic environment. As a Bank, we have positioned ourselves as a strong regional financial institution distinguished for customer experience to provide solutions that inspire our customers growth. We intend to drive the transformation and diversification efforts of the government to transition Uganda's growth model of debt-financed public spending. The Bank anticipates growth in 2024, on the back of the shift to private sector-led growth in addition to macroeconomic stability, more efficient and effective public spending, increased government support for the most vulnerable, and the uptake of digital and other innovative technologies.

Our strong financial performance shows that we are positioned for growth in the market.

- Net Interest Income grew by 32% to KES 2.6 billion in 2023 from KES 2.0 billion in 2022 as a result growth in lending and customer deposits. The bank's regional banking presence fueled business growth through banking regional customers and providing local seamless solutions across the Group.
- Operating profit closed at KES 1.4 billion in 2023 compared to KES 943 million in 2022 representing 48% growth.
- Significant recoveries totaling KES 308 million 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 2.6 billion.
- Total assets grew by 44% from KES 24.6 billion in 2022 to KES 35.4 billion in 2023. Focus was given to leveraging our regional growth opportunities, and execution of the pipeline, which attracted and retained new business clients, drove revenue growth, and strengthened our position in the market.

Strategic Update

In line with our expansion strategic initiatives, we will continue to selectively expand branch distribution and service centers. We plan to open more branches in spacious and high-end locations in line with our business model anchored on the corporate customers ecosystem and value chain centered to drive business growth and digital transformation.

Through our Digital Lending Business of MoKash, we have elevated financial inclusion in the Ugandan market through easing access to short term credit to the unbanked and providing a savings platform for our clients. Our running strategic partnership with MTN Uganda gives us the flexibility to make banking services more accessible to the underbanked population and we remain committed to growing this offering. The digital bank contributed 56% of the total bank profit before tax at KES 1.2 billion, with the total gross loans and advances at KES 1.4 billion and customer deposits at KES 1.0 billion in 2023. The robust performance of our MoKash business offering showed the importance of our mobile loans and savings product and its positive impact to financial inclusion in our communities. We continued to deepen our relationship with MTN Uganda by providing financing solutions to the super dealership to increase their capacity to purchase float through our modernized and reliable service delivery channels.

Following regulatory changes in 2022, we remain compliant with capital as at 31 December 2023, which enabled us to continue to provide sustainable banking solutions to our customers within the region.

Mweebale.

Letter from our Chief Executive Officer, NCBA Tanzania

Claver Serumaga

The year 2023 was tremendous year in the history of NCBAT posting a profit before tax of KES 749 Million for the first time after reporting a loss before tax in the 3 preceding years post-the successful merger of NIC Bank and CBA Bank in 2019.

Tanzania - Business Overview

7.9M	145	8	8
Number of Customers	Number of Employees	Number of Branches	ATM's

The year 2023 was a tremendous year in the history of NCBAT after posting a profit before tax of KES 749 million for the first time after reporting a loss before tax in the 3-preceding years. This positive outcome is attributed to the successful turnaround strategy executed in 2022-2023. On the balance sheet side, the bank crossed half a trillion (in TZS) mark to post total assets of KES 32 billion (TZS 516 billion) up from KES 23 billion (TZS 430 billion) in 2022.

Growth in income was driven by increased net interest income, which grew by KES 846 million a 57% growth year-on-year, a 86% growth in forex income to KES 294 million up from KES 158 million in 2022 and containment of NPLs, which was boosted by the bold decision the bank took in 2022 to de-risk the non-performing accounts from lending activities. Our focus on recoveries of the written-off book paid off significantly having collected KES 748 million up from KES 259 million recovered in 2022. Equally, total operating expenses reduced by KES 184 million mainly attributable to the staff rationalization exercise undertaken in 2022 and also reaping from other cost optimization initiatives, which were rolled out in 2022.

Balance sheet growth was largely driven by increase customer deposits up to KES 24 billion from KES 17 billion representing a growth of 41%. We improved performance on customer deposits and loan disbursements.

Looking ahead into 2024 and beyond, the bank remains bullish despite economic uncertainties. Locally, the macroeconomic policy of the BOT is aimed at attaining a real GDP growth of 6.1 percent in 2024 and maintaining headline inflation at below 5 percent.

Amounts in KES

0.7B	32.2B	17.2B	23.9B	2.9B
>100%	40%	43%	39%	54%
Profit Before Tax	Total Assets	Net Loans & Advances	Customer Deposits	Operating Income

Sustainability

In a concerted effort to minimize our direct impact on climate change and bolster our tree planting initiatives, we›ve committed to grow 10,000 trees by 2030, catalyzed through strategic partnerships with both private entities and government bodies. This endeavor includes two pivotal projects: The Tree Planting Initiative and Let's Go Paperless campaign, aimed at curbing soil erosion along the Mto Pepo River while fostering digital transformation through online document processing. With an allocated budget of TZS 3.2 million, these projects have yielded tangible results, including enhanced soil conservation and a reduction in paper consumption through streamlined digital approvals.

Concurrently, we've empowered our 200+ staff to engage meaningfully with local communities, with a pledge of TZS 100 million annually to support community development across sectors such as health, education, and the environment. Notable contributions include educational support, regional tree planting efforts, and sponsorship of health facilities, exemplified by our collaboration with Longido District Hospital in Arusha.

Moreover, our partnership with key stakeholders like Mwananchi Communications Ltd and the Tanzania Golf Union underscores our commitment to inclusive community development through initiatives like the Ali Mufuruki Memorial Golf Tournament and Youth Golf Clinics. Furthermore, we›ve prioritized optimizing our corporate governance and customer engagement, exemplified by plans to engage 650 customers across multiple regions to highlight our 2024 focus areas and introduce new products.

Our dedication to supporting women and youth is evidenced by sponsorships totaling TZS 7.9 million, ranging from innovative events like the Her Initiative Panda Event to contributions to the Tanzania junior golf team. Through initiatives like the International Women's Week – Women Profiling project, conducted in collaboration with esteemed partners, we continue to champion inclusion, diversity, and gender equality. Lastly, our commitment to brands and sustainability is reflected in endeavors such as the Zanzibar Tree Planting project and health support sponsorships, demonstrating our holistic approach to corporate responsibility and sustainable growth.

In the midst of both global and domestic concerns, our strategic focus is building a bank that is known as the preferred corporate Bank in Tanzania and the pillars to take us there include:

i. Build sustainable growth through global corporates and their value Chain
ii. Build a culture with proper credit risk framework
iii. Focus on recoveries through portfolio distribution and client engagement
iv. Maintain high quality of our customer Service
v. Strengthen the capability and capacity of the people in the bank

The key enablers to achieve our strategy are anchored on efficient systems, product value prepositions, quality customer service, multiple payment solutions and counting on the strong Group network to make the bank the preferred cross-border banking partner.

Asante sana.

Letter from our Chief Executive Officer,

NCBA Rwanda

Lina Higiro

NCBA Rwanda was recognized in 2023 by the prestigious Gold Gender Equality Seal 2022, awarded by the Gender Monitoring Office, Private Sector Federation, under the guidance of UNDP & UN Women. By investing in our people, we invest in our future, making NCBA Rwanda a truly enriching place to work and grow.

Rwanda - Business Overview

4.2M	186	5	6
Number of Customers	Number of Employees	Number of Branches	ATM's

An Economic Background

2023 presented a mixed economic picture for Rwanda. While the country achieved a noteworthy GDP growth in Q3 2023 of 7.5%, on track to exceed early projections , it also contended with a surge in inflation, averaging 14% annually. Notably, the prominent factor contributing to this economic complexity was the significant depreciation of the Rwanda Franc (RWF) by 18% on annual basis – the highest in the past 10 years.

This scenario stemmed, in big portion, from a confluence of global dynamics; with the world grappling with an economic slowdown and the implementation of stringent monetary policies aimed at curbing inflationary pressures. Additionally, the heightened fragility and conflicts on both global and regional fronts further exacerbated the situation, contributing to the currency's pronounced depreciation.

Notwithstanding these challenges, the Rwandan economy continues to be resilient by adhering to fiscal discipline. The country proactively manages its public debt and continuously implement targeted social spending programmes, helping to stabilize the economy and mitigate the impact of external shocks – a testament of the country's ability to navigate uncertainties and maintain economic stability.

A Strong Financial Performance

Despite the impact of prevalent market conditions, the Bank carried forward the momentum right into 2023 and we have reported solid performance driven by improving levels of business activities and moderate economic recovery. Our profit before tax increased by 89% to KES 1.04 billion driven by an improvement in core earnings across all our service points. Operating income continued its upward trend, growing by 63%. Net Interest Income rose by 65%, driven by the increase in interest rates and the resulting improved margins on our interest-earning assets in foreign currency, as well as an expansion in our loan book and investment securities portfolio. Non-interest income recorded a growth of 49% to KES 423.4 million on the back of a 35% increase in foreign currency dealings, as well as a solid growth in our net fees & commissions of 38%.

Amounts in KES

1B ▲88%	25.4B ▲46%	12.8B ▲27%	17.4B ▲63%	2.7B ▲62%
Profit Before Tax	Total Assets	Net Loans & Advances	Customer Deposits	Operating Income

Our persistent efforts to strengthen our human capital and technological capabilities have resulted in operating expenses increasing by 37%, with, our cost to income ratio, nevertheless, declining to 47.0% compared to 56.5% for FY 2022. We maintained our capital buffers, with our Tier I & Tier II Capital Adequacy Ratios (CAR) closing at 15.9% & 16.9% respectively. Our asset quality metrics faced a few challenges with the gross Non-Performing Loans (NPL) ratio increasing to 6.7% by December 2023, but we remain proactive to reverse the trend within the current year.

On the digital front, our Mobile Savings & Loans (MSL) business continued to surpass expectations, affirming our relentless commitment to financial inclusion. Total digital disbursements for the year were KES 8.9 billion, total retained deposits of KES 1.4 billion, and the business had a bottom-line outcome of KES 712 million in Profit Before Tax. The improvements in our financial performance resulted in a Return on Equity of 19.5%, up from 14.2% in 2022. Our Return on Assets also improved to 2.9%, from 2.3% in 2022.

Delivering On Our Strategy

Throughout 2023, our focus on innovation has yielded tangible results. We invested in digital transformation, enhancing platform reliability and security. Initiatives included integrating SIM-SWAP checks for enhanced security, completing integration with the energy utility service provider (Energy Utility Corporation Limited) for customer payment facilitation, and introducing a remote cheque solution for transaction-heavy customers, with full financial outcomes set to materialize in 2024.

At the core to our strategy is delivering a best-in-class customer experience and engaging all our stakeholders. In 2023, we accelerated our growth trajectory with the strategic expansion into Musanze, a dynamic city with significant potential. This expansion, coupled with our unwavering commitment to customer satisfaction, fueled an impressive 83% year-on-year increase in our retail portfolio and a significant 100%+ growth in our Business Banking loan book. These impressive results demonstrate the untapped opportunities we are successfully capturing, further reflected in our customer satisfaction score of 87% and customer ease score of 88%.

Investing In Our People

At NCBA Rwanda, we believe our diverse and empowered workforce is the key to sustainable success. We champion diversity, inclusion, and continuous learning, evidenced by our balanced representation with 42% women in leadership roles, a 49-51 male-to-female gender ratio and an average of 51 hours per year in dedicated employee learning and development. This commitment is reflected in our 85% employee satisfaction score in our annual surveys conducted by Nielsen – highlighting our dedication to creating an environment where everyone thrives. Our dedication to creating a thriving culture was recognized in March 2023 by the prestigious Gold Gender Equality Seal 2022, awarded by the Gender Monitoring Office, Private Sector Federation, under the guidance of UNDP & UN Women. By investing in our people, we invest in our future, making NCBA Rwanda a truly enriching place to work and grow

In response to the evolving ESG landscape, particularly through our "Change the Story" philosophy, NCBA Group's sustainability agenda, we are taking actions to reduce and offset our own emissions. Simultaneously, we are dedicated to fostering a prosperous and resilient economy by deploying electric vehicle charges across our network, expanding our tree planting programme, and gradually phasing out single-use plastic in our operations. Lastly, our commitment to sustainable practices will be reinforced through the **"I Change the Story"** programme, empowering our staff to contribute to and champion our sustainability initiatives.

The Road Ahead

As we navigate the complexities of the current economic landscape, NCBA Rwanda remains steadfast in its commitment to sustainable growth and value creation for all stakeholders. Our strong performance in 2023 and the progress made towards our strategic goals solidify this confidence. We are actively expanding our branch network and focusing on personalized services to further strengthen our presence in Business and Retail Banking. Additionally, continued investment in technology will enhance the customer experience and improve operational efficiency.

Recognizing the importance of a robust risk management framework, we are taking decisive steps to improve portfolio asset quality. This includes implementing a refined credit risk assessment process and fostering a strong risk culture throughout the organization.

Investment in our people remains a cornerstone of our initiatives. In 2024, we will implement a comprehensive four-point people strategy, focusing on attracting, developing, and retaining top talent while leveraging technology for streamlined HR processes. A 30% increase in talent development programmes underscores our commitment to nurturing our workforce.

Laser-focused on customer acquisition, we aim to double our customer base by end-2024 through personalized service, innovative solutions, and exceeding customer expectations. The result of these initiatives is projected to result in a Return on Equity exceeding 24%, a stable NPL ratio below 5%, and a cost-to-income ratio of 45%, underlining our confidence in delivering strong financial performance.

Concluding Note

I would like to take this opportunity to express my heartfelt gratitude to the members of the Board of Directors for their continued and valuable guidance, instrumental in steering the Bank toward creation of sustained value to all our stakeholders. Equally, I extend profound appreciation to our loyal customers for their enduring trust and partnership. Our performance would not have been realized, if not for the 141 Go-Getters – our dedicated employees stationed across all our service points. I am incredibly proud of what we, as a team, have achieved together this year, and I look forward to the opportunities that 2024 will bring.

Murakoze.

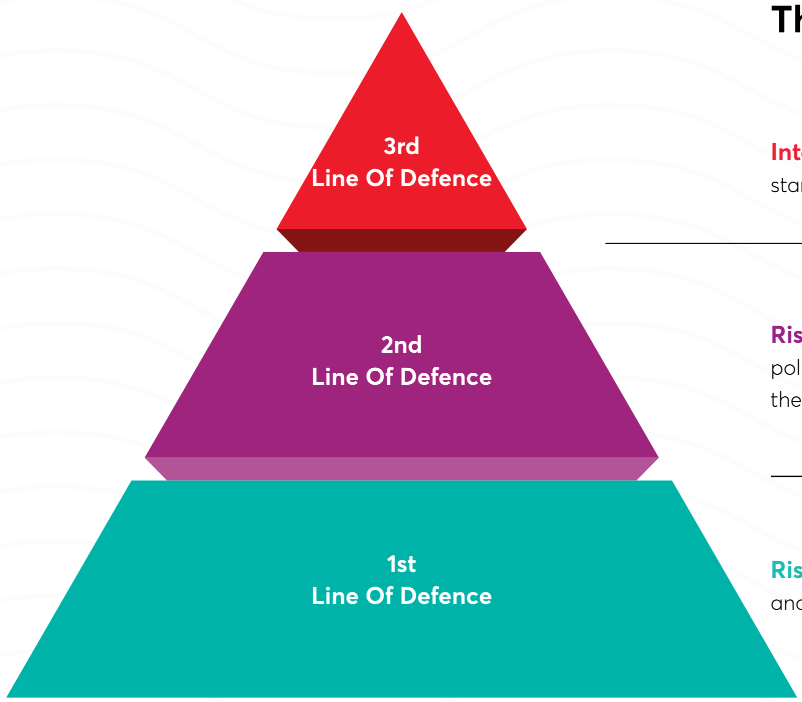
Letter from our
Group Director,
Risk & Controls
Tim Armitage

Managing Risk Strategically

Risk management is deeply engrained in the way we do business to both enhance our customer proposition and strengthen our business. To meet the increasingly complex operating environment we continue to enhance and develop our integrated Enterprise Wide Risk Management Framework notably through efforts to bolster our operating platform, continue to develop and engrain our risk culture, broaden our analytical tools to manage increasing volatile markets and both deepen and broaden our business model.

Our Framework combines both qualitative models and expert judgement to anticipate, navigate and mitigate risk to our business model. The framework is governed by NCBA's Board Risk Committee's and ultimately the Board, which ensure relevant oversight at each entity level. The Framework embraces the three lines of defense model with the business responsible for owning and managing the organizations risk. The second line risk function is managed by senior experienced risk officers supported by risk systems and tools who provide second line oversight and challenge of risk management activities performed by the First Line of Defense. The third line audit function provides independent assurance on the effectiveness of controls and process.

The Three Lines of Defence



Internal Audit assures compliance with policies, standards & guidelines as a third line of defense.

Risk Oversight: The second line of defense provides policy framework, oversight and infrastructure to manage the risks.

Risk Owner (The Business): Identifies, controls and manage risk in their operations.

As an organization we look at risk through the prism of core categories and the exposure the organization's and its subsidiaries face on an amalgamated basis.

Strategic Risk

These risks challenge the effectives and delivery of NCBA's strategy either due to changes in the business environment or challenges in delivery or responsiveness.

Financial Risk

These are risks that impact our financial position through Credit Risk, Liquidity Risk or Market Risk.

Operational Risk

These are risks that are born from the bank's operations resulting from inadequate or failed internal processes, people and systems or from external events.

Technology Risk

These are relating to the failure of the Group's technology to deliver the expected services due to inadequate or deficient systems/process developments and performance or inadequate resilience or security.

Compliance Risks

These are resulting in negative impact to business activities, adverse impact to customers and other stakeholders, or regulatory relationships through failure on our part to comply with laws or regulations.

Reputational Risk

The risk of failure to meet stakeholder expectations as a result of any event, behavior, action or inaction, either by NCBA, our employees or those with whom we are associated, that may cause stakeholders to form a negative view of the Group.

Country & Transfer Risk

The geopolitical, economic and convertibility risk associated with our cross-border exposures.

In addition to managing the core risk categories we appreciate the interconnectivity of risks and review the organization's readiness and exposure to developing risks in the business environment. In addition we continue to monitor and embed tools for new emerging risk categories like sustainability and climate risk. This enables the business to better position the organization to anticipate, navigate and mitigate the risks facing the business.

The Top Risks For The Bank In 2023

Risk	Trend	Description
Inflationary pressure and harsh Economic conditions	▲	The rising cost of living and challenging macroeconomic environment has continued to impact our clients through higher costs of living and operating costs. In addition, sector specific demand pressures and government policy has also put pressure on consumer demand challenging our customers revenue outlook. We expect the pressure to persist in the coming year and is likely to lead to a challenging credit environment.
Changes in interest rates	▲	Through 2023, the rising interest rate environment has had both an impact on loan affordability within our client base as well as increasing pressure on the Group's margins, capital and operations. We expect the pressure to persist in the coming year and is likely to restrict growth opportunities.
Depreciating local currency and constrained Dollar liquidity	▲	Through 2023, foreign exchange risk increased. Both international and domestic policies and underlying macroeconomic conditions led currencies to depreciate against the USD. In addition, this also led to a thinning of foreign currency liquidity across our markets. These conditions are expected to persist through the coming year.
Evolving regulator environment	▲	The regulatory and compliance environment has become more complex with new policies and frameworks being introduced across our markets. In addition, the evolving geopolitical shifts, conflicts, instability and expansion of terrorism has resulted in a rise in scale and intensity of sanctions. 2023 saw greater regulatory focus on Data privacy through the region with new policy requirements being introduced within our markets as well as guidance on FX, conduct, financial crime and AML. In addition, fines and penalties for non-compliance have increased and along with deeper regulatory scrutiny. Ensuring compliance to the stringent regulatory requirements and expectations will continue to require resources in to the future. In addition, the bank continues to improve its existing anti-money laundering and counter terrorism financing capabilities to ensure compliance with regulatory requirements.
Cyber risk	▲	The banking sector and NCBA continues to face the risk of service disruption and malicious damage from both external and internal threats. As we continue to adopt new technologies, the threat of cyber risk continues to increase with agents becoming more sophisticated and the technology infrastructure broader. We envisage this risk to remain and increase in line with our digital focused business strategy and we are continuously developing our monitoring, threat identification and security systems to mitigate this risk.
Third party, Technology and Artificial Intelligence	▶	As we continue to adopt to new digital technologies (including Artificial Intelligence and cloud) our organization will require new skills and resources that are scarce in our markets. In addition, given the speed of technology change the risk posed by the obsolescence of existing infrastructure has increased. New technology also introduces new and evolving risks for our organization. The specialist nature of technology paired with the talent pool constraints increases our reliance on third-party's, outsourcing and strategic sourcing arrangements, which increases the risk related to roll out delivery, potential reputation and financial risk.
Environmental, Social and Governance Risks	▶	We recognize that the growing focus on climate change and sustainability driven by the regulatory requirements already in place, the enhanced disclosure requirements and the expectations of various stakeholders on green initiatives may require us to alter our strategy and or business model. In addition, we continue to embed ESG sensitivities and requirements in to our strategic risk framework to better enhance both our commitment to wards mitigating climate change and strengthening our reliance.
People related risks	▲	Talent related challenges with regards to upskilling existing employees, attracting and retaining new staff in specialized roles such as information technology and in our digital banking division were a key focus in 2023. In addition, the challenging economic environment is also correlated with increased risk of internal fraud. While the former continues to pressure the cost of operating the later increases the risk of financial loss. In response to the skills talent we have accelerated our investment in our staff training and upskilling. We also continue to strengthen our fraud risk detection capabilities and staff awareness.

▲ Risk increased in 2023 ▶ Risk remained at the same level in 2022

Key Focus Areas in 2024

Key Focus Area	Why	How?
Digital at the Core	▶ At NCBA we recognize our position as a key innovator of financial services. We were at the advent of Mpesa in 2007 and we continue to invest in digital solutions, We believe in the need to continue offering convenience, and these efforts will help us serve our customers better and allow us to work better.	• Accelerating our digital transformation efforts in internet & mobile banking • Bring to market new end to end digitized customer journeys • Leveraging data, analytics & emerging AI technologies – Marketing, Risk, Retention, Cross Sell • Eliminating paper from our branches
Culture of Execution Excellence	▶ Our people have always been our key foundational piece to our business. We recognize the need to upskill our employees to increase their ability to serve our customers. We also see the need to continuously improve in various areas and innovate towards a better way of working given some of the themes we witnessed in 2023.'("refer to Themes affecting our business").	• A step change in investment in continuous learning and development to equip all staff with the skills needed for the future • Significantly changing the way of work, with a focus on: project prioritization and to deliver on time, with appropriate stewardship

Operational Efficiency	▶ We have invested immensely in new platforms and technology and need to begin reaping the benefits.	• Optimized processes, streamlined workflows & leveraging technology, this will:
		  • Enhance ability to respond to customer preferences in an agile manner
		  • Create a more conducive work environment
		  • Optimize costs

One NCBA	▶ At NCBA our natural strengths have allowed us to capture strong market positions across our various lines of business. **Today we are:** • No.1 in Asset Finance • No.1 in Digital Disbursements and customer numbers • No. 2 in Corporate Banking, • Top 5 in Bancassurance and Investment Banking. These positions are not acquired but earned through a disciplined strategy and having a strong team executing. We now want to focus on unearthing synergy across our platforms and in so doing expand our convenience to our customer and producing shareholder value accretion. We can only do this through harnessing the strength of our collective minds and efforts.	• Ecosystem Banking • Bank<>LOOP Shared growth • Cross-selling

ESG, Climate & Sustainable Finance

Environment, Social, Governance (ESG), Climate And Sustainable Finance

Introduction and Overview

NCBA's purpose is to inspire greatness. We know that environmental, social and governance (ESG) issues generate outcomes that influence our business performance. In order to remain successful in the long term, we went through a year-long process of engaging our key stakeholders, conducting in-depth research and Group wide capacity building to find ways to align our business objectives, our impact on society with the expectations of our shareholders and stakeholders at large.

This culminated in the launch of Change the Story, a comprehensive approach to build on the Group's long-standing commitment to sustainability.

NCBA Sustainability launch.

Our Ambition

At the heart of Change the Story is our aspiration to contribute to a more sustainable and equitable future while ensuring long-term value creation for our stakeholders.

NCBA

CHANGE
THE STORY
A SUSTAINABLE FUTURE STARTS
BY DOING GOOD TODAY

How We Defined Our Material Issues

For our first review we considered societal megatrends, industry developments, our top and emerging risks, and regulatory frameworks.

We applied quantitative and qualitative data collection methods including:

1. **Quantitative Survey with our Senior Leadership team**
2. **Qualitative internal and external stakeholder interviews to understand how the current environment we operate in is impacting stakeholders' expectations of NCBA Bank's approach to key ESG topics.**
3. **Qualitative Focus Group Discussions with sample of employees across the business functions.**

A third-party expert and a dedicated cross-function working group completed analysis of the findings to ensure that all stakeholder groups have been considered and the bank-wide perspective is reflected in our key ESG topics for 2022 and beyond.

To help define the most important ESG issues for NCBA Group, we conduct a group wide (including our subsidiaries across Africa) materiality assessment every four years; with reviews every two years. Our materiality assessment helps us understand the issues that matter most to our internal and external stakeholders; how our economic, social and environmental impacts are perceived across our operations; and how they translate today and in the future into associated risks and opportunities for our company. It enables us to capture our impacts extensively, helps us prioritize impacts on which to focus, and informs our strategic thinking.

A key insight underscored by this process is the interconnectedness among material issues, such as climate change, community engagement and our energy use (as indicated in our Materiality Matrix 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.

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

Increasing Importance to Stakeholders

Consumer Protection	Diversity	Community Engagement	Climate Change	Corporate Governance
Health & Safety	Energy Use	Sustainable Business	Innovation and Technology	Labour & Working Conditions
	Anti Corruption	Environmental Management	Cyber Security	Data Privacy
Electronic Waste Management	Supply Chain Screening	Training and Education	Ethics and Compliance	Human Rights

Increasing Importance to Business Value

Key

- Enviromental
- Social
- Governance

NCBA GMD & Group Directors deploying the EV Charging Station.

Our Five Sustainability Pillars and Fifteen "I Change The Story" Commitments

Environmental

Minimise Our Direct Impact On the Climate and Amplify Our Tree Planting Programme

1. We will Grow 10M trees by 2030 through strategic partnerships with private actors & government
2. We will fully eliminate single use plastic and recycle 100% of our waste by 2030
3. We will green our supply chain and transform all our corporate gifting to be sustainable

Ignite Our Customers Transition to a Low Carbon Operating Model

4. We will mobilize & steer KES 30B of Green & Sustainable Financing to accelerate the Transition
5. We will invest in deploying EV charging stations across the region
6. We will develop a "Change the Story" knowledge platform to inspire and capacitize the public towards change

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

7. We will complete a group-wide carbon audit in 2023 & set a >50% reduction target in direct emissions (Scope I & II) by 2030
8. We will align with the 2015 Paris Agreement and reduce our financed emissions by 2030
9. We will embed thorough assessments of climate-related risks in our lending, investment, and financing activities

Social

Enhance the Impact of our Community Engagement Model

10. We will train & ignite our 3000+ staff to make a difference through the "I Change the Story" programme
11. We will deploy KES 100M annually to support the communities in which we operate
12. We will champion inclusive communities through Regional sport development

Governance

Optimize our Corporate Governance

13. We will steer at least 30% of our General Services procurement spend to women and youth
14. We will promote diversity, equity and inclusion at all levels of our operations
15. We will provide targeted mentorship and skills building for women and youth

Our Governance of ESG, Climate and Sustainable Finance

We Support Efficient And Effective Decision Making By Taking An Integrated Approach

While the Board oversees and provides guidance, the Executive Management team manages NCBA's response to climate change. Board and senior management oversight of ESG, climate-related risks and opportunities and sustainable finance is supported by embedding dedicated targets and key performance indicators within our established governance structure and operating rhythm.

Board Level	**Group Board** **Establishes Purpose, Sets Strategic Aims, Monitors And Oversees Progress Against Strategic Change The Story Targets And Ambitions**	
	Board Audit and Risk Committee • Considers current and potential future climate risk exposures and climate risk appetite reporting • Considers non-financial disclosures and controls	Board Executive and Strategy Committee • Oversees progress against our purpose and strategic ambitions • Ensures alignment between group strategy and Change the Story commitments
Executive Level	**Executive Committee** **Chaired by the Group MD and responsible for delivery and implementation of Change the Story ambitions**	

Board oversight of climate-related risks and opportunities is supported by establishing clear roles and responsibilities for the Board and Board committees.

The Board received updates from NCBA Group MD on performance against Change the Story strategic commitments impacting NCBA, our customers and key strategic partnerships.

Management's role in assessing and managing climate related risk and opportunities is supported by a standing item on EXCOM's monthly meeting whereby:

- Every Business Unit has clear KPIs aligned to our sustainability strategy "Change the Story"
- Every Business Unit reports on their progress against our strategic commitments as well as progress in embedding sustainability across their overall operations.

30
Sustainability Champions

344K
Trees Planted

76.3%
Reduction in Plastic Used

Our Progress

Pillar 1: Minimize Our Direct Impact on the Climate and Amplify Our Tree Planting Programme

Our Commitment	2023
We will Grow 10M trees by 2030 through strategic partnerships with private actors & government	344,437 Trees Planted with mapping underway to ensure long-term survival
We will fully eliminate single use plastic and recycle 100% of our waste by 2030	34% of waste recycled at HQs and pilot branches
We will green our supply chain and transform all our corporate gifting to be sustainable	76.3% reduction in plastic used in gifting

We will Grow 10M trees by 2030 through strategic partnerships with private actors & government

Planting and growing trees underscores our commitment to long-term value creation to our stakeholders. We recognize that we have a role in addressing climate change and preserving our natural ecosystems, and as such our tree growing activities are characterized by tangible and lasting benefits. We grow trees and restore forests primarily because, we want to address our emissions. Thus, we have embedded intense monitoring and evaluation so that we can eventually evaluate the carbon sequestered and use it in our carbon accounting. But we also view our tree growing as an opportunity to boost our employee engagement and generate a sustainability mind set with all of our staff.

Our approach to tree growing is simple: we focus on doing what we do best, and we rely on our partners to do what they do best. To this effect our tree growing model relies on the following:

- Strategic partnerships with organisations and entities that have made tree growing their mandate
- Onboarding local communities as actors and beneficiaries in our tree growing efforts so that there is local ownership, and permanence is encouraged
- Direct financial support for seedling production, distribution and planting
- Plant quality trees over quantity – ensuring that we have planted trees that are native to the areas and that they are adapted to the changing climate is key
- Mapping for clear monitoring and evaluation of all of our tree growing efforts


Group Director Retail Banking, Tirus Mwithiga, planting a tree at Uhuru Kenyatta Secondary School.

82%
Women Farmers

This year we launched a pilot tree growing project with the Boreka Group – our strategic partner.

The pilot onboarded **402 farmers in Kitui County (82% of which were women farmers)** and provided in depth training on climate change impacts, climate action, climate resilience, carbon credits, benefit sharing and Free Prior and Informed Consent (FPIC) in the context of carbon markets, and reducing emissions from deforestation.

Following the trainings, 49,700 seedlings were potted in Boreka's onsite nursery and all seedlings were 100% indigenous to Kitui (12 seedling species). Out of which, 44,000 seedlings were planted in collaboration with the local farmers across sites in Kitui – Mutumo and Ikutha.

Our Executive Committee and Senior Leadership Teams, joined Boreka and local farmers in a major tree planting event in November.

In addition, together with additional strategic partners we have planted 24,000 trees in 2023 through multiple initiatives:

- World Environment Day - On 5th June 2022, we donated and planted over 20,000 trees in Bungoma County at various institutions to mark the World Environment Day. We planted 4,000 trees at Kibabii University in an event graced by the Governor of Bungoma County H.E Kenneth Lusaka and H.E. Tessie Musalia, Spouse to the Prime Cabinet Secretary.
- In celebration of International Youth Day, NCBA partnered with the Youth Congress, a premier youth serving organization in Kenya to plant 1000 trees.
- National Tree Growing Day - We partnered with the Ministry of Environment & Forestry during the launch of the National tree growing day in Kiu wetlands Makindu, Makueni County. The event was spearheaded by The President of the Republic of Kenya H.E Dr. William Samoei Ruto. We donated 2,000 indigenous tree seedlings from our NCBA tree nursey at Karura Forest.

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

NCBA Group Chairman Planting Trees in Partnership with Kenya Forest Service at Karura Forest.

NCBA Group Chairman, Deputy Governor of Makueni H.E. Lucy Mulili during Tree Planting at Unoa Primary School Wote, Makueni County.

We will fully eliminate single use plastic and recycle 100% of our waste by 2030

Through Change the Story, we have embarked on a journey to revolutionize our waste management practices across all our operations. We onboarded Taka Taka Solutions as a strategic partner to help us collect and recycle our waste. Taka Taka Solutions is a vertically integrated waste management and recycling company that offer a collection service, recycling service/facility, composting facility, and hazardous waste incineration facility.

Furthermore, we are proud to announce that we have achieved a major milestone in our commitment to sustainability by completely eliminating single-use plastic from our operations. This achievement required a comprehensive overhaul of our procurement practices, collaboration with suppliers to find sustainable alternatives, and raising awareness among our employees and customers about the importance of reducing plastic consumption.

We will green our supply chain and transform all our corporate gifting to be sustainable

As we embark on our journey to green our supply chain and transform our corporate gifting practices, we find ourselves at the intersection of innovation and responsibility, poised to make a profound impact on both our business and the planet. Our journey begins with a realization: traditional supply chains, though efficient, often come at a significant environmental cost. From raw material extraction to manufacturing processes and distribution channels, the traditional model is fraught with inefficiencies and wasteful practices. Recognizing the imperative to enact change, we set out to reimagine our supply chain from the ground up, with sustainability at its core. We are currently working closely with our suppliers to conduct a comprehensive assessment of our supply chain, identifying areas for improvement and opportunities for innovation. Furthermore, it is our goal to explore alternative sourcing methods and prioritise suppliers who share our commitment to environmental stewardship and ethical practices.

We recognise the power of gift-giving to foster meaningful connections and express gratitude with our stakeholders. As a milestone, we made a bold decision to transform our corporate gifting programme into a beacon of sustainability. Gone are the days of conventional gifts wrapped in layers of disposable packaging. Instead, we embrace sustainable alternatives, from eco-friendly gift baskets made from renewable materials to personalized gifts crafted by local artisans using environmentally conscious practices.

Through our partnership with Purpink – a woman owned, sustainable gifting company, we have made some strides in reducing our plastic waste and promoting eco-friendly packaging.

- By switching from traditional baskets to gift boxes and tote bags, 1,144.5 meters of cellophane have been saved, resulting in approximately 76.3% reduction in plastic usage. The gift boxes are 100% recyclable, and the jute bags are made from eco-friendly materials, further supporting our sustainability goals.
- Currently, 32% of the products in the gifting portfolio are sourced through Fairtrade channels, showcasing NCBA Bank's dedication to supporting ethical and sustainable practices. Through Purpink, the bank has been able to source from Fairtrade companies, such as The Chocolate Bar and Karen Roses for flower orders. Additionally, the current gifting catalogue features products from BCorp certified food businesses like Brew Tea Co and Cotswold Fayre.
- An impressive 85% of the products in our gifting portfolio are eco-friendly, emphasizing both packaging and gift items
- We have successfully included 2,238 units of Made in Kenya items in gifts delivered in the last quarter. This significant effort has not only empowered local businesses and artisans but has also preserved Kenya's cultural heritage. 63% of the products in our gifting catalogue are Made in Kenya.

34%

Recycled waste

In terms of our carbon footprint this represents:
- **6809 kg CO2e**
- **Or emissions averted by driving 19,510km (39 trips between Nairobi and Mombasa)**
- **Or the emissions sequestered by a forest the area of 9 football pitches**

1,144.5m

of cellophane have been saved resulting in approximately 76.3% reduction in plastic usage.

85%

of the products in our gifting portfolio are eco-friendly

Pillar 2: Ignite Our Customers' Transition to a Low Carbon Operating Model

Our Commitment	2023
We will mobilize & steer KES 30 billion of Green & Sustainable Financing to accelerate the transition.	KES 2 billion EV Fund KES 500 million Solar financing KES 30 billion Sustainable financing
We will invest in deploying EV charging stations across the region.	4 Charging Stations installed. 3 in Nairobi and 1 in Kigali)
We will develop a "Change the Story" knowledge platform to inspire and capacitize the public towards change.	Ongoing for Launch in 2024

We will mobilize & steer Kes 30 billion of Green & Sustainable Financing to accelerate the transition

We are committed to allocating financial resources to projects, companies, and initiatives that promote environmental sustainability, social responsibility, and good governance. This commitment is premised on four main factors:

1. Increasing urgency of addressing environmental challenges including climate change, biodiversity loss, and pollution. Green finance provides a mechanism to channel investment towards solutions that mitigate environmental harm and promote sustainable resource use.
2. Mitigating our portfolio's risk and exposure – particularly around climate change, which poses significant to businesses across various sectors, including physical risks (e.g., extreme weather events) and transition risks (e.g., policy changes, market shifts).
3. Green and sustainable finance emphasizes long-term value creation over short-term gains. By investing in companies and projects that prioritize sustainability, we can contribute to the development of resilient, future-proof businesses that are better equipped to navigate environmental and social challenges and capitalize on emerging opportunities.
4. The transition to a more sustainable economy presents significant opportunities for innovation, job creation, and economic growth. Green finance can help unlock capital for innovative technologies, renewable energy projects, sustainable infrastructure, and other initiatives that contribute to the transition to a low-carbon, resource-efficient economy.

Overall, green and sustainable finance plays a crucial role in driving positive environmental and social outcomes while also generating financial returns for investors. By aligning financial interests with sustainability goals, green finance has the potential to catalyze transformative change and build a more resilient and equitable economy.

As a milestone, we have devoted some time across the Group to define our green and sustainable investment criteria in our Green & Sustainable Finance Inclusion Blueprint. Our eligibility criteria, references the ICMA Green Bond Principles (2018), the Loan Markets Association (LMA) Green Loan Principles and relevant transactions that include a specific carbon or climate-related metric, under the LMA's Sustainability Linked Loan Principles. Our criteria is focused on supporting the transition to a low carbon, climate resilient future and inclusive social development.

NCBA Group and Proparco Deal Signing of the USD 50M Agreement to Support Green Financing and Women Economic Empowerment.

KES
30B
Green and sustainable financing

Criteria Category	Definition	United Nations Sustainable Development Goals
Renewable Energy	• Allocation of funds for the development, construction, or enhancement of renewable energy projects such as solar, wind, hydro, or geothermal energy generation, including the manufacture of components, sale, lease of battery and storage systems, electricity transmission and distribution grids or projects. • Renewable energy consulting and sector groups conducted in line with best available industry standards.	SDG 7, SDG 9, SDG 13
Energy Efficiency	• Investment in projects that aim to reduce energy consumption and carbon emissions, including energy-efficient building retrofits and equipment upgrades.	SDG 7, SDG 9
Green Infrastructure	• Funding for sustainable infrastructure projects such as green buildings, public transportation, and wastewater treatment facilities. • Retrofits for residential, commercial and public buildings including but not limited to onsite renewable energy generation, LED lighting, energy management systems and refurbishment of air conditioning systems.	SDG 7, SDG 9, SDG 11
Low Carbon and Offsetting Technology	• Technologies and initiatives that promote cleaner energy practices and contribute to the removal or neutralization of greenhouse gas emissions • This includes afforestation and reforestation projects that create carbon sinks by planting trees, as well as participation in carbon offset programmes supporting activities like methane capture and landfill gas reduction. Renewable Energy Certificates (RECs) and community-based offset projects are also included.	SDG 7, SDG 9, SDG 13
Biodiversity Conservation	• Financing projects that protect and restore natural ecosystems and promote biodiversity conservation.	SDG 13, SDG 15
Water Conservation & Management	• Allocation of funds to projects that improve water management, reduce water consumption, and enhance water quality.	SDG 6, SDG 13
Sustainable Agriculture	• Support for environmentally-friendly farming practices, sustainable forestry, and land management. • Sustainable waste management practices, including but not limited to: slurry store cover, anaerobic digester, construct sprayer wash bay and dirty water treatment system, waste to be used for new products (e.g aviation fuel): organic fertiliser, composting. Precision and low emission application of organic manures (e.g. slurry dribble bars, soil injection). • Sustainable water management systems, examples include by not limited to precision irrigation technologies (e.g., drip water), water recycling systems, rainwater collection systems, and constructing water reservoirs. • Sustainable fuel use and generation. For example, biofuels, electric, hydrogen, solar / wind. • Sustainable fertiliser and pesticides. For example, precision fertiliser / pesticide application technologies, crop sensors • Regenerative farming practices for example, paddock grazing systems, introduction of livestock into arable rotations to include necessary infrastructure for example, fencing temporary and permanent, drinking water systems; Rotational farming that pays to leave fields fallow/ grow cover crops. Practices to grow crops that fix nitrates in soil, companion cropping, crop, and livestock sensors. Adoption of regenerative farming practices with investment in different equipment (moving away from plough based) e.g., minimum tillage cultivations, sowing and direct drilling. • Sustainable fishing practices for example change fishing to aquaculture, fishing suggests trawlers at sea, fish farms that use new technologies. • Sustainable landscape management and agro-forestry for example, hedgerow (re)planting and planting trees. • Alternative farming methods, for example vertical farms with sustainable practices with regards to energy, air and carbon management, water use. Greenhouses with sustainable practices with regards to energy, air and carbon management, water use, hydroponics or aeroponics.	SDG 13, SDG 15

Criteria Category	Definition	United Nations Sustainable Development Goals
Sustainable Transport	• Support for projects that encourage the use of electric or low-emission vehicles, public transportation, or non-motorized transport options. • Development, operation and upgrade of low carbon transportation infrastructure including but not limited to electric vehicles charging infrastructure.	SDG 3, SDG 9, SDG 11, SDG 13
Waste Reduction and Recycling	• Investment in initiatives focused on waste reduction, recycling, and circular economy practices.	SDG 12, SDG 13
Women and Youth	• Projects that positively impact vulnerable communities, reduce inequalities, promoting gender equality and equity, and youth empowerment and inclusion.	SDG 5

We are developing our internal resources and capacity to effectively implement our criteria, as well as report on environmental and social impact metrics.

Training of our RMs

We have instituted an in-depth training programme for our Relationship Managers on green and sustainable finance as we see this as paramount to equip them with the knowledge and skills necessary to navigate the evolving landscape of sustainable finance. The sessions provide an invaluable opportunity to deepen their understanding of environmental, social, and governance (ESG) factors, as well as the principles of green finance. Our Relationship managers are learning to identify and assess green investment opportunities, engage with clients on sustainability-related topics, leverage opportunities in the carbon market and integrate ESG considerations into their advisory services. By fostering a culture of sustainability within the bank and empowering relationship managers to effectively promote green finance solutions, the training not only enhances client satisfaction and loyalty but also contributes to the bank's reputation as a leader in responsible banking practices.

Current Green Lending

As the home of Asset Finance, NCBA is responsible for financing every third vehicle you see on our roads. It`s for this reason that NCBA has taken the lead and is proud to work with partners like Kenya Power to bring electric vehicles onto our roads. NCBA 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.

NCBA looks forward to enable funding and improvement of the infrastructure that will increase the uptake of Electric Vehicles. In addition, we have developed bespoke green energy leasing solution for the commercial and industrial sector and other energy heavy customers with Chloride Exide and Astonfield Solar as part of our current green financing offerings. 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.

Our Water Loans

NCBA signed an agreement with Water.Org in April 2023. Water.Org is a global nonprofit organization working to bring water and sanitation to the world by making water safe, accessible, and cost-effective. Through partnerships, they support communities to get access to safe water and sanitation through affordable financing, such as small loans. **Through this partnership, NCBA has disbursed KES 181,059,060/- in water loans** between December 2023 to February 2024. We have also conducted in depth training for the credit analysis/monitoring & evaluation teams to better support our green and sustainable finance outcomes.

KES 181M

Disbursed Water loans

We Will Invest In Deploying EV Charging Stations Across The Region

Electric Vehicles remain a new concept and great sensitization is needed to educate our audiences on its importance. As such, we embarked on an ambitious initiative to invest in deploying electric vehicle (EV) charging stations across our region. Our vision is not only to support the transition to electric mobility but also to build the infrastructure necessary for a cleaner, more sustainable transportation ecosystem.

We have since, installed a total of four EV chargers – three at our headquarters (NCBA Center, NCBA House) in Nairobi and 1 in our HQ in Kigali, Rwanda.

We have embarked on educating the community about the benefits of electric vehicles to motivate our clients and the public at large to invest in EVs. As part of our outreach, we showcased our EV at the NCBA Motor Show and provided information raise awareness, dispel myths, and encourage adoption of electric vehicles among consumers and businesses alike.

We are currently conducting research and analysis to identify optimal locations for EV charging stations based on factors such as population density, traffic patterns, and existing infrastructure. Our goal is to forge additional partnerships with local governments, utilities, EV manufacturers, and other key stakeholders to leverage their expertise and resources.

Pillar 3: Mitigate the Impact of Climate-related Risks to our Long-Term Performance

Our Commitment	2023	
We will complete a group-wide carbon audit in 2023 & set a >50% reduction target in direct emissions (Scope I & II) by 2030	Scope I 7765.53 (tCO2e)	Scope II 2324 (tCO2e)
We will align with the 2015 Paris Agreement and reduce our financed emissions by 2030	Ongoing audit	
We will embed thorough assessments of climate-related risks in our lending, investment, and financing activities	• Capacity Building & Training • Scenario Modelling	

[1] The reporting period for GHG emissions is January 2023 – December 2023

Ev Charging Station

We will complete a group-wide carbon audit in 2023 & set a >50% reduction target in direct emissions (Scope I & II) by 2030

We are clear that planting and growing trees should not be a pass to continue emitting carbon as usual. Tree growing is part of our overall strategy that first focuses on reducing emissions throughout our operations as much as possible and then offsets the rest using other mechanisms. We have strong emissions reduction commitments in addition to our tree growing projects.

We will align with the 2015 Paris Agreement by 2030

We completed our baseline carbon emissions assessment in accordance with the most widely used international Greenhouse Gas (GHG) calculation methodology – the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard. Our results are compatible with other GHG standards such as the ISO 14064 Part 1, which also allows for direct integration with national and international GHG registries. Other factors to consider include:

- Organizational and Operational Boundary: the GHG emissions have been estimated for the year 2023 and cover NCBA's national presence in Kenya as well as subsidiaries in Uganda, Tanzania and Rwanda.
- Aggregate emissions from various facilities either partly, jointly, or wholly owned by NCBA Group. Considering that we may have varying level of influence over the operations of these facilities, in addition to varying levels of ownership over the facilities.

We completed our baseline carbon emissions assessment in accordance with the most widely used international Greenhouse Gas (GHG) calculation methodology – the Greenhouse Gas Protocol:

Constituted A Cross-Functional Working Group

Staff went through an online training programme, emphasizing the importance, requirements and benefits of carrying out a carbon footprint assessment. The team was trained on the concepts of emission scopes and how to identify them in their operations, data collection, making an inventory & the methodology for carrying out the study.

Data Collection

A GHG questionnaire was distributed for data collection covering emissions sources and circulated across the Group. Completeness and accuracy of the GHG accounting assessment depends on the exhaustiveness and quality of the data collected, maintained, and reported. As such, we are embedding a carbon emissions data base to calculate our GHG emissions on a continual basis.

Scopes of GHG Emissions 2023[1]

Scope 1
7765.53 (tCO2e)

Scope 2
2324 (tCO2e)

In line with our commitment to reduce our direct (scope I and II) emissions by 50% by 2030 – we are exploring the following activities in 2024:

1. Update our Diesel Generators and ensure they are operating at optimum level
2. Replacing fuel sources – including upgrading our company vehicles to EVs, load shifting strategies, demand response programmes, building automation including LEDs at all sites etc.
3. Various system improvements
4. Renewable energy purchase

[1] The reporting period for GHG emmissions is January 2023 to December 2023

We will align with the 2015 Paris Agreement and reduce our financed emissions by 2030

We have an opportunity to be on the frontline of Africa's decarbonization ambitions, with the goal to reduce our financed emissions by 2030 in line with the 2015 Paris Agreement.

NCBA's De-carbonization Roadmap

2022
Climate Risk Management Framework.

2023
Project Klima:
We launched a project to further enhance our integration of all ESG topics, climate risk and sustainable finance as priority areas.

2023
Establish our Baselines:
Capture Scope I & II emissions with clear emissions reductions goals.

2024
Adopt the Partnership for Carbon Accounting Financials (PCAF) aligned financed emissions baseline.

2025
Science-based targets set for priority sectors

2030
Substantial reductions in high carbon intensive sectors in line with our sustainability strategy and commitments – Change the Story

We will embed thorough assessments of climate-related risks in our lending, investment, and financing activities

We report on our evolving approach to climate-related financial risk in reference to the Task Force on Climate-related Financial Disclosures (TCFD) Framework.

Our Climate Ambition:

The definitively leading bank in Africa addressing the climate crisis

Climate-related Risk Factors:
- Physical (acute and chronic)
- Transitional (Market, Technology, Operations,
- Liability

Potential Risk to NCBA Bank:
- Business
- Controls
- Operations

Climate Change Impacts:
- Changes in productivity
- Changes in asset value
- Assist damage and disruption
- Income loss
- Changes in customer/investment behaviours
- Loss and damage

Climate Opportunities
- Helping our communities and customers respond to climate change
- Enhancing natural capital and ecosystem based services
- Reading the climate impact of our financing activity by 2030
- Climate and Sustainable Funding and Financing
- Reducing the carbon footprint of our operations

Time Horizons Used To Classify Climate-Related Opportunities And Risks, Aligned To Our Strategy:

These are based on a consideration of the relative duration of our credit facilities for both our corporate and retail banking segments.

Our Climate Scenarios

Short Term	0 - 3 years
Medium Term	3 - 7 years
Long Term	7+ years

We applied climate scenario analysis as a risk assessment tool to provide insights on the short – medium term effects of transition and physical risks across our corporate and retail banking portfolios, as well as our own operations. As a starting point, we focused our assessment on qualitative heat mapping across a priority sector to our business – **Manufacturing**. This is due to the fact that our exposure to climate is most significant in this sector and all stages of the credit lifecycle are likely to be impacted.

In climate scenario analysis, we consider, jointly:

- Transition risk arising from the process of moving to a net zero economy, including changes in policy, technology, consumer behaviour and stakeholder perception, which could each impact borrowers' operating income, financing requirements and asset values; and
- Physical risk arising from the increased frequency and severity of weather events, such as ENSO events and floods, or chronic shifts in weather patterns, which could each impact property values, repair costs and lead to business interruptions.

As part of our internal climate risk analysis exercise, we have applied four scenarios. The scenarios were selected based on an appreciation of the key regions in which we operate, key dependencies of the manufacturing sector – particularly the access and availability of raw materials including cereals (maize, wheat), legumes (beans and peas), and roots and tubers (cassava, potato).

Our Group Physical Risk Heat Map was formed with reference to external publicly available climate scenarios, including those produced by the Network for Greening the Financial System ('NGFS') and the Intergovernmental Panel on Climate Change – specifically RCP 8.5. Using these external scenarios as a template, we adapted them by incorporating our unique climate risks and vulnerabilities to which our organisation and customers across different business sectors and regions are exposed. This helped us produce our physical risk heat map for the manufacturing sector, to analyse how physical risks associated with climate change will impact our portfolio.

RCP 8.5: This high-emissions scenario is frequently referred to as "business as usual", suggesting that is a likely outcome if society does not make concerted efforts to cut greenhouse gas emissions and as a result:

- Puts Africa at 1.7 degrees by 2030
- Increases crop yield volatility resulting in a 10%-25% or greater decrease in crop yields (cotton, maize, coffee and wheat) by 2030.

We have also focused on a consideration of these factors in relation to our exposure to the physical impacts of climate change. Based on peer reviewed research, the Africa region has a higher physical risk score comparative to transition risk. Furthermore:

- Physical risks are complex and multidimensional risks that are functions of hazard, exposure and vulnerability.
- Methods to quantify physical climate risk are limited today. However, models and data sources will continue to improve in quality if investors proactively shape the conversation towards actionable decisions.
- Context of our business in Africa – physical risk assessment is key to understanding our exposure to climate-related risk

A Group Physical Risk Heat Map

Assessment Framework

Risk Factor	Guiding Question	Evaluation Scale	Sources for Analysis
Incremental direct cost of productivity loss	How large of an impact would disruption in supply chain have on segment production based on 2 degree scenario?	**Highly Adverse Impact:** segment has high dependency on climate sensitive physical inputs relative to others in the sector **Moderately Adverse Impact:** segment has moderate dependency on climate sensitive physical inputs relative to others in the sector **Low Adverse Impact:** Segment has lower dependency on climate sensitive physical inputs relative to others in the sector No Impact: Segment is not dependent on climate sensitive physical input relative to others in the sector	• Impact of 2 degree scenario on availability/ yield / productivity of physical inputs
Incremental direct cost of operations	Is the segment's operational costs likely to become more expensive based on its current mix of inputs?	**Highly Adverse Impact:** segment requires high investment in climate proofing required to adapt relative to others in the sector **Moderately Adverse Impact:** segment requires moderate investment in climate proofing required to adapt relative to others in the sector **Low Adverse Impact:** segment requires low investment in climate proofing required to adapt relative to others in the sector No Impact: segment will not rely or require climate proofing	• Gegraphical location in relation to vulnerability to acute events • Logistic & Warehousing vulnerability to acute events • Availability and Access to Water
Direct cost of Impairment	Could the segment experience impairment of assets due to climate induced events (acute/ chronic)?	**Highly Adverse Impact:** segment requires high investment in climate proofing required to adapt relative to others in the sector **Moderately Adverse Impact:** segment requires moderate investment in climate proofing required to adapt relative to others in the sector **Low Adverse Impact:** segment requires low investment in climate proofing required to adapt relative to others in the sector No Impact: Segment will not rely or require climate proofing	• Gegraphical location in relation to vulnerability to acute events • Supply chain disruptions
Change in Revenue	Could the segment experience decreases in demand due to competition with alternative or an ncrease in price from a cost pass through?	**Highly Adverse Impact:** segment experiences highly adverse demands responses relative to others in the sector **Moderately Adverse Impact:** segment experiences moderately adverse demands responses relative to others in the sector **Low Adverse Impact:** segment experiences limited adverse impacts, or demands increases relative to others in the sector No Impact: Segment revenue will not change	• Industry price elasticity of demand • Industry price cost of elasticity of demand relative to alternative producers

A Group Physical Risk Heat Map

Key:

High | Moderately High | Moderate | Moderately Low | Low | No Impact

Outcome: Manufacturing Sector Heat Map

We rated the "sensitivity" of each segment to physical risk drivers – acute and chronic by 2030.

Sector: Manufacturing				
Segment	**Incremental direct cost of productivity loss**	**Incremental direct cost of operations**	**Direct cost of Impairment**	**Change in Revenue**
Agricultural Products	High	Moderately High	Moderately High	Moderate
Metals	No Impact	Moderately Low	No Impact	No Impact
Minerals	Moderate	Moderately High	Low	No Impact
Chemicals	No Impact	Moderately High	Low	No Impact
Textiles and Clothing	Moderately High	Moderately High	Low	Low
Paper & Paper Products	Moderately Low	Moderate	Low	Low
Printing & Publishing	No Impact	No Impact	No Impact	No Impact
Wood & Wood Products	Moderately Low	Moderately Low	No Impact	No Impact
Rubber & Plastic	Low	Moderate	Low	Low
Vehicle & Bus	No Impact	No Impact	No Impact	No Impact
Other Manufacturing & Processing	Low	Low	No Impact	No Impact

Our initial analysis has allowed us to model how a business-as-usual climate pathway may affect our customers in our manufacturing portfolio, particularly in respect of credit losses. Under this scenario we expect moderate levels of losses relating to physical risks from agricultural products sector exposure. However, this is likely to increase with a relative rise in global warming in the later years.

Limitations

We do not currently fully disclose the impacts of physical and transition risk quantitatively due to data challenges, specifically the availability and quality of data and evolving science and methodologies. We have embarked on a group wide data collection initiative to support more robust modelling across all of our business segments. We plan to continue to enhance our capabilities for climate scenario analysis and use the results for decision making, by using the range of scenario analysis outcomes to shape our strategy across business and regions.

Risk Management

NCBA Bank recognises that climate change poses different types of risks to our business. In addition to physical risks, such as flooding, extreme weather events, changes in soil quality/ground conditions and increasing temperatures, we also acknowledge the potential financial impacts that can result from transition risks such as the introduction of regulations, implementing a carbon tax, shifts in consumer demand, shifts in investor requirements, technological change, disruptive business model evolution and reputational risks. Inadequate efforts to identify, understand and address future climate risks can lead to significant future costs in the form of defaulted loans, unnecessary capex or emergency measures, increased capital costs and decreased exit values. Climate change could similarly cause unforeseen increases in operating costs.

The challenges posed by climate change also urges us to act on opportunities to develop low carbon and climate resilient assets to meet the increasing market demand for climate-proofed infrastructure and renewable energy solutions. It is also an opportunity to support our communities with climate knowledge and information to enhance their adaptive capacities.

NCBA Bank's geographic focus in Africa, impacts what physical and transition risks are identified as material to our business.

Our risk framework has been updated to include climate risk

NCBA Bank's appetite for climate risk is based on an acknowledgement that there will always be some exposure to long-term financial, customer, operational and reputational impacts from climate change. We therefore seek to balance those threats with the benefits of aligning activities and operations to stated climate ambitions and strategic objectives. We are exploring climate risk in two ways: as a principal risk to our business as well as a causal factor affecting several other closely related financial and non-financial risks. Our research identified transitional, physical and liability risk as categories for consideration in relation to climate-related financial risk.

Throughout 2024 we will continue to refine our approach and embed it within our existing frameworks, establishing new climate risk-related requirements within our risk framework, and enhancing existing components to reflect climate risk.

	Physical Risk		Transition Risk			Liability Risk
Risk Sources	Acute	Chronic	Market	Technology	Reputation	Policy & Legal
Climate-related Events	Increased frequency and – severity of climate-driven events. For Kenya, Tanzania, Uganda and Rwanda this means: • Flooding • Drought • Increase in ENSO/ extreme events Extreme precipitation	Stability of local ecosystems, affecting food production/ and living environment Rising temperatures affect local infrastructure, working & living conditions Rising sea level affect local ecosystems, increase flood risk	Increased volatility and costs, sourcing restrictions for carbon- heavy raw materials. Limited supply and increased demand of energy efficient and low flood risk properties. Change in consumer behaviours including deliberate move to lower-carbon footprint products. Competitor changes – new entrants with green credentials, entering market without incurring transition costs	Substitution of technology, including requirements to replace manufacturing technology to cleaner alternatives Investment in technology to climate-proof infrastructure	Changing customer, community and other stakeholder views, attitudes, perceptions and values on climate. Increased scrutiny including from regulators, media, on carbon emissions for a business, its supply chain including who provides financing. Increased stakeholder scrutiny if lack of action on reduction in emissions, or substantial contribution to improving resilience/ adaptive capacity of local communities	Increased GHG emissions pricing in order to incentivise movement to renewable energy sources Enhanced regulatory environment and mandated requirements: may introduce minimum standards/ green credentials Loss and damage – emerging legal cases/ compensation

Our Process

Identify

Climate risks are identified in partnership with our climate advisor and informed by the latest findings from peer reviewed literature and reports by IPCC and other relevant climate science bodies.

Assess

We are developing and refining our tools to assess the potential impact of climate related risks on our operations – including climate scenario analysis and heat mapping.

Mitigate

Climate related risks are mitigated through a number of ways including engagement with our relationship managers and business teams, participation in relevant policy and industry group sessions and we are in the process of refining our climate risk management framework.

Monitor

We have instituted a cross functional working group to measure our exposure to climate-related risk in a succinct way with inputs across the business

Report

We have included progress against our climate risk targets as part of monthly EXCOM reviews, and quarterly Board sessions.

Metrics & Targets

We will continue to measure and refine our data sources in determining our climate risk exposure in our most material portfolio – manufacturing, where the primary physical risks facing our business are extended droughts and flooding as a result of climate change. This year, we will expand our analysis on the basis of our findings of our financed emissions assessment that is currently underway.

We have reported our Scope I and II emissions on page 78 and in the future will disclose our Scope III emissions. Our targets are set in accordance with the Strategic pillars set out in our Sustainability Plan - Change the Story.

Pillar 4: Enhance the Impact of Our Community Engagement Model

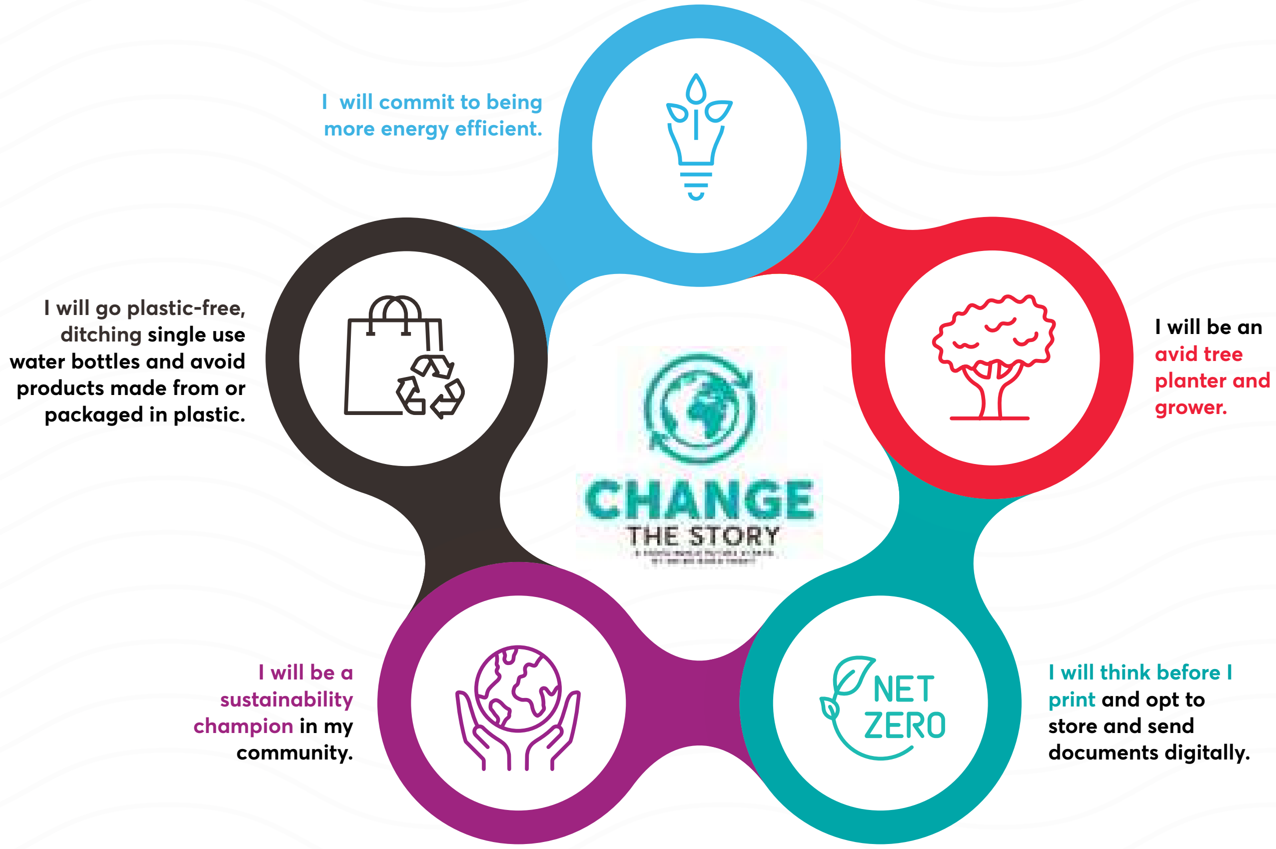
Our Commitment	2023
We will train & ignite our 3000+ staff to make a difference through the "I Change the Story" programme	10 courses on NCBA Academy
We will deploy KES 100 million annually to support the communities in which we operate	100+ Scholarships offered
We will champion inclusive communities through regional sport development	7,000+ players from NCBA Gold Series and Golf Activation Golfers

We Will Train & Ignite Our 3000+ Staff To Make A Difference Through The "I Change The Story" Programme

NCBA Academy Sustainability Courses:

1. Weighing Risks and Opportunities of Implementing Sustainability Initiatives
2. Building a Strategic Commitment to Sustainability
3. Leader camp on-demand: Understanding Corporate ESG and Sustainability
4. The Effects of Environmental Change on Business
5. Sustainability and Restoring Our Earth

Staff Commitments



As part of every employee's commitment to Changing the Story, we are now collecting data and rewarding staff on:

- Number of trees individually planted in their communities
- Integrating tree planting and growing as part of our House activities
- A Group-wide recycling campaign where staff bring their trash to work and build their consciousness around recycling and waste management
- Reduction in printing per department

NCBA Gmd Committing to the Change The Story during the innaguration Of the NCBA forest in Kitui County.

We Will Deploy KES 100million Annually To Support The Communities In Which We Operate

We know that there is transformative power in community engagement. Through meaningful collaboration and dialogue with diverse stakeholders, including local residents, businesses, NGOs, and government agencies, we have forged strong partnerships built on shared values and common goals. These partnerships have enabled us to leverage collective expertise, resources, and creativity to address complex sustainability challenges and drive positive change at the grassroots level. From co-designing sustainable initiatives to mobilizing community action and fostering a culture of environmental stewardship, our engagement efforts have not only enriched 'Change the Story' but also fostered a sense of ownership and pride among community members. As we continue to navigate the complexities of sustainability, we remain committed to nurturing these vital relationships and harnessing the collective power of our community to create a more resilient, equitable, and sustainable future for all.

Our Historical Approach to Citizenship

NCBA inspires greatness through Citizenship, which involves encouraging individuals and organizations to take an active role in creating positive social and environmental change. This not only helps to create a better future for all, but it can also help to build a stronger sense of community and foster a shared commitment to making the world a better place. Through partner engagements, NCBA has supported the communities through four pillars.

Youth Education and Enterprise Pillar

- Inspiring Greatness in 100 students with an investment of KES 11.1 million for education scholarships.
- Mentorship & Training of 3000+ high school students from 150 secondary schools and 100+ teachers to enhance Leadership Development, Corporate Culture & Employee Engagement and Diversity & Inclusion as the students are from diverse backgrounds.
- We partnered with Daraja Academy for the ground breaking ceremony, marking the first time the Academy has permanent residence at Endana, Nanyuki. The academy will accommodate 120 extra students.
- Palmhouse Foundation send-off and mentorship of 350 students from all 47 counties in Kenya received guidance on self-awareness, self-esteem, confidence and understanding.
- Braeburn Garden Estate School Fashion Show - All proceeds go towards Kibera Pride Organzation who main objective is to assist many young students being affected by cholera as the water quality is insufficient in Kibera.

Financial Innovation Pillar

- Social innovation is vital in addressing socio-economic and environmental challenges within the country and region at large.
- Through our partnership with Junior Achievement(JA) Kenya, we empowered 1500+ high school students from 150+ secondary schools and 100+ teachers through the Social Innovation Relay.
- We also joined Endeavour Kenya for their 2nd LSP to assess innovative candidates disrupting traditional industries where they determine if candidates are challenging traditional industries, creating cutting-edge innovation and solving big problems leading to the International Selection Panel.

Environment and Natural Resources Pillar

- We hosted a tree planting event in Uhuru Kenyatta Secondary school and Ndiini Primary school marking the official opening of Kahawa Sukari branch. We planted 2,100 trees with customers who attended the branch launch.
- In partnership with Ahadi Kenya, we donated and planted over 2,000 hass avocado trees in Muranga County at various homesteads in the region focusing on households with Persons living
- World Environment Day - On 5th June 2023, we donated and planted over 20,000 trees in Bungoma County at various institutions to mark the World Environment Day. We planted 4,000 trees at Kibabii University in an event graced by the Governor of Bungoma County H.E Kenneth Lusaka and H.E. Tessie Musalia, spouse to the Prime Cabinet Secretary.

Preventative Health and Wellness

- We joined hands with Wangu Kanja Foundation(WFK) Strategic Plan Launch to create a more inclusive and equitable society by helping WFK raise awareness address and address systemic issues that contribute to sexual violence.
- NCBA sponsored The African Women's Orchestra, which is a collective of talented female musicians from across the continent, dedicated to celebrating the power of music and highlighting the stories of African women.
- We sponsored the annual Diversity & Inclusion Awards & Recognition (DIAR) to support a cause that champions the inclusion and empowerment of persons with disabilities, women and girls, the youth and ethnic minorities; Peace and Cohesion; & Environmental Conservation.

Our Current Approach to Citizenship

We re-purposed our Change the Story tagline, to encompass the Group's sustainability strategy that captures the NCBA Citizenship agenda. This includes our approach to Environment, Social and Governance (ESG) and Climate-related Financial Risk topics. The 5 strategic pillars include the below with highlights as the key focus areas for Citizenship.

The NCBA Citizenship agenda is categorized into two:

1. Sponsorships – Sponsorship is one of the unique ways that we interact with staff, customers and communities across the Group. We build partnerships with worthy events, organisations and individuals, to offer our support in a way that truly make a positive difference. Sponsorships and Donations in 2023 were:

- Billie Jean King Cup Sponsorship - The World Cup of Tennis - 12 African countries represented where CS Youth Affairs, Sports and Arts Hon. Ababu Namwamba officiated the event. By investing in sports and empowering communities, we contributed to the development, well-being and overall empowerment of individuals and society as a whole.
- We sponsored the launch of Wazalendo Hockey Club Ladies' Team who kicked off by participating in a two- day tournament in Mombasa Sport's Club. The partnership alleviated gender disparity in a male-dominated sports industry in alignment with our principles of gender equality and empowerment. By investing in the development of the Ladies' Team, our sponsorship contributed to breaking down barriers and stereotypes, promoted female participation in sports, and empowered young ladies to excel in a traditionally male-dominated field.
- NCBA joined other banks in support of the Kenya Banker's Association call as we respond to the Government's drought appeal. We donated 100 food hampers to Kenya Red Cross Society that fed over 500 people for 3 months.

2. Community Engagement through 5 pillars:

- Nature & Biodiversity
- Investing in Youth Employment
- Women Economic Empowerment
- Innovation and Technology
- Community Development through Sport: NCBA Golf Series

Investing in Youth Employment

- NCBA mentors participated in a 3-day Edumed Trust mentorship retreat held at St. George's Girls Secondary School in Nairobi, with the theme "My Journey In His Plan," aiming to mentor, motivate, inspire, shape character, and assist 80 beneficiaries in their educational and career aspirations.
- Edumed Trust Charity Dinner - The event brought together various partners and individuals to showcase the impact that Edumed Trust has had in the lives of young Kenyans over the years.
- Supporting the Creative Economy is key to sustainable development where we operate in. 673 art pieces were on display from over 300 creatives. 259 art pieces were sold with a sales increment of 38.5% compared to the last show in 2022.
- Celebration Concert- 15 Years of Art Music by Ghetto Classics & Jef Neve. This initiative is in line with our Sustainability pillar; Investing in Youth Employment through the creative industry.

Nature & Biodervisty

- NCBA participated in the Inaugural Africa Climate Summit (ACS), a collaborative event organized by the Republic of Kenya and the African Union Commission held at KICC to facilitate the creation and activation of strategies and remedies for addressing climate change challenges within Africa.
- We also partnered with ICC Kenya who hosted a high-level Pan Africa Private Sector Corporate Dinner in support of ACS stakeholders to encourage private sector companies to take an active and pronounced role in combating climate change by pledging their commitment to environmentally sustainable practices.
- Through the office of The First Lady, we took part in The First Lady Mazingira Awards Launch aimed at creating awareness on environmental conservation and climate change issues among children and youth.
- In celebration of International Youth Day, NCBA partnered with the Youth Congress, a premier youth serving organization in Kenya to plant 1000 trees.
- Inauguration of NCBA Forest Kitui - We partnered with Boreka Group and launched a tree growing and training programme in Mutumo Town, Kitui South Constituency. This event enabled us to plant 40,000 trees planted in the region with involvement of the community to encourage the active participation of farmers in sustainable agriculture
- National Tree Growing Day - We partnered with the Ministry of Environment & Forestry during the launch of the National tree growing day in Kiu wetlands Makindu, Makueni County. The event was spearheaded by The President of the Republic of Kenya H.E Dr. William Samoei Ruto. We donated 2,000 indigenous tree seedlings from our NCBA tree nursey at Karura Forest.

NCBA Group Director, Marketing Communications & Citizenship mentoring Palm House Foundation beneficiaries.

Pictorial

1. **Billie Jean King Cup Sponsorship - CS Youth Affairs, Sports and Arts Hon. Ababu Namwamba officiating the event.**
2. **Wazalendo Hockey - NCBA Nyali 2 Branch Manager Jemimah Charo hands over the cheque to the Wazalendo Hockey Club ladies team.**
3. **Kenya Redcross - Peter Murgor from Kenya Redcross a member of the Drought Response Committee receives the food hampers from NCBA.**
4. **Cheque Handover 2 - Group Chairman Mr. James Ndegwa and Group Managing Director Mr. John Gachora handover a cheque to Dr. Choksey Albinism Foundation and NCBA beneficiaries.**
5. **Cheque Handover - Group Chairman Mr. James Ndegwa and Group Managing Director Mr. John Gachora handover a cheque to all the six foundations and NCBA beneficiaries.**
6. **GMD Alliance Mentorship – Mentorship of 1800 high school students from Alliance High School by GMD, John Gachora.**

Innovation and Technology

- We proudly collaborated with JA Kenya and the Global Entrepreneurship Network to create a dynamic platform that played a pivotal role in fostering economic and cultural exchange throughout Africa. The event provided attendees with access to a wide range of masterclasses and meaningful discussions, all aimed at nurturing entrepreneurs on their journey to initiate and expand new ventures. The University Innovation Challenge (UIC) winner, Rethread Africa, secured an incredible opportunity to present their pitch at the 2024 Global Entrepreneurship Congress (GEC) in South Africa in March. This is in line with our Sustainability pillars on Innovation & Technology.
- We were honored to witness the presentations of 7 outstanding ideas from the finalists from all regions in Kenya. The winning team was from Kisumu Senior School who came up with the Innovative Foot Mouse for people with disabilities.

Women Economic Empowerment

- NCBA partnered with Ushiriki Wema and Ahadi Kenya to commemorate International Day of Persons with Disabilities under the theme " United in action to rescue and achieve the SDGs for, with and by persons with disabilities" in Dagoretti North constituency, Nairobi County. 1000 hass avocado seedlings, wheelchairs, walking aids and assorted food stuffs were donated to more than 400 beneficiaries.
- We partnered with Business Engage in support of the East Africa Gender Mainstreaming Awards us to leverage our sustainability commitments, including our pledge to steer at least 30% of our General Services procurement spend to women and youth as well as promote diversity, equity and inclusion. The Awards aimed at highlighting the importance of gender mainstreaming in various sectors, such as business, government, education, healthcare, and civil society. The awards recognized the significant strides made by organizations and individuals in creating a more inclusive and equitable society for all genders in East Africa.
- We sponsored The Women on Board Network Awards to celebrate the achievements of individuals and organizations that have made significant contributions to gender diversity and inclusion. This awards programme aims to promote diversity, equity, and inclusion in the boardroom, as well as to recognize and celebrate the diverse contributions of women and men toward this goal.

Community Development through Sports

The 2023 NCBA Golf Series Edition kicked off in March 2023 and hosted 35 sequential tournaments reaching over 3,000 golfers across Kenya, Uganda and Tanzania with the top 3 winners of the event competing for the overall prize of KES. 100,000 each in the grand finale, which was held on 1st December 2023, at the Sigona Golf Club. During the year, we further enhanced partnerships with the Kenya Golf Union (KGU), Junior Golf Foundation-Kenya (JGF), the U. S. Kids Golf, the Tanzania Golf Union and the Uganda Golf Union. In partnership with these organizations, we hosted over 85 events across the region reaching over 7,000 golfers. Going along way to entrenching our commitment to the sport.

- In Kenya, NCBA was the title sponsors for the KGU-Kenya Amateur Golf Championship tournaments (KAGC) through the sponsorship we had 28 tournaments and reached over 1,400 elite amateurs from the region. These events provided them an opportunity to showcase and improve their skills heralding a better future for golf and fostered a sense of community within the golfing fraternity. The prize money sponsorship created a more lucrative environment to earn a living for elite amarteur golfers impacting beyond the individual golfers to the local communities and the golf clubs hosting the events. Key names highlighted in the season were Michael Karanga who was the first Kenyan to achieve an impressive 95th ranking in the World Amateur Golf Rankings and Naomi Wafula who was the first female golfer to outperform competitors in the KAGC event during the 2023 Kiambu Open Tournament.
- With our continued commitment in investing in the future of golf, NCBA in partnership with JGF and U. S. Kids Golf hosted over 30 tournaments with 1600 juniors participating in Kenya and Uganda events, which enabled them to hone their skills and earn ranking points enabling them to participate in international golf competitions. As a result, over 100 juniors received invitations to attend international tournaments. Through the JGF and U. S. Kids Golf partnership100 coaches received training to be Level 1 and 2 certified coaches. Over 500 juniors were trained in the region through free training programmes in Kenya with the certified coaches as part of the sports development in Kenya. In Uganda, NCBA was the title sponsor of the NCBA Uganda US Kids Golf Open 2023, which attracted over 100 junior golfers from 7 countries. In December, the 1st NCBA Invitational– U. S. Kids Golf Regional Championship event was held at the Windsor Golf Hotel and Country Club, which attracted 110 junior golfers from 12 countries.
- NCBA sponsored the construction of the Junior Golf Foundation office at Windsor Golf and Country Club and the official ground breaking was presided over by Hon. Ababu Namwamba, Cabinet Secretary for Youth Affairs and Sports.




NCBA Golf Series Activations in 2023.

Pillar 5: Optimise our Corporate Governance

Our Commitment	2023
We will steer at least 30% of our General Services procurement spend to women and youth	8.9% of General Services procurement spend to women and youth
We will promote diversity, equity and inclusion at all levels of our operations	General Employees Female to Male ratio 51:49
We will provide targeted mentorship and skills building for women and youth	3,000+ Women and Youth mentored

We will steer at least 30% of our General Services procurement spend to women and youth

We believe that our procurement process represents a huge opportunity to build a more inclusive business and contribute to a more inclusive economy that ensures equitable opportunities, and promotes gender equality through increased participation of women-owned businesses.

Supplier Assessment

In our commitment to diversity and inclusion, we conducted a comprehensive supplier assessment aimed at evaluating the representation of women and youth-owned businesses within our supply chain. Our supplier assessment leveraged robust evaluation criteria, including ownership structure, demographic data and the use of AGPO certificates (The Access to Government Procurement Opportunities) programme founded on the the Constitution of Kenya, 2010 Article 227 on the fair equitable, transparent and cost-effective public procurement of goods and services). We analyzed our network of suppliers to ascertain the percentage of businesses owned and operated by women and youth. Through this assessment, we gained valuable insights into the diversity of our supplier base and identified areas for improvement in fostering greater diversity within our procurement processes. Armed with this data, we have developed a sustainable procurement strategy to enhance the representation of women and youth-owned enterprises. This includes ongoing updates to our Procurement Policy to enable us to deliver on our 30% commitment and keep us accountable.

We Will Provide Targeted Mentorship And Skills Building For Women And Youth

The provision of targeted mentorship and skills building for women and youth embodies our steadfast commitment to fostering inclusivity, empowerment, and sustainable development. By offering personalized guidance and support tailored to the unique needs and aspirations of women and young individuals, we unlock their full potential and pave the way for their professional and personal growth. In doing so, we not only contribute to narrowing gender and generational gaps but also foster a more diverse, resilient, and prosperous society where everyone has the opportunity to realize their dreams and contribute meaningfully to the advancement of our collective future. This year we have focused on the following skills building activities:

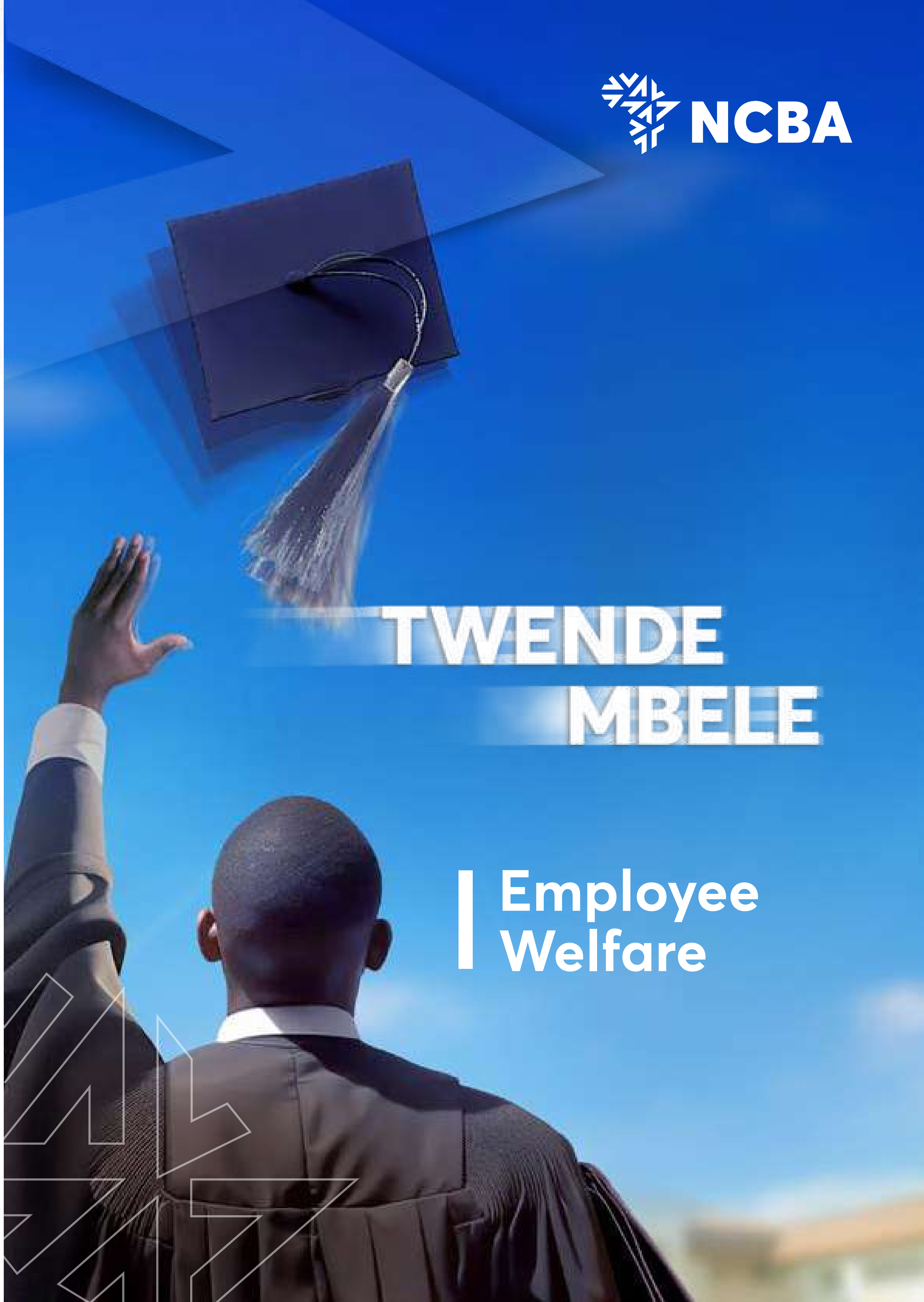
- Inspiring Greatness in 100 students with an investment of KES 11.1 million for education scholarships.
- Mentorship & Training of 3000+ high school students from 150 secondary schools and 100+ teachers to enhance Leadership Development, Corporate Culture & Employee Engagement and Diversity & Inclusion as the students are from diverse backgrounds.
- We partnered with Daraja Academy for the ground-breaking ceremony, marking the first time the Academy has permanent residence at Endana, Nanyuki. The academy will accommodate 120 extra students.
- Palmhouse Foundation send-off and mentorship of 350 students from all 47 counties in Kenya received guidance on self-awareness, self-esteem, confidence and understanding.
- Braeburn Garden Estate School Fashion Show - All proceeds go towards Kibera Pride Organzation who main objective is to assist many young students being affected by cholera as the water quality is insufficient in Kibera.
- NCBA mentors participated in a 3-day Edumed Trust mentorship retreat held at St. George's Girls' Secondary School in Nairobi, with the theme "My Journey In His Plan," aiming to mentor, motivate, inspire, shape character, and assist 80 beneficiaries in their educational and career aspirations.
- Edumed Trust Charity Dinner - The event brought together various partners and individuals to showcase the impact that Edumed Trust has had in the lives of young Kenyans over the years.
- Supporting the Creative Economy is key to sustainable development where we operate in. 673 art pieces were on display from over 300 creatives. 259 art pieces were sold with a sales increment of 38.5% compared to the last show in 2022.
- Celebration Concert- 15 Years of Art Music by Ghetto Classics & Jef Neve. This initiative is in line with our Sustainability pillar; Investing in Youth Employment through the creative industry.

Our Commitments and SDG Alignment

Pillar	Commitment	SDG Alignment
Minimize Our Direct Impact on the Climate and Amplify Our Tree Planting Programme	We will Grow 10M trees by 2030 through strategic partnerships with private actors & government.	SDG 13, 15
	We will fully eliminate single use plastic and recycle 100% of our waste by 2030.	SDG 12, 13
	We will green our supply chain and transform all our corporate gifting to be sustainable.	SDG 12, 13
Ignite Our Customers' Transition to a Low Carbon Operating Model	We will mobilize & steer Kes 30 Billion of Green & Sustainable Financing to accelerate the transition.	SDG 6, 7, 8, 13
	We will invest in deploying EV charging stations across the region.	SDG 7,13
	We will develop a "Change the Story" knowledge platform to inspire and capacitize the public towards change.	SDG 17
Mitigate the Impact of Climate-related Risks to our Long-Term Performance	We will complete a group-wide carbon audit in 2023 & set a >50% reduction target in direct emissions (Scope I & II) by 2030.	SDG 13
	We will align with the 2015 Paris Agreement and reduce our financed emissions by 2030.	SDG 13
	We will embed thorough assessments of climate-related risks in our lending, investment, and financing activities.	SDG 13
Enhance the Impact of Our Community Engagement Model	We will train & ignite our 3000+ staff to make a difference through the "I Change the Story" programme.	SDG 11
	We will deploy Kes 100M annually to support the communities in which we operate.	SDG 11
	We will champion inclusive communities through regional sport development.	SDG 10
Optimise our Corporate Governance	We will steer at least 30% of our General Services procurement spend to women and youth.	SDG 5, 10
	We will promote diversity, equity and inclusion at all levels of our operations.	SDG 5
	We will provide targeted mentorship and skills building for women and youth.	SDG 5, 8

United Nations Global Compact

NCBA joined 23,000 other companies in over 162 countries around the world in becoming a part of the United Nations Global Compact.



Employee Welfare

Letter from our
Group Director,
Human Resources & Culture
Monicah Kihia

Human Resources & Culture

It is our pleasure to present to you our highlights of the key achievements and milestones in the Human Resources and Culture space for the year 2023. Grounded in our steadfast commitment to our four core values – **driven, open, responsive, and trusted** – we have continued to cultivate a culture that fosters **high performance** and empowers our employees to **achieve greatness every day.**

In 2023, our focus on **learning and development** reached new heights as we recognized the critical importance of **continuous growth** and **skill enhancement** in today's dynamic workplace. Through targeted training programmes, personalized development plans, and innovative learning initiatives, we have invested in our employees' professional development, equipping them with the tools and knowledge needed to excel in their roles and drive organizational success. We especially want to highlight that we rolled out a programme **"Customer Experience the NCBA Way",** where all staff underwent an immersive training aimed at ensuring we **Know, Back and Wow our customers.**

Furthermore, we remained dedicated to **embedding our Go Getter culture** throughout the organization, which has been instrumental in propelling us forward and overcoming challenges with agility and determination.

As we look ahead, we are committed to building on our achievements and embracing new opportunities for growth and innovation.

CUSTOMER EXPERIENCE The **NCBA** Way

NCBA Staff take part during the NCBA Customer Experience training at Windsor.

NCBA Staff take part in the NCBA Customer Experience training at Windsor.

NCBA Staff take part in the NCBA Customer Service Week.

Our integrated approach to people and culture strategy is structured around four foundational pillars that serve as the backbone of our people practices, which include:

1. Capacity Building
2. Performance Management
3. Competitive Rewards & Recognition
4. Employee Experience & Well-being

We are steadfast in our belief that these pillars form the cornerstone of our ambition to become the employer of choice, fostering a high-performance culture that not only attracts but also retains top talent.

NCBA HR Strategy
Developing a High Performance Employee Culture

Key Highlights

3252
Total staff - 2023

49 : 51
Male | Female

448
Promotions

93%
Retention

1283
Go-star Awards/Spot Awards

Learning and Development

Key Highlights for learning in 2023

In 2023, NCBA Group maintained its steadfast commitment to talent development and growth across its operations, aligning learning initiatives with strategic priorities such as balance sheet optimization, customer growth, subsidiary contribution, controls, and sustainability.

Leadership development was a primary focus, with investments in training for top leaders, senior managers, and mid-level managers. Programs like the NCBA Senior Leadership Development, NOW Lead Boot Camp, Effective Managers' Programme, and NCBA Academy Introduction to Leadership Journey enhanced leadership capabilities and promoted a culture of continuous learning.

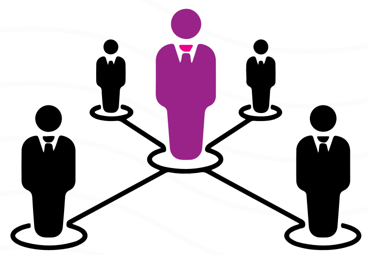
Customer experience remained paramount, with training provided to 3200 staff. Future efforts target role-based training, beginning with specialized training for 100 Contact Centre staff. The aim is to bolster customer relationships, foster loyalty, and strengthen the organization's competitive edge.

In essence, NCBA's 2023 learning and development initiatives affirm its dedication to cultivating a skilled workforce aligned with strategic goals. These investments ensure employees are equipped to exceed customer and stakeholder expectations, driving organizational success.

Learning & Development: Jan – Dec 2023 Summary

The average learning hours across the group is 67 learning hours – 34% above the target of 50 learning hours per staff for the Group and Kenya at 47% above target.

Our Total Group Learning hours grew from **110,365** to **242,816** representing a growth of over 110%.



242,816 ▲110%
Total Group Learning Hours

67 ▲34%
Average Learning Hours

1.


2.


3.


1. NCBA Staff during Project Gen-Z Presentation.

2. New NCBA Staff during HR Induction.

3. NCBA Group Director, HR & Culture Monicah Kihia flagging off NCBA Chess Team heading for competitions in Oman.

The NCBA Culture Journey

As we reflect on the cultural journey of NCBA Group throughout the year 2023, it becomes evident that our commitment to embedding the NCBA culture values into the everyday lives of our employees has been paramount. With the launch of NCBA Group's 2023 strategic focus areas, it became imperative to ensure that our staff fully engaged with and contributed to these initiatives in both formal and informal capacities. Our journey centered on **igniting** the passion within our people to deliver on strategic KPIs while fostering a work environment where individuals could bring their whole selves to work.

In 2023, we continued to drive the embodiment of NCBA values through practical engagement activities with our staff. Thematic engagements such as dress-coded days, games, potlucks, and photo-sharing sessions served as platforms for discussions on what it means to be a Go Getter under each value. These initiatives not only promoted a sense of camaraderie but also reinforced our shared purpose towards our strategic agenda.

Furthermore, our commitment to creating a fun-filled work environment remained unwavering. By organizing various activities aimed at enhancing engagement, cohesion, and collaboration, we fostered a shared sense of purpose among our teams, driving us closer towards our strategic goals.

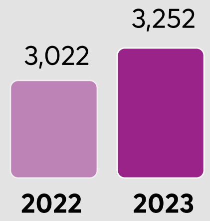
A significant highlight of our culture journey in 2023 was **our focus on sustainability.** Through information dissemination, education, and active participation in initiatives such as **tree planting and beach cleanups,** our staff **demonstrated their dedication to contributing to a more sustainable future.** Notably, our efforts were recognized by the Federation of Kenya Employers (FKE), who **awarded** us **for** our strides in **creating a positive work environment**.

Additionally, our commitment to the wellbeing of our staff remained a top priority. **We facilitated countrywide wellness check-ups, providing comprehensive health consultations to over 2050 employees.** Moreover, a series of monthly wellness webinars addressed various topics including lifestyle diseases prevention, financial wellness, and cancer prevention, further emphasizing our dedication to supporting the total wellbeing of our workforce.

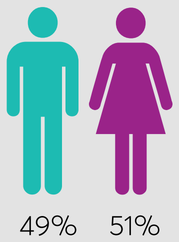
In culmination, our culture journey in 2023 epitomized our dedication to nurturing a workplace where our values are lived daily, our strategic goals are embraced wholeheartedly, and our employees are supported in every aspect of their wellbeing. As we look towards the future, we remain committed to building on these achievements and fostering an even stronger culture of excellence, collaboration, and purpose.

NCBA Workforce Profile

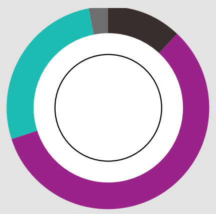
Number of Staff



General Employees



Age Profile



NCBA Group Director HR, Monicah Kihia and NCBA staff during the Gender Mainstreaming Awards.

NCBA staff during Team building activities across the country.

Governance

Governance Framework

NCBA Group PLC and its subsidiaries are dedicated to upholding and implementing effective corporate governance, vital for ensuring the longevity of the Group's business operations and accountability to stakeholders. This dedication is reinforced by the Group's disclosures in this report, showcasing how governance principles and practices are seamlessly integrated into performance and desired outcomes across the Group's businesses and activities. This encompasses interactions with key stakeholders and addressing matters of interest to them.

The Group's Board, management, and staff adhere to the NCBA Values and governance principles integrated into the Group's operational procedures to guide their responsibilities and behavior. Recognizing the significance of excellent governance standards for the prudent management of its businesses, the Group is dedicated to maintaining them consistently to deliver sustainable stakeholder value. This commitment is demonstrated through the adoption of best practices in corporate governance, internal controls, risk management, and compliance, positioning the Group at the forefront in the dynamic financial landscape.

Governance Guidelines

The Board of Directors of NCBA Group PLC has implemented robust governance frameworks based on the following principles:

Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public, (the Code)

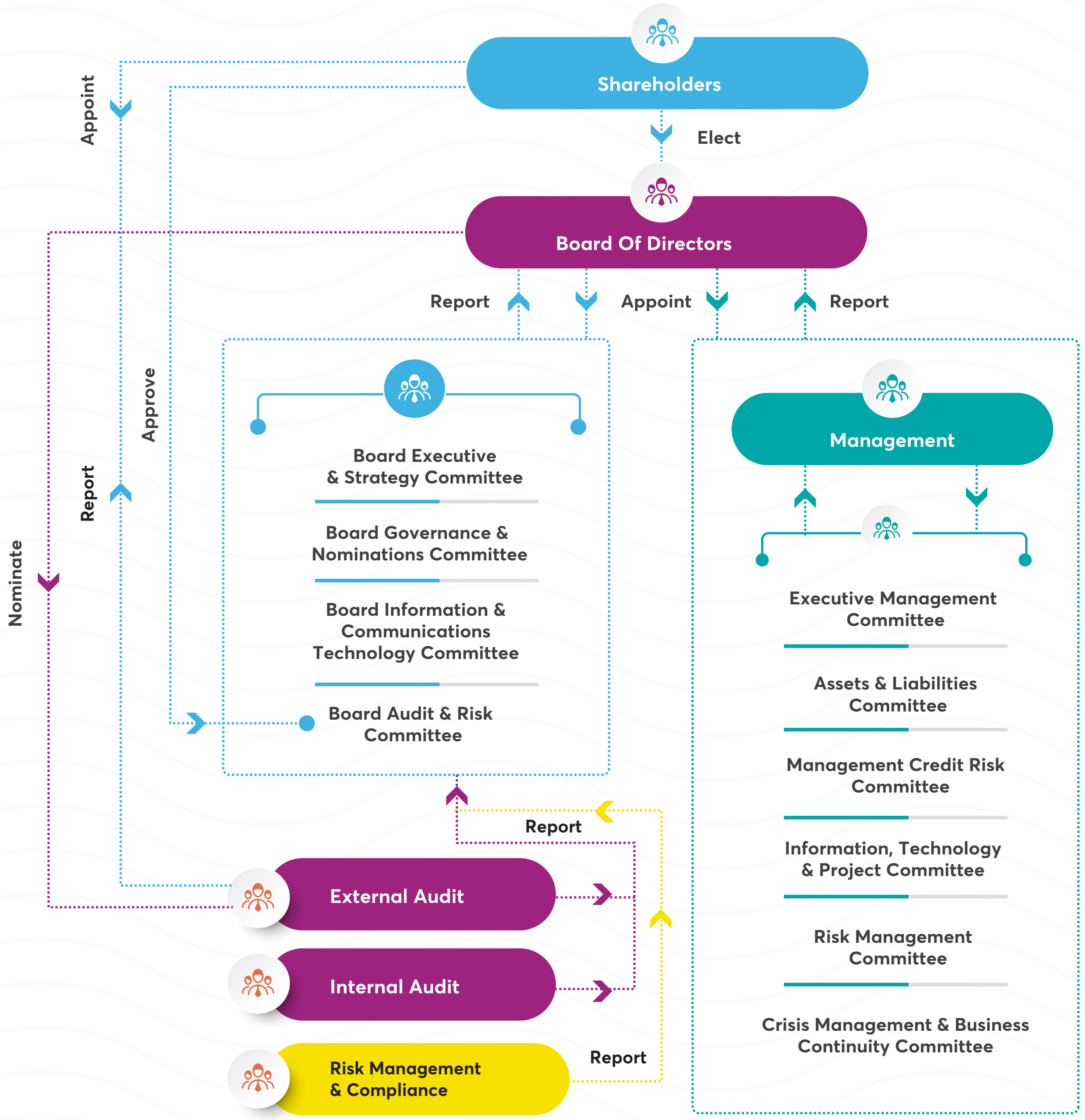
Central Bank of Kenya Prudential Guidelines on Corporate Governance, (the Prudential Guidelines)

King IV Report on Corporate Governance, The UK Corporate Governance Code, 2018 and the G20/OECD Principles on Corporate Governance among other best practices

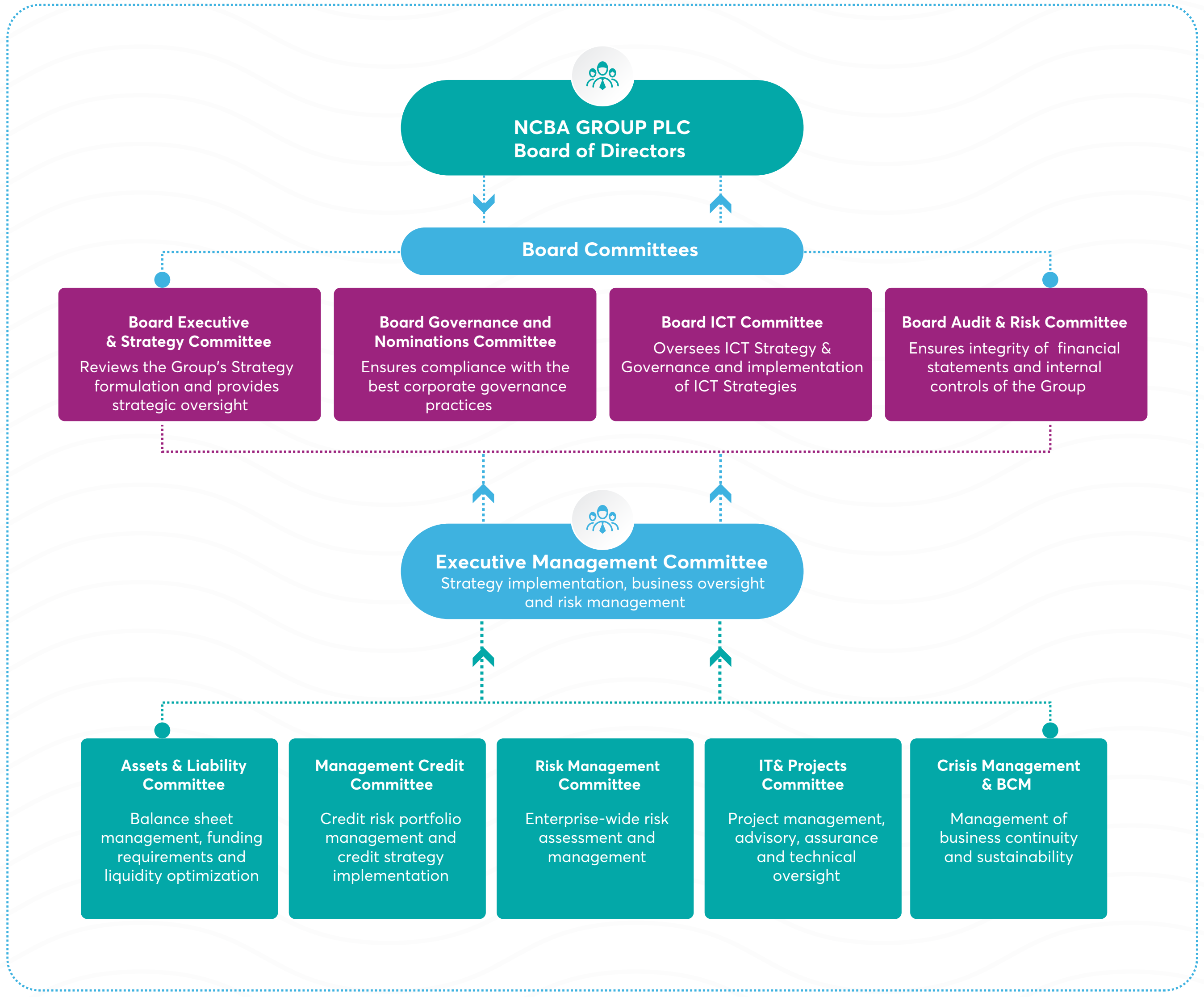
Moreover, the Group employs the following methods to firmly establish good corporate governance practices:

Approach	Detail
Compliance	Compliance with the Constitution of Kenya and the regionalcountries in which it operates applicable laws and regulations, relevant national and international standards, and internal policies.
Structure and Accountability	Regular assessment of the composition, independence, competencies, diversity, and synergy of the Board and Management, as well as their effectiveness, collaboration, and appropriate delineation of responsibilities and delegation of authority.
Disclosures	Providing stakeholders with timely, transparent, and pertinent communication to ensure a comprehensive grasp of our business operations.
Audit and Controls	Securing independence by applying globally recognized auditing and accounting standards, facilitation thorough internal and external audits, periodically rotating external auditors, ensuring the Board Audit Committee's appropriate composition, and upholding stringent internal control practices.
Outlook	Aligning roles, deliverables, and remuneration with the shareholders' long-term interests.
Sustainability	Maximizing shareholder returns by conducting regular and forward-thinking strategy reviews and implementing the most suitable and sustainable plans to enhance the long-term prosperity of the Group's businesses.
Culture	Maintaining utmost integrity in the Group's culture and operations through the enforcement of a clearly defined Code of Conduct and Ethics.

Governance Structure



Governance Structure



What Does Our Board Do?

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

Establishing the Group's core values and strategy.	Supervising the execution of strategic objectives by Management.
Providing leadership and guidance while assuming accountability for the governance and financial performance of the Group.	Instituting succession plans for key governance structures to ensure long-term stability and continuity.

The Board's principal role is to ensure the Group's long-term success and sustainability. This role is accomplished through:

- Establishing the Group's core values and strategy.
- Creating a robust risk management and internal control framework to assess and manage risks effectively, encompassing the execution of the risk strategy, corporate governance structures and practices, and corporate values.
- Supervising the execution of strategic objectives by Management.
- Providing leadership and guidance while assuming accountability for the governance and financial performance of the Group.
- Instituting succession plans for key governance structures to ensure long-term stability and continuity.
- Providing financial oversight for sustainable business operations and value addition to the Group's stakeholders.

Independent Directors have the added responsibility of safeguarding the interests of minority Shareholders and other Stakeholders by exercising unbiased judgment and impartiality in fulfilling their duties. The Board maintains a minimum of one-third Independent Non-Executive Directors and two-thirds Non-Executive Directors, demonstrating a high degree of Board independence that facilitates adequate representation and protection of minority shareholders› rights.

The Executive Director supports the Group Managing Director in overseeing the Group's operations, while Non-Executive Directors fulfill an oversight role, providing guidance, constructive challenge, and monitoring management›s adherence to the approved strategy within the Board sanctioned risk management framework.

To facilitate productive discussions and expedite prudent decision-making, the Board›s size is determined by:

- the Company's Articles of Association;
- the nature of the businesses overseen;
- the current scale and geographic footprint of the NCBA Group;
- related inherent risks that the Group is exposed to;
- regulatory requirements and nature of the business sector;
- the variety of the Group's stakeholders; and
- the Group's strategic priorities.

The Group Board in the year 2023 comprised eleven (11) Directors - the Chairman (Non-Executive), Group Managing Director (Executive), one (1) other Executive Director and eight (8) other Non-Executive Directors, four (4) 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

- Establishing and periodically reviewing the Group's strategy, mission, vision, purpose, core values, business goals, and objectives
- Remaining cognizant of and adhering to the fundamental principles of good governance
- Monitoring Management's implementation of Board approved plans and strategies;
- Evaluating the strategic orientation and business strategies of the Group
- Supervising the execution of Board approved plans and strategies by Management
- Endorsing distinct financial and non-financial goals and Management protocols
- Establishing a robust system to ensure Director independence
- Scrutinizing mechanisms for recognizing and addressing business risks and ensuring compliance with regulatory and legal obligations
- Identifying, monitoring, and providing guidance on non-financial aspects pertinent to the business
- Assessing succession plans for both the Board and Management team
- Upholding ethical conduct and ensuring compliance with the Constitution of Kenya, applicable laws, regulations, and policies
- Supervising performance against predetermined targets and goals
- Determining materiality levels, assigning specific powers to the Board, and delegating authority on other matters
- Guaranteeing the sustainable operation of Group entities, encompassing environmental, social, and governance dimensions

Board Committees:

Having considered the Group's nature of business and scale of operations, the Board formed Committees to aid in fulfilling its duties and to guide Management on strategic decisions. The Committees, whose members are selected based on their skills and experience, operate under mandates entrenched in the Board Charter and established Committee terms of reference that are periodically reviewed to align with the Group's operating environment. The Committees serve as a critical link between the Directors and Senior Management, and the Board is regularly updated on Board Committee activities through their respective Chairmen who present reports on meeting discussions and resolutions.

The Composition and key activities of the Board Committees are outlined on pages 117 to 120 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 to ascertain level of continued independence.
- Reviewed periodically by the independent Governance Auditor against regulatory requirements and governance best practices.
- Drawn from diverse backgrounds, infusing distinctive insights into Board discussions.
- Have not more than nine years of service on the Board in that capacity.
- Do not have any material relationships with the Group or its associates that would result in conflict of interest.
- Champion the interests of minority shareholders and other Group stakeholders.

Board Structure

- Independent of Management.
- One-third of the Board retires by rotation annually with the option of re-election 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 level of independence in execution of duty and Directors' performance in their roles.
- Is reflective of the nature, scale and complexity of the Group's businesses and diverse stakeholder expectations and needs.
- Comprises a broad range of skills, experiences and backgrounds that enrich Board discourse and decision-making.
- Considers the alignment of individual and Group core values for the entrenchment of a culture that is supportive of the Group's vision.

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 Group's Shareholders.
- Has a formal and transparent procedure for the appointment of Directors to the Board.
- Approves the appointment of prospective candidates to serve as Directors on the Board and subjects them to election by Shareholders during the next AGM.
- Annually, through the Board Governance and Nominations Committee, reviews the required skills and characteristics required of Board members for the achievement of the Group's vision and objectives.
- Considers factors including but not limited to succession planning, stakeholders' needs, diversity of skill, experience and background, and independence and value addition to the Group's sustainability.

Key highlights of the Directors' tenure appear on pages 16 to 17 of this 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 Chairman of the Board and the Group Managing Director maintain distinct and separate roles and responsibilities, as outlined in the Board charter. A capable Group Company Secretary, who is a member in good standing of the Institute of Certified Secretaries (ICS), supports the Board to efficiently fulfil its duties in alignment with the relevant laws and regulations governing the Group. Key facets of their responsibilities include:

Group Chairman

- Providing leadership to ensure the Board functions smoothly while upholding collective responsibility for decisions.
- Fostering cooperation between the Board and management in crafting strategic goals.
- Facilitating thoughtful discussions and effective decision-making to fulfill the Boardœs obligations.
- Cultivating a positive atmosphere and culture within the Board.
- Collaborating with Committee chairs to coordinate meeting schedules.
- Maintaining transparent communication with shareholders and ensuring the Board considers and balances stakeholder perspectives.
- Overseeing the onboarding process for new Directors and addressing ongoing professional development needs.
- Ensuring the Board undergoes an annual evaluation process.
- Serving as the Groupœs representative to stakeholders.

Group Managing Director

- Managing the Group's daily operations efficiently and effectively.
- Crafting and proposing a long-term strategy, vision, business plans, and budgets that align with the Group's overarching goals and enhance shareholder value.
- Ensuring the Group maintains a competitive position in the market.
- Establishing robust plans for management development and succession.
- Creating and overseeing the implementation of corporate policies.
- Consistently striving to meet the Group's financial and operational targets.
- Cultivating an ethical work environment that attracts, retains, and motivates top-tier employees.
- Providing regular updates to the Board and stakeholders on the Group's performance and sustainability efforts.
- Facilitating robust risk management practices to improve operational efficiency, performance, and reputation.
- Cultivating strong relationships with the Group's stakeholders.

Group Company Secretary

- Advising the Board on its duties, responsibilities, and governance matters and administering the execution and coordination of actions thereof to entrench good corporate governance practices.
- Supporting the Board in adhering to policies and procedures, providing procedural guidance during meetings.
- Offering guidance and advice on procedural matters during Board and annual general meetings.
- Assisting the Chairman to prepare the annual Board work plan.
- Ensuring timely preparation and distribution of Board and Committee minutes and relevant documents.
- Assisting the Chairman with the annual Board evaluation process, new Director induction and Directors' continuous professional development.
- Coordinating the governance and legal and compliance audits.
- Maintaining custody of the Group companies' seals, accounting to the Board for their use and maintaining registers thereof.
- Maintaining and updating the register of conflict of interest.
- Fostering positive relationships with Shareholders.
- Assisting the Board on corporate transactions and statutory documentation.
- During the course of the year, the Group Company Secretary also bore additional administrative oversight over the Governance and Legal Departments.

The Board's Mix of Skills and Competencies

The Board believes that its composition effectively encompasses a diverse array of industry expertise, skills, backgrounds, professional qualifications, and experience. This reflects the Board's dedication to upholding high levels of independence in fulfilling its responsibilities and ensuring appropriate representation of minority shareholders

Skill and Experience	Relevance to the Group	Representation
Governance	Promoting an atmosphere conducive to cohesion, sound decision-making, accountability, control, and fostering a positive organisational culture.	8/11
Strategy and Planning	Formulating and guiding the execution of the Group's strategy.	11/11
Financial Services	Comprehending the dynamics of the industry and devising appropriate strategies for long-term sustainability.	11/11
Legal	Facilitating the appropriate interpretation of laws and regulations, and offering advisory services to the Board to ensure compliance.	1/11
Risk Management	Developing and overseeing a risk management framework tailored to safeguard the Group's interests and long-term objectives.	10/11
Public Sector Experience	Comprehension of government policy-making procedures to strategically align the Group with the national growth agenda.	6/11
Information Technology	Crafting an appropriate Group ICT strategy in a digital-centric environment characterised by pervasive automation in service delivery and intensive data usage.	2/11
Commerce	Comprehending various business models and intricacies of financial and other disclosures.	9/11
International Business	Recognising the diversity in business practices and leveraging cross-border synergies to improve service delivery and performance.	11/11
Real Estate	Grasping the dynamics of the real estate market and identifying available opportunities.	5/11
Manufacturing	Assessing business opportunities, particularly in alignment with national industrialisation policies, to enhance support for our customers.	8/11
Supply chain logistics	Comprehending the value chain and identifying ways the Group can enhance its efficiency through business support.	5/11
Environment and Sustainability	Crafting the Group's long-term environmental and sustainability agenda to benefit stakeholders, including ensuring consistent shareholder returns.	9/11
Insurance	Understanding the risk landscape and facilitating the creation of pragmatic solutions to safeguard our stakeholders' investments, while also bridging the gap between underwriters and end consumers to enhance predictability and stability.	7/11
Accounting	Facilitating strong capital management and assuring transparency and accountability in financial reporting.	6/11

*The numerical fractions constitute the representation of the Board members possessing the above skills & experience.

Directors, in executing their duty as outlined within the Board Charter, may opt to engage independent subject matter experts or staff from Group companies to assist them in executing their duties effectively when specialised expertise or insights are needed.

Board Instruments

As the highest authority responsible for shaping the Group›s strategy, it is crucial for the Board to operate effectively and efficiently in fulfilling its mandate. To achieve this, the Board has adopted various tools to aid in the conduct of its affairs. These tools provide clear guidance to directors on how to fulfill their responsibilities in a precise and measurable manner. They encompass a range of resources for use during duty execution and performance measurement, including but not limited to the items detailed below:

Board Charter

Provides guidance to the Board in fulfilling its obligations in supervising the company›s operations, addressing areas relating to:

- Governance framework.
- Authority, Role, Obligations, and Protocols.
- Ethical standards and Conduct.
- Risk oversight, Conflict of Interest handling, and Independence.
- Board procedures.
- Stakeholder relations.
- Board efficiency and Performance.

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

Group Code of Conduct and Ethics

The Group Code of Conduct and Ethics, which has been published on the Group's website, articulates the core values guiding behavior, encompassing ethical considerations, diligence, integrity in reporting, compliance with policies and procedures, and engagement with internal and external audit concerns. It offers guidance to the Board, management, and staff concerning acceptable conduct and ethical benchmarks.

During the course of the year, various reports were submitted to the Board Audit Committee regarding adherence to the provisions of the Code.

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 2023, there were no new Directors appointed to the Board.

In 2023, the Directors were kept up to date with key developments through both online and in person training sessions facilitated by external experts. Highlights of the Board training include:

Climate Change Risk Management

- Insights on Sustainability and the UN Sustainable Development Goals;
- Impact of climate change in Africa, with specific highlights on the Kenyan perspective;
- Climate change as a source of financial risk and opportunities;Climate-related financial risk drivers;
- Actions on climate-related financial risks in the Kenyan banking sector;
- The Boards role on implementation of climate-related financial risk management; and
- Highlights of the Nairobi Securities Exchange ESG Disclosures for listed entities.

The Bank and Board of the Future: Leadership & Governance

- The evolving nature of banking in East Africa;
- The contribution and culture of Boards in defining the future of business;
- Threats and opportunities shaping the future of banking in Africa;
- The digital age and the role of the Board in guiding and embracing change;
- A fit for purpose Board culture that defines the bank's culture into the future.

Leading in Rainy Days

- Adaptability in challenging times and maintaining focus on the long-term goals;
- Leadership resilience in the face of adversity and maintaining team spirit;
- Innovation and creativity in driving growth during moments of disruption;
- Strategic thinking in steering the organisation through periods of uncertainty;
- Focusing on the Group's vision to instill purpose and direction through difficult times.

Strategy

- Deepening of insights on industry trends, market dynamics and sectoral developments;
- Strategic thought immersion on formulation of objectives and decision-making;
- Business transformation and growth framework aligned to market and feasibility analysis;
- Change management strategies in an evolving policy and business environment;

- Technology as a strategic tool for scaling business solutions; and
- Business innovations leveraging emerging technologies to propel and sustain growth.

The continuous development programmes included a dedicated three-day onsite strategy session for the Board, with participation by members of management. Directors also undertook their own self development programs as part of membership within professional bodies where applicable and of their own volition in areas of personal interest and growth.
In total the professional development programmes undertaken by the board exceeded the 12 hours of governance learning mandated by regulation.

Board Policies

The Board has instituted a Corporate Governance Framework, consisting of several policy and procedural documents aimed at providing guidance to Directors and Management in fulfilling their roles and responsibilities and ensuring the efficient operation of the Group›s enterprises. Presented below are summaries of key policies along with their objectives.

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 130 to 135 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 by any Director in discussions or decisions in which they have a potential or perceived conflict of interest; • disclosure of material factors that could present 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: • partnering with customers' to assess their financed activities In view of the Group's commitment to sustainable business practices; • entrenching a sustainable ecosystem spanning people, planet and sustainable return to the Group's stakeholders; • designing an environmentally friendly operating structure that promotes sustainability; • Green / Responsible Procurement and use of sustainable products; and • Labour-Related and Community Social Responsibility.

Policy	Key Provisions
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. The procurement practices further provide for support to women and youth empowerment by targeting at least 30% of general services procurement spend to support their growth.
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 2023, there were no determined instances of insider trading by the Directors, Management and Staff of the Group.
Whistleblowing Policy	The Group's Whistleblowing 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.
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, risk management and control and ICT Security and Cyber Security Monitoring; • Disaster recovery and Business Continuity; • ICT governance, compliance and monitoring, and continuous improvement supportive of strategy; • 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. The Group's Related Party (RP) Transactions Policy further outlines: • identification of related parties; • classification of RP transactions; • rules and procedures relating to handling of RP transactions; • review and approval of RP transactions; and • Board and management responsibilities in relation to RP transactions. In 2023, 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 221 to 223 note 43 of this report.

Board Meetings and Activities

The Board and its 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/or updated policy documents for consideration and approval;
- evaluates progress towards achieving the strategic objectives established during the strategy cycle;
- considers opportunities available to the organisation that are ideal for progression towards the achievement of the Group's vision; and
- undertaKes its role in fulfilling its governance responsibilities, fiduciary duties and oversight of the Group's activities under a framework of transparency, accountability, integrity and ethical conduct.

Highlights of the Board's key activities in 2023

During the course of the year 2023, the Board focused on the following key objectives:

Objective	Key Considerations
Strategy Development and Capital Planning	• Monitoring the execution of the 2020 – 2024 strategy including business plans and budgets and advising on, reviewing and approving any changes to the plan. • Reviewing market updates and recommending actions for implementation against the Group's strategic plans. • Considering updates and advising on the Group's digital strategy. • Reviewing, advising on and approving significant matters with a bearing on the Group's capital structure and position. • Considering and recommending for Shareholder approval the Group's dividend payment proposal. • Considering and prioritising investment opportunities and determining optimal resource allocation. • Reviewing and approving the Annual Report. • Group Business sustainability review. • Reviewing and approving the Group's Annual Budget. • Considering matters affecting Human Capital and People Management including performance management and reward frameworks.
Business Performance	• Monitoring and reviewing updates of the Company's and its subsidiaries' financial performance against the set business budgets and strategies and providing guidance on improvements. • Reviewing the Company's and subsidiaries' Operating Plan assumptions against the actual achievement of objectives for adjustment of budgets and resources towards achieving the performance targets. • Assessing financial forecasts against actual performance and reviewing business models and assumptions as a result. • Evaluating operational metrics to enhance effectiveness, efficiency and alignment with the strategic objectives. • Undertaking performance benchmarking against industry peers and other select organisations in view of the Group's aspirational goals. • Considering and approving the Group's financial reports (including the Directors' Remuneration Report) and the accounting policies in use and issuing a Directors' Report thereof. • Establishing annual objectives for the measurement of the specific performance of the subsidiaries and consolidated performance of the Group.

Objective	Key Considerations
Internal Controls and Compliance	• Establishing, reviewing, recommending and approving the Group's policies and systems for quality and internal controls assurance. • Assessing the implementation of the recommendations made by the auditors for the improvement of Group's operational controls. • Considering and recommending measures for Group's risk control as advised by the internal audit and risk management and compliance functions. • Overseeing the external audit relationship, assessing the quality of their services and monitoring implementation of corrective actions agreed with them. • Overseeing the functionality, confidentiality and effectiveness of the whistle-blowing programme. • Guiding on and championing sensitisation and awareness programme on internal control and compliance. • Reviewing the Group's level of compliance to laws, regulations and internal policies. • Considering the Group's Business Continuity Planning and Management Programmes to ensure up to date and viable plans are in place.
Governance and Ethics	• Monitoring the Group's compliance with good governance principles and practices and implementing measures for adherence thereof. • Reviewing the Group's ethical policies, monitoring and reinforcing the ethical policies by internal stakeholders and avoiding conflicts of interest. • Reviewing, recommending and approving changes to the Group's governance, risk and compliance policies and governance structures, including those on people and talent management, succession planning and diversity. • Reviewing reports from the Group's Board Committees on their activities and key matters for consideration and full Board approval. • Undertaking an evaluation of the Group's Board, its Committees', Group Managing Director's, Executive Director's and the Group Company Secretary's effectiveness. • Monitoring the implementation of the previous year's Board evaluation recommendations. • Evaluating its own composition and structure, independence, expertise, qualifications and output against the long-term strategic objectives. • Attendance of at least 75% of the Board meetings (the minimum regulatory meeting attendance threshold). • Reviewing the Group's Governance Report and determining actions necessary for the fulfilment of the requirements. • Developing plans for the Group's Board training and strategy sessions to enhance business management and performance, including undertaking continuous professional development and targeted training on governance, business management and technical areas.
Customer Satisfaction	• Reviewing updates of, and guiding the Group's Management on, measures to enhance the customer centricity satisfaction strategies. • Analysing customer experience and satisfaction feedback reports for identification of areas of improvement and differentiation; and for enhancement of risk management. • Assessing customer feedback to identify areas of improvement, including on risk mitigation strategies. • Establishment of strategic performance indicators to establish process improvement initiatives for enhancement of customer experience. • Reviewing market trends and benchmarking against global leaders in customer experience to identify strategic opportunities for improvement of customer satisfaction. • Continuous alignment of customer experience initiatives to the Group's vision and goals to foster long-term growth and sustainability. • Monitoring and recommending measures for the improvement of Group's policies and practices for the protection of customer data and fair business practices. • Embedding a culture of customer-centricity within the Group's operations and in decision-making.
Stakeholder Engagement	• Identifying and considering the Group's stakeholders' needs in Board decisions. • Establishing mechanisms for engagement with stakeholders on key matters affecting them. • Proactively communicating with the key stakeholders to ensure that appropriate and timely disclosures are made for their consideration. • Establishing appropriate structures to enhance stakeholder representation within the Group's governance structure. • Developing appropriate policies to support effective engagement with stakeholders. • Reviewing stakeholder feedback to inform strategic initiatives and address concerns that may arise in their relationship with the Group. • Aligning the Group's strategic goals with the aspirations of its stakeholders to ensure value addition and sustainability.

2023 Board Meetings Attendance

Director	Designation		Board	BESC	BARC	BGNC	BICTC	Strategy Retreat
J. P. M Ndegwa	Chairman, Board	Membership	√					
		Attendance	5/5	3/3		1/1		1/1
D. Oyatsi	Deputy Chairman & Chairman BGNC	Membership	√			√		
		Attendance	5/5	1/1		4/4		1/1
J. Gachora	Group Managing Director (ED)	Membership	√	√			√	
		Attendance	5/5	10/10	5/5	4/4	4/4	1/1
I. O. Awuondo	NED & Chairman, BESC	Membership	√	√			√	
		Attendance	5/5	10/10			4/4	1/1
E. N. Ngaine	INED	Membership	√			√		
		Attendance	5/5			4/4		1/1
M. K. R. Shah	INED & Chairman, BARC	Membership	√		√			
		Attendance	5/5		5/5			1/1
J. S. Armitage	NED	Membership	√	√				
		Attendance	3/5	8/10				0/1
A. S. M. Ndegwa	NED	Membership	√	√				
		Attendance	5/5	9/10				1/1
Hon A. H. Abdi	INED	Membership	√		√			
		Attendance	4/5		5/5			1/1
D. Abwoga	ED	Membership	√					
		Attendance	5/5	10/10	5/5	4/4	3/3	1/1
P. R. Lopokoiyit	INED	Membership	√		√	√		
		Attendance	4/5		4/5	4/4		0/1
J. Somen *	Co-opted member & Chairman, BICTC	Membership					√	
		Attendance	4/4				4/4	1/1
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.

Board meetings include a Board evaluation session

Strategy retreat continous proffessional sessions

Board Committees

In 2023, 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

I.O. Awuondo - Chairman (Non-Executive)

Composition
- J.S. Armitage – Non-Executive
- A. S. M. Ndegwa – Non-Executive
- J. Gachora - Executive

Board Executive & Strategy Comittee

Key purpose and responsibilities

- Formulating strategy and overseeing general operations.
- Approving significant capital projects, periodic strategic plans, and significant policy guidelines.
- Exercising entrepreneurial leadership within a framework of prudent and effective controls.
- Monitoring Group performance against strategic plans and objectives.
- Reviewing and overseeing the Group's capital position, approving investment proposals, and allocating capital and other resources as necessary.

Highlights of key activities in 2023

The Committee received, reviewed, monitored, considered, approved, provided guidance to management, and made recommendations to the Board regarding:

- Tracking and reviewing business performance against established targets;
- Evaluating and recommending proposals for dividend payments.
- Considering senior management appointments and contract terminations.
- Planning capital allocation, authorizing significant expenditure, and conducting budget reviews in alignment with strategic objectives.
- Reviewing the strategies and capital needs of subsidiary companies.
- Reviewing human resources policies and conducting succession planning to ensure business continuity.

J. Somen - Chairman (Independent)

Composition
- I. O. Awuondo – Non-Executive
- J. Gachora - Executive

Board ICT Committee

Key purpose and responsibilities

- Establishing a suitable governance and risk management framework for ICT that aligns with business requirements.
- Ensuring alignment between the ICT strategy and the Group's overall strategy and key policies.
- Reviewing and overseeing the implementation of corrective measures resulting from regular internal and external audits of ICT systems and practices.
- Defining tolerance thresholds and monitoring adherence to established ethical and integrity standards for ICT to promote a culture emphasizing prudent ICT risk management.

Highlights of key activities in 2023

The Committee received, reviewed, monitored, considered, approved, provided guidance to management, and made recommendations to the Board regarding:

- Assessment of the ICT policy framework.
- Allocation and expenditure review for the ICT budget.
- Evaluation of ICT performance, including system reliability and service provider dependability.
- Supervision of IT and cybersecurity risk controls to safeguard data security.
- Oversight of ICT internal control policies and processes to promote ethical practices.
- Examination of internal and external audit concerns for appropriate remediation.
- Review of systems to ascertain suitability.
- Consideration of customer feedback for system improvements.

Mukesh K. R. Shah - Chairman (Independent)

Composition
- Hon. A. H. H. Abdi - Independent
- P. R. Lopokoiyit - Independent

Board Audit and Risk Committee

Key purpose and responsibilities

- Examination of accounting policies, financial reporting, and adherence to regulatory compliance standards.
- Assessment of the efficiency of internal control mechanisms.
- Oversight of the selection, supervision, and performance evaluation of external and internal auditors.
- Approval of the scope and plans for external and internal audit activities, as well as the budget for internal audit reviews.
- Monitoring the implementation of corrective measures for internal controls identified through audit reviews or regulatory inspections.
- Establishment and monitoring of adherence to risk parameters and tolerance limits through the development of appropriate strategies, policies, and programmes.
- To preserve independence, objectivity, and professionalism, external audit firms are rotated every six to nine years, and audit partners are rotated no more than five years after assuming the assignment. Shareholders appoint the audit firm, subject to approval by the Central Bank of Kenya.

Highlights of key activities in 2023

The Committee received, reviewed, monitored, considered, approved, provided guidance to management, and made recommendations to the Board regarding:

- Assessing group performance and endorsing audited and unaudited financial statements.
- Evaluating the coordination between the group's internal audit function and the external auditor.
- Overseeing management of risk-based plans, ensuring capacity, and maintaining quality assurance programmes.
- Supervising implementation of recommendations from audits.
- Ensuring adequacy of the internal control structure, including ICT systems, and reviewing whistleblowing reports and ensuing actions.
- Evaluating the sufficiency of provisions related to the loan portfolio.
- Reviewing policy adjustments in accordance with national and relevant international laws, regulations, and policy guidelines.
- Supervising the Corporate Risk Register concerning significant risks impacting the Group.

Tax Sub-Committee

To further enhance the Group's internal control and compliance practices in relation to tax matters, the Board established a Tax Sub-Committee under the Board Audit and Risk Committee. The key activities undertaken during the course of the year by the sub-committee included:

- Provision of tax compliance oversight via review of Group tax policies against tax law requirements, and assessment of control measures in place to ensure timely administration of taxation matters.
- Recommendation of appropriate tax policies to ensure compliance with legal and regulatory tax requirements.
- Assessment of tax related risks vis-à-vis achievement of the Group's strategic objectives, including projection of impact of changes to tax policy against the planned targets and budgets.
- Provision of guidance on tax planning and related strategies to ensure entrenchment of efficient tax structures and optimal decision-making considering related tax implications.
- Monitoring corrective actions identified from tax reviews to maintain compliance with the laws while identifying opportunities for enhanced business practices.

Desterio A. Oyatsi - Chairman (Independent)

Composition
- E. N. Ngaine – Non-Executive
- P. R. Lopokoiyit - Independent

Financial | Intellectual | Manufactured | Social & Relationship

Board Governance and Nominations Committee

Key purpose and responsibilities

- Supervising the adherence of the Board and Management to sound corporate governance principles outlined in the Group's constitutive documents, policies, and relevant regulatory mandates.
- Assessing the Board's composition to ensure the availability of necessary skills, expertise, and experience essential for the growth, sustainability, and adherence to the principles of good Corporate Governance, including the status of independent non-executive directors.
- Monitoring the Board's annual performance evaluation and assessing any potential conflicts of interest arising from Directors' additional interests or duties.
- Ensuring smooth transitions in case of changes to the Board's membership.
- Facilitating shareholder and, where applicable, regulatory approval for Board appointments.
- Facilitating induction programmes for new members and planning for professional development opportunities for the Board.
- Overseeing the assessment of corporate governance practices by auditors and regulators and implementing enhancements as necessary.

Highlights of key activities in 2023

The Committee received, reviewed, monitored, considered, approved, provided guidance to management, and made recommendations to the Board regarding:

- Nominations and assignments of Board members across the Group companies' Boards and reviewing their composition.
- Evaluating governance policies for recommendation to the Board.
- Facilitating development of a Continuous Professional Development plan, including targeted training for emerging concerns.
- Supervising the implementation of recommendations arising from the Board Evaluation.
- Monitoring compliance status with regulatory requirements and recommendations from Legal and Compliance Audits.
- Overseeing the implementation of recommended improvements to the Group's corporate governance practices and the application of such principles based on findings and recommendations from Governance Audits conducted for the Group and its regional subsidiaries.
- Assessing the independence of Directors and the status of independent non-executive directors.
- Reviewing and approving Board Work Plans and Corporate Governance policies.
- Assessing the policy parameters on Board remuneration, and reviewing the Directors' Remuneration Report for Board and shareholder approval, and publication in the Annual Report.

Management Committees

An integral factor contributing to the sustained success of the Group is the caliber of its Management team. The team is comprised of individuals with a rich blend of leadership capabilities and diverse experience garnered from both domestic and global entities. To leverage this wealth of expertise, the Group Managing Director has instituted Management Committees composed of department heads along with other members of senior managers on need basis. In 2023, the Management Committees supporting the Group's operations comprised:

Executive Management Committee

Key purpose and responsibilities
- Formulating and executing strategies to position business segments strategically in the market.
- Supervising business and operational endeavors.
- Crafting policies and procedures to establish effective internal controls.
- Tracking financial performance against approved strategies and budgets
- Assessing strategic and operational plans to achieve overarching goals.
- Ensuring compliance with regulatory frameworks, guidelines, and adherence to Group policies and procedures.

Assets and Liability Committee

Key purpose and responsibilities
- Assuring the ability to fulfill funding obligations promptly by devising and executing a liquidity and funding strategy and policy.
- Assessing and managing operational risks associated with interest rates, market fluctuations, and exchange rate changes.
- Evaluating the balance sheet and liability structure and recommending adjustments as necessary.
- Ensuring adherence to statutory requirements regarding liquidity, cash ratios, and foreign exchange exposures.
- Reviewing the internal capital adequacy management programme and investment policy for operational stability.

Management Credit Committee

Key purpose and responsibilities
- Assessing and approving new credit applications and renewals within Board-delegated limits.
- Making recommendations to the Board regarding revisions to credit limits.
- Ensuring adherence to regulatory guidelines and limits.
- Monitoring, reviewing, and addressing issues that could significantly affect the quality of credit risk management.
- Recommending to the Board facilities for approval within the designated limits requiring Board approval.

Risk Management Committee

Key purpose and responsibilities
- Evaluating significant risk factors affecting business operations.
- Identifying the origins and potential ramifications of business risks.
- Assessing the effectiveness of existing policies and controls for risk management and compliance with regulatory standards.
- Supervising business continuity and disaster recovery strategies.
- Formulating plans to mitigate risks and implement corrective actions to address key business vulnerabilities.

Information Technology and Projects Committee

Key purpose and responsibilities
- Evaluating significant ICT projects to ensure compliance with the minimum implementation standards outlined in the ICT strategic plan.
- Overseeing overall ICT performance and devising strategies to improve efficiency.
- Creating initiatives aligned with the Board-approved ICT strategy.
- Conducting risk assessments to ensure that the Group's ICT policies and systems align with long-term business objectives and enhance stakeholder value.

Crisis Management and Business Continuity Committee

Key purpose and responsibilities
- Monitoring and overseeing Business Continuity management and Disaster Recovery planning, and implementing corrective measures for identified deficiencies.
- Facilitating employee training and promoting awareness of business continuity plans.
- Planning resources (human and financial) to sustain business continuity efforts.
- Supervising risks stemming from moderate or significant disruptions by establishing suitable frameworks to enhance resilience.

Board Evaluation

The Board undertook its annual evaluation through peer analysis on the back of a prior comprehensive independently supported evaluation process. The process sought to identify strengths, weaknesses and development needs, with emphasis on qualitative factors used to guide the evaluation discussion, identify opportunities for enhancement of the Board's governance practices, and generate actionable insights reflective of the Board's commitment to effective governance and decision-making.

At individual level, the Board considered various factors including the quality of contributions to discussions, judgment on critical issues, application of individual skills and expertise, relationships with peers and management, impartiality, appreciation of industry attributes, embodiment of company values and courage and independence in decision-making.

From the evaluation, it was observed that:

1. There is a clear understanding of the Board's and Board Committees' mandate and responsibilities.
2. The length of Committee meetings allows for proper assessment of agenda items.
3. There is sufficient technical expertise within the Board and its Committees.
4. The scheduling of Board and Committee meetings allows members adequate time to prepare for meetings.
5. Board meetings provide for meaningful participation and engagement with management, and in-depth discussion of issues.

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

Recommendation

- Review Board and Board Committee Terms of Reference and Agenda to reduce overlaps in duties and responsibilities.
- Enhance strategic alignment on key matters across the Group's Boards and their Committees.
- Assess Organisational Health to establish financial and non-financial development and growth opportunities.
- Analyse prior and current year evaluation accomplishments and goals to identify trends, successes and areas for improvement.
- Enhance Board synergy through additional informal engagements.
- Enhance prompt delivery of Board papers, especially for weighty agenda.
- Enhance information flow between the Board and management on emerging issues.
- Enhance Board performance evaluation processes for continuous tracking and enrichment of the annual evaluation review.
- Prioritise recruitment of additional directors to enhance the Board's skills set, especially in areas identified for skills enhancement.

Action

- The Board Governance and Nominations Committee will oversee the review and recommend changes to the Board.
- Entrenchment of the One-NCBA culture with systematic monitoring of progress made thereof.
- Development of a review matrix to guide the assessment and discovery process, and resultant strategic action plan.
- Entrenchment of comparative metrics and analytical tools to highlight trends and identify opportunities.
- Embedding additional informal engagements in the Board calendar.
- Anticipation of time requirements and matching key dates to time expectations.
- Review of communication process to enhance efficacy on information exchange.
- Embedding rolling reviews at each stage of engagement for incremental insights, data collection and performance enhancement.
- Align recruitment to succession planning, critical skills requirements and Group strategic plan.

Overall, the Board determined that it was operating effectively in discharging its duties and responsibilities to the Group's stakeholders, and reiterated its commitment to further enhancing the application of good corporate governance practices. In addition, the composition of the Board and its Committees was considered appropriate with the right mix of knowledge, experience, competencies and disposition for its current needs.

Board Workplan

To ensure the Groups adherence to relevant laws, regulations, and standards, as well as to provide assurance to stakeholders, Management arranges comprehensive and independent governance audits and legal and compliance audits at least biennially. The governance audits are conducted by individuals accredited by the Institute of Certified Secretaries of Kenya, while legal and compliance audits are performed by a legal professional in good standing with the Law Society of Kenya at least every alternate year. In the years leading up to these independent audits, Management conducts internal reviews to achieve the same objective and to promptly identify and rectify any deviations from required levels of compliance.

Governance And, Legal and Compliance Audit Updates

The Board periodically initiates Governance and Legal and Compliance audits to verify the Group's alignment with its Corporate Governance principles and assess its adherence to robust governance, legal, and compliance standards.

Independent Governance and Legal and Compliance audits, conducted by external consultants, were concluded for year 2022, respectively, and the auditors' opinions were published in the corresponding annual reports for the years reviewed. For year 2023 the internal audit department has undertaken a review of the Group's practices in this regard. The Group continues to implement the action plans for the recommendations made during the audits.

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

Recommendation	Action Taken
• Conducting a post-merger review of Board Skills to ensure the Board possesses requisite competencies, utilizing findings to strengthen succession planning and guide selection and nomination of new Board members as needed. • Promoting gender diversity in Board composition reviews whenever feasible. • Improving monitoring of Board deliverables by refining the execution of the Board's work plan for enhanced oversight and timely intervention. • Updating the Board Charter to reflect a shift in meeting mechanisms from predominantly physical to a hybrid structure, prompted by the COVID-19 pandemic. • Reviewing and updating the Board training plan to address specific needs identified by Directors during their annual evaluation, and incorporating minimum regulatory training recommendations on governance matters. • Expanding the Group Staff and Related Parties Securities Trading Policy to include Board members' commitment to compliance with policy provisions. • Streamlining various existing policies and practices on related party transactions into a unified policy for improved implementation, tracking, and management. • Creating an Ethics Risk profile to identify both negative and positive ethics risks, supporting existing governance and risk management protocols. • Establishing an enhanced Corporate Social Responsibility/ Citizenship policy with defined goals and metrics for policy implementation measurement. • Broadening the scope of the Environmental and Social Risk Management policy to include additional environmental and social concerns such as waste and energy management.	• The Board conducted a skills review, validating Director placements within Board Committees and informing Board composition reviews and succession planning, including new appointments when vacancies arise. • Gender diversity has been acknowledged as an area of focus and has been slated for action by the Board when vacancies arise. • Board Work Plans underwent review, aligning Board deliverables with strategic objectives, which are then monitored to assess performance by the Board and its Committees. • Amendments to the Board Charter were made to reflect current practices, including adjustments to meeting requirements to primarily virtual while allowing for a hybrid approach, ensuring flexibility in response to environmental changes affecting Board operations. • A training plan was devised by the Board, considering not only regulatory requirements but also Director recommendations based on identified needs to enhance skills and outcomes. • The securities trading policy underwent Board review to enhance application and further integration of policy provisions into Directors' personal trading in listed securities. • The Board instituted a policy on related party transactions, consolidating existing practices for easier reference and application. • An Ethics Risk Profile is in development to integrate existing Group practices covering compliance with human resources policies and the code of conduct and ethics. The framework will integrate these practices under one point of reference for enhanced visibility and management of risks. • A citizenship framework has been established as part of the broader sustainability framework, featuring clear and measurable objectives on environmental, social, and governance aspects linked to sustainability.

Communication With Stakeholders

The Group is dedicated to maintaining transparent communication with its shareholders and other stakeholders, ensuring regular updates on its performance and addressing any issues of interest. This commitment is upheld through quarterly publication of financial performance summaries in leading newspapers, annual release of audited accounts and an annual report to comply with regulatory mandates, and the convening of the Annual General Meeting. The latest financial results can be accessed on the Group's website (https://ncbagroup.com/investorrelations/) providing comprehensive information about the Group's entities..

The integrated annual report furnishes a comprehensive array of information about the Group's endeavors, as conveyed through reports from the Group Chairman and Group Managing Director. These reports cover aspects such as the business environment, progress on strategic initiatives, and factors influencing the Group's performance. Additionally, the report details the measures taken by the Board and Management to advance the Group's vision of fostering prosperity for its stakeholders.

The Group conducts regular investor briefings to provide updates on significant factors impacting its performance, both positively and negatively, against its strategic plan. To cultivate transparent and accountable long-term relationships, the Board has implemented formal strategies to promote sustainability, encompassing environmental, social, and governance activities across its companies. Through the Group Company Secretary, effective communication between the Group and its shareholders and stakeholders is facilitated, ensuring the protection of their rights at all times. This includes granting shareholders the opportunity to propose agenda items for Annual General Meetings, allowing them to query Management, and organizing regular investor briefings on the Group's economic, social, and environmental performance. Questions from shareholders and responses from the Group are posted on the website for easy access.

The Group has enlisted the services of a shares registrar, C&R Group, who, alongside the Group Company Secretary, routinely handle concerns raised by shareholders. Moreover, the Group proactively collaborates and taKes part in endeavors with partner organizations, such as the Kenya Bankers Association and development finance institutions, to exchange ideas and endorse initiatives aimed at promoting sustainable business practices. Periodically, the Group hosts an economic forum that convenes thought leaders to discuss critical economic issues and their implications for business resilience and growth.

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 2023 was 27,647 (2022 – 28,242).

Principal Shareholders
The top 10 shareholders, based on the Group's share register as at 31st December 2023 were as follows:

Name	Number of Shares	%
First Chartered Securities Limited	246,149,354	14.94
Enke Investments Limited	217,497,023	13.20
D&M Management Services LLP	190,129,370	11.54
Brookshire Limited	141,342,031	8.58
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
MTC Trust Corporate Services Limited – A/C NCBA Group ESOP	21,829,633	1.32
Total	**1,213,074,710**	**73.63**

Distribution Schedule

Category	Number of Shareholders	Number of Shares	%
1-500 shares	9,918	1,671,960	0.10
501-5,000 shares	13,166	27,223,936	1.65
5,001-10,000 shares	1,914	13,158,349	0.80
10,001-100,000 shares	2,217	58,332,115	3.54
100,001-1,000,000 shares	365	99,551,469	6.04
1,000,001 and over	67	1,447,581,703	87.86
Total	**27,647**	**1,647,519,532**	**100.00**

Shareholder Profile

Category	Number of Shareholders	Number of Shares	%
Local Individual Investors	25,824	172,086,795	10.45
Local Institutional Investors	1,614	1,469,385,780	89.19
Foreign Individual Investors	199	5,510,071	0.33
Foreign Institutional Investors	10	536,886	0.03
Total	27,647	1,647,519,532	100.00
Notes:	67	1,447,581,703	87.86
Total	**27,647**	**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 2023.

	Name	Number of Shares	%
1.	Andrew S. M. Ndegwa	77,621,471	4.71
2.	James P. M. Ndegwa	76,580,454	4.65
3.	Desterio A. Oyatsi	18,504,883	1.12
4.	John S. Armitage	8,731,852	0.53
5.	John Gachora	2,364,255	0.14
6.	Mukesh K. R. Shah	1,131,625	0.07
7.	Esther N. Ngaine	648,980	0.04
8.	Isaac O. Awuondo	413,766	0.03
9.	David Abwoga	9,108	0.001

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	

Board Executive / Strategy Committee

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

Board Governance And Nominations Committee

D A Oyatsi – Chairman
P R Lopokoiyit
E N Ngaine

Board Audit & Risk Committee

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

Board Information, Communications And Technology (ICT) Committee

J Somen - Chairman1*
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

K Maundu
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, Muthangari
P. O. Box 40092 - 00100
Nairobi, Kenya

Registered Office

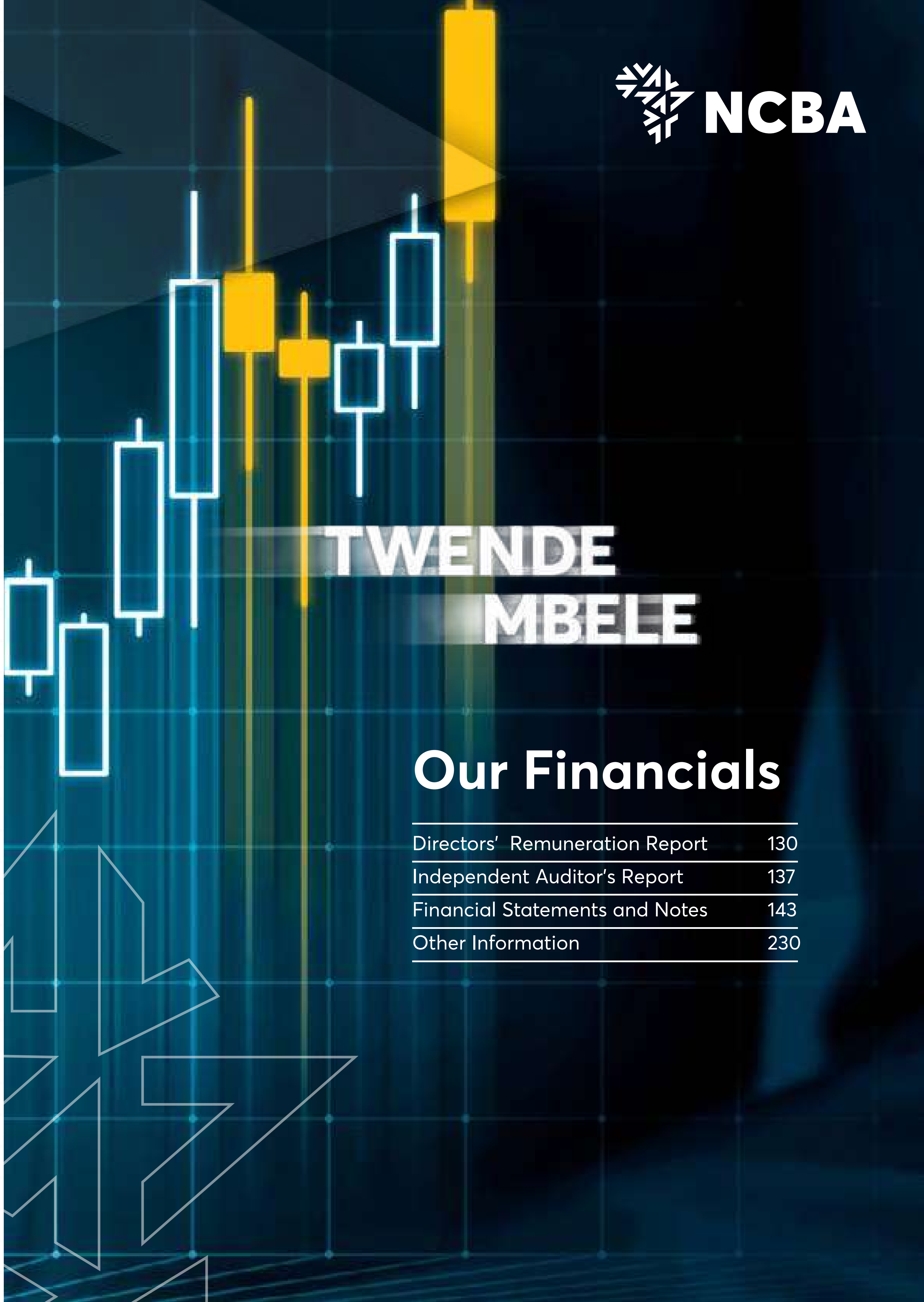
NCBA Centre
Mara & Ragati Road
P. O. Box 44599 – 00100
Nairobi, Kenya

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



Our Financials

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 December 2023.

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 page 126.

PRINCIPAL ACTIVITIES

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

RESULTS

	2023 Shs' 000	2022 Shs' 000
Profit before tax	25,481,906	22,491,526
Income tax expense	(4,025,273)	(8,713,501)
Profit for the Year	**21,456,633**	**13,778,025**

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. The Group provides retail, corporate and digital banking, asset finance, securities brokerage, bancassurance, and investment banking services.

Performance for 2023

During the financial year 2023, the business exhibited ongoing resilience despite facing a challenging landscape marked by inflationary pressures driven by rising energy costs, elevated food prices resulting from disruptions in the supply chain due to the conflict in the Middle East and heightened domestic taxes, elevated Kenya Shilling depreciation against major global currencies and the implementation of tighter monetary policy aimed at curbing escalating inflation also impacted the financial landscape. Nevertheless, leading economic indicators signaled improving business conditions in the private sector toward the end of 2023 – as easing inputs costs supported business output and softer prices increased consumer purchasing power.

Profit before income tax rose by KES 3.0 billion to reach KES 25.5 billion, up from KES 22.5 billion in 2022. This increase was primarily driven by a 2.8% growth in operating income, amounting to KES 1.7 billion, stemming from heightened loan disbursements throughout the year. Additionally, a KES 5 billion reduction in impairment losses contributed to this growth, reflecting our commitment to maintaining high standards in credit onboarding and proactive management of our loan portfolio.

Operating expenses surged by 14.2% (KES 3.6 billion), primarily propelled by escalations in staff costs, information technology expenditures, and premises costs due to the expansion of our branch network. Furthermore, the 27% depreciation of the shilling against the dollar played a significant role in elevating our operating expenses, particularly in information technology expenditure.

REPORT OF THE DIRECTORS (CONTINUED)

On the balance sheet, total assets increased by KES 115 billion, reflecting a year-on-year growth of 18.6%, reaching a closing figure of KES 734.6 billion. Loans and advances to customers expanded by KES 54.2 billion, closing at KES 330.2 billion in 2023. Additionally, customer deposits experienced a year-on-year growth of KES 76.7 billion, reaching KES 579.4 billion by December 2023. The surplus liquidity was directed towards Government securities, which saw a year-on-year growth of KES 6.4 billion.

Proposed Dividend

The Board has resolved to recommend to the Shareholders for their approval at the forthcoming Annual General Meeting, scheduled for 29 May 2024, the payment of a final dividend for the year of Shs 3.00 per share, which together with the interim dividend of Shs 1.75 per share paid on 28 September 2023, brings the total dividend for the year 2023 to Shs 4.75 per share (2022: total dividend of Shs 4.25 per share). The dividend will be payable to Shareholders registered on the Company's register at close of business on 30 April 2024 (closing date for determination of entitlement to dividend) and will be paid on or after 29 May 2024.

Outlook for 2024

Kenya's economy is expected to continue to expand toward its long-term growth rate. With real GDP growth in 2023 estimated at 5.6% and projected at 5.7% in 2024, it seems that overall sectoral performance could mirror the 2023 numbers, with the exception of agriculture which could print lower- at about 5% compared to 6.6% last year- following favourable weather in 2023.

More recent macro data- the Global S&P PMI for February illustrates this. Notably, the headline PMI touched 51.3 from 49.8 in the prior month at the back of a higher level of quantity purchased- at 51.4 in February, relative to 48.4 in January.

Similarly, this fairly optimistic outlook for Kenya's economy is further affirmed by the February 2024 MPC surveys which recorded an increase in the respondents' business prospects across all sectors, with the exception of manufacturing. Of concern into the near-term, is the idle or spare capacity in most of the manufacturing sub-sectors as well as the construction sector.

The Board however, 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

John Gachora
Group Managing Director
27 March 2024

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

This report describes the Group's remuneration policy and the remuneration paid to Directors in 2023. 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 2023.

The Directors undertook a review of Non-Executive Director (NED) remuneration during the course of the year in line with the provisions of the Board Remuneration Policy resulting in increased fees and allowances being proposed and subsequently adopted. The total fees and allowances paid to NEDs during the course of the year inclusive of increased fees and allowances have been disclosed as part of the consolidated remuneration outlined in this report. There were no changes proposed to the structure of the Directors' remuneration in the year ended 31 December 2023.

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 Independent
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	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 2023.
- I O Awuondo is the current Non-Executive Chairman of NCBA Bank Kenya PLC and Executive Chairman of LOOP DFS Limited, a wholly owned financial technology subsidiary of NCBA Group PLC.

Background:

The members of the Board Governance and Nominations Committee for the period 1 January 2023 to 31 December 2023 were:

D A Oyatsi – Chairman

E N Ngaine

P R Lopokoiyit

DIRECTORS' REMUNERATION REPORT (CONTINUED)

INFORMATION NOT SUBJECT TO AUDIT (CONTINUED)

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 the business performance reports.

The remuneration of the Executive Directors consists of:

- Salary
- Performance-based remuneration
- Deferred remuneration contingent on performance-based remuneration, where applicable; and
- 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 a 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.

Share Option Scheme

During the year 2023, the Group did not have an implemented share option scheme for Directors.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

INFORMATION NOT SUBJECT TO AUDIT (CONTINUED)

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 an annual performance review by the Board.

Non-Executive Directors are appointed in accordance with the procedure laid out in the Articles of Association and the Board Charter. NEDs are appointed for a 3-year term and retire by rotation, but are eligible for reappointment taking into consideration their performance and the Shareholders' views. The Board Governance and Nominations Committee makes recommendations to the Board 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 2022 was passed through a poll vote by shareholders at the Annual General Meeting held on 31 May 2023.

INFORMATION SUBJECT TO AUDIT

PART 2: IMPLEMENTATION REPORT

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

In interpreting the disclosures made in this report:

a) The remuneration details for the year 2023 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 2023, 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)

INFORMATION SUBJECT TO AUDIT (CONTINUED)

PART 2: IMPLEMENTATION 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 2023. The aggregate Directors' emoluments are shown on note 43 of this report.

Directors Remuneration for the year ended 31 December 2023	Fees[1] KES 000	Salary KES 000	Cash Incentive Remuneration: Non-Deferred KES 000	Cash Incentive Remuneration: Deferred KES 000	Other Cash Benefit KES 000	Non-cash benefits KES 000	Retirement Benefits KES 000	Total[2] KES 000
J P M Ndegwa - Group Chairman[3]	5,720	-	-	-	-	-	-	5,720
D A Oyatsi – Deputy Group Chairman	4,070	-	-	-	-	-	-	4,070
J Gachora – Group Managing Director	-	93,480	60,000	11,000	111	10,975	10,197	185,763
D Abwoga - Executive Director	-	33,918	11,129	-	351	2,292	3,721	51,411
A H Abdi	16,856	-	-	-	-	-	-	16,856
J S Armitage	6,740	-	-	-	-	-	-	6,740
I O Awuondo[4]	-	66,600	30,000	-	-	20,854	13	117,467
P R Lopokoiyit	7,787	-	-	-	-	-	-	7,787
A S M Ndegwa	8,280	-	-	-	-	-	-	8,280
E N Ngaine	14,018	-	-	-	-	-	-	14,018
M K R Shah	9,420	-	-	-	-	-	-	9,420
	72,891	**193,998**	**101,129**	**11,000**	**462**	**34,121**	**13,931**	**427,532**

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 2023.
4. I O Awuondo earned a salary for services rendered towards the digital banking business of the Group.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

INFORMATION SUBJECT TO AUDIT (CONTINUED)

PART 2: IMPLEMENTATION 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.

Directors Remuneration for the year ended 31 December 2022	Fees[1] KES 000	Salary KES 000	Cash incentive remuneration KES 000	Other Cash Benefit KES 000	Non-cash benefits KES 000	Retirement Benefits KES 000	Total[2] KES 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.
5. As at 31 December 2022, no cash incentive remuneration amounts were deferred.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

INFORMATION SUBJECT TO AUDIT (CONTINUED)

PART 2: IMPLEMENTATION REPORT (CONTINUED)

Long-term incentives

There were no long-term incentives granted to NEDs in the year ended 31 December 2023.

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 2023, 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 2023. (2022: Nil)

There was no change in the Group's policy on payments to former directors in the year ended 31 December 2023.

On behalf of the Board

D A Oyatsi
Chairman, Governance and Nominations Committee
27 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 27 March 2024 and signed on its behalf by:

J P M NDEGWA	**J GACHORA**
Group Chairman	**Group Managing Director**

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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 **143** to **229**, which comprise the consolidated statement of financial position at 31 December 2023 and the consolidated statements of profit or loss, comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 December 2023, and the Company statements of profit or loss, comprehensive income, Company statement of changes in equity, and cash flows for the year then ended, and the notes to the financial statements, including material accounting policy information.

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 2023 and of their financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board 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.

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Partners: D.M. Mbogho; A.N. Muraya; F. O. Aloo; J. Nyang'aya; B.W. Irungu; I. Karim; F. Okwiri; F.O Omondi; F. Mitambo; P. Seroney; D. Waweru; C Luo.

Deloitte & Touche, a partnership with registration No. 177912, converted to Deloitte & Touche LLP Registration No. LLP-A21DDP effective 14 June 2021

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

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

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 5 (a), 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;
	
	• Tested 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 client credit-specific risk. We recalculated the management overlays and assessed their completeness in light of our understanding of the model and data limitations;
	
	• Tested 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;
	
	• Tested the data used in the ECL calculation by reconciling to source systems; and
	
	• Assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards.

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

Key audit matter (continued)	How our audit addressed the matter
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.	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.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board 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 128 to 129 is consistent with the financial statements.

Directors' remuneration report

In our opinion, the auditable part of the directors' remuneration report on pages 132 to 135 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
27 March 2024

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

		GROUP		COMPANY	
	Notes	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Interest income	6	77,926,028	64,112,324	85,228	33,214
Interest expense	7	(30,637,973)	(21,725,694)	-	-
Net Interest Income		**47,288,055**	**42,386,630**	**85,228**	**33,214**
Fees and commission income	9	5,680,176	4,398,231	-	-
Fees and commission expense	9	(599,072)	(464,214)	-	-
Net fees and commission income		**5,081,104**	**3,934,017**	**-**	**-**
Foreign exchange income	10	8,376,941	12,495,587	-	-
Gain on disposal of financial instruments	11	78,176	134,295	-	-
Fair value loss on financial assets	12 (a)	(1,730,879)	(554,651)	-	-
Other income	12 (b)	2,483,758	1,478,288	7,575,646	12,132,054
Non-interest income		**14,289,100**	**17,487,536**	**7,575,646**	**12,132,054**
Net operating income		**61,577,155**	**59,874,166**	**7,660,874**	**12,165,268**
Operating expenses	13	(28,695,723)	(25,120,097)	(728,460)	(450,934)
Operating profit before impairment losses		**32,881,432**	**34,754,069**	**6,932,414**	**11,714,334**
Impairment losses	8	(7,441,230)	(12,465,743)	-	-
Profit before share of associate's profit		**25,440,202**	**22,288,326**	**6,932,414**	**11,714,334**
Share of associates profit	26	41,704	203,200	-	-
Profit before income tax		**25,481,906**	**22,491,526**	**6,932,414**	**11,714,334**
Income tax expense	15	(4,025,273)	(8,713,501)	(92,531)	(47,744)
Profit for the year		**21,456,633**	**13,778,025**	**6,839,883**	**11,666,590**
Profit for the year attributable to:					
Equity holders of the Group		**21,456,633**	**13,864,788**	**6,839,883**	**11,666,590**
Non-controlling interests		-	(86,763)	-	-
		21,456,633	**13,778,025**	**6,839,883**	**11,666,590**
Earnings per share – basic and diluted (Shs)	17	**13.02**	**8.36**	**4.15**	**7.08**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	GROUP 2023 Shs'000	GROUP 2022 Shs'000	COMPANY 2023 Shs'000	COMPANY 2022 Shs'000
Profit for the year		**21,456,633**	**13,778,025**	**6,839,883**	**11,666,590**
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 net of tax	41	(2,660,095)	(2,491,457)	-	-
Exchange differences on translation of foreign operations		2,035,026	305,230	-	-
Other comprehensive income for the year, net of income tax		**(625,069)**	**(2,186,227)**	**-**	**-**
Total comprehensive income for the year		**20,831,564**	**11,591,798**	**6,839,883**	**11,666,590**
Attributable to:					
Equity holders of the Group		20,831,564	11,678,561	6,839,883	11,666,590
Non-controlling interests		-	(86,763)	-	-
		20,831,564	**11,591,798**	**6,839,883**	**11,666,590**

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	GROUP 2023 Shs'000	GROUP 2022 Shs'000	COMPANY 2023 Shs'000	COMPANY 2022 Shs'000
ASSETS					
Cash and balances with Central Banks	18	43,327,884	38,626,109	-	-
Item in the course of collection	19	381,443	401,661	-	-
Due from banking institutions	20	66,749,065	25,692,842	-	-
Derivative assets	21	8,438	17,363	-	-
Government securities	22	228,860,973	222,450,660	-	-
Investment securities	23	17,685,448	10,168,484	-	-
Customer loans and advances	24	330,214,425	276,033,184	-	-
Current income tax recoverable	15	59,291	2,231,441	2,786	11,093
Other assets	25	16,988,474	18,005,531	241,319	-
Due from Group companies	43	-	-	528,000	94,703
Investment in associates	26	4,223,674	4,069,660	332,593	332,593
Investment in subsidiaries	27	-	-	74,081,089	74,081,089
Intangible assets	28	7,779,007	5,810,137	-	-
Property and equipment	29	2,484,121	2,357,377	-	-
Deferred income tax	30	12,274,664	10,300,722	92,453	59,220
Lease prepayments – leasehold land	31	522,000	522,125	-	-
Right of use asset	32	3,028,501	2,940,348	-	-
Goodwill	33	34,000	34,000	-	-
Total assets		**734,621,408**	**619,661,644**	**75,278,240**	**74,578,698**
LIABILITIES					
Customer deposits	34	579,401,918	502,675,954	-	-
Due to banking institutions	35	26,680,557	5,914,127	-	-
Due to Group companies	43	-	-	9,079,786	8,959,800
Other liabilities	36	21,470,755	20,201,833	699,935	370,185
Borrowings	37	6,411,971	4,206,965	-	-
Current income tax payable	15	207,735	626,510	-	-
Lease liability	38	3,785,294	3,614,564	-	-
Total liabilities		**637,958,230**	**537,239,953**	**9,779,721**	**9,329,985**
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	(4,781,589)	(2,121,494)	-	-
Retained earnings		64,900,509	51,269,592	30,894,042	31,879,875
Foreign currency translation reserve		1,939,781	(95,245)	-	-
Proposed dividend		4,942,557	3,706,918	4,942,557	3,706,918
Total capital and reserves attributable to equity holders of the Group		**96,663,178**	**82,421,691**	**65,498,519**	**65,248,713**
Total shareholders' equity		**96,663,178**	**82,421,691**	**65,498,519**	**65,248,713**
Total liabilities and shareholders' equity		**734,621,408**	**619,661,644**	**75,278,240**	**74,578,698**

The financial statements on pages 143 to 229 were approved and authorised for issue by the Board of Directors on 27 March 2024 and were signed on its behalf by:

J P M Ndegwa	**J Gachora**	**M K R Shah**
Group Chairman	**Group Managing Director**	**Group Non-Executive Director**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

Year ended 31 December 2023	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	Total equity Shs '000
At start 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
Total comprehensive income for the year, net of tax		-	-	-	-	-	-	-	-	-
Profit for the year		-	-	-	21,456,633	-	-	-	21,456,633	21,456,633
Loss on revaluation of financial assets at FVOCI	41	-	-	(2,660,095)	-	-	-	-	(2,660,095)	(2,660,095)
Currency translation differences		-	-	-	-	2,035,026	-	-	2,035,026	2,035,026
Total comprehensive income		8,237,598	21,424,322	(4,781,589)	72,726,225	1,939,781	-	3,706,918	103,253,255	103,253,255
Transaction with Equity Holders										
Dividends:										
- 2022 Final dividend paid		-	-	-	-	-	-	(3,706,918)	(3,706,918)	(3,706,918)
- 2023 Interim dividend paid		-	-	-	(2,883,159)	-	-	-	(2,883,159)	(2,883,159)
- 2023 Proposed final dividend		-	-	-	(4,942,557)	-	-	4,942,557	-	-
Total transactions with owners		-	-	-	(7,825,716)	-	-	1,235,639	(6,590,077)	(6,590,077)
At end of year		8,237,598	21,424,322	(4,781,589)	64,900,509	1,939,781	-	4,942,557	96,663,178	96,663,178

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2023

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

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total equity Shs'000
At 1 January 2023	8,237,598	21,424,322	31,879,875	3,706,918	65,248,713
Profit and total comprehensive income for the year	-	-	6,839,883	-	6,839,883
Transactions with owners, recorded directly through equity					
Dividends:					
- 2022 Final dividend paid	-	-	-	(3,706,918)	(3,706,918)
- 2023 Interim dividend paid	-	-	(2,883,159)	-	(2,883,159)
- 2023 Proposed final dividend	-	-	(4,942,557)	4,942,557	-
- Total Transactions with Equity Holders	-	-	(7,825,716)	1,235,639	(6,590,077)
At 31 December 2023	8,237,598	21,424,322	30,894,042	4,942,557	65,498,519
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					
Dividends:					
- 2021 Final dividend paid	-	-	-	(3,706,918)	(3,706,918)
- 2022 Interim dividend paid	-	-	(3,295,039)	-	(3,295,039)
- 2022 Proposed final dividend	-	-	(3,706,918)	3,706,918	-
- Total Transactions 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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

		GROUP		COMPANY	
CASH FLOWS FROM OPERATING ACTIVITIES	**Notes**	**2023 Shs'000**	**2022 Shs'000**	**2023 Shs'000**	**2022 Shs'000**
Profit before income tax		25,481,906	22,491,526	6,932,414	11,714,334
Non-cash items	45	(37,904,723)	(25,974,999)	-	-
Changes in operating assets and liabilities	45	14,057,872	(20,152,095)	23,640	(1,140,491)
Income tax paid	15	(2,850,491)	(9,968,025)	(117,457)	(57,354)
Interest received		77,490,527	63,676,823	85,228	33,214
Interest paid		(30,505,673)	(21,593,394)	-	-
Net cash generated from operating activities		**45,769,418**	**8,479,836**	**6,923,825**	**10,549,703**
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in subsidiaries	27	-	-	-	(3,472,521)
Investment in associates	26	(228,976)	-	-	-
Dividends from associates	26	116,666	90,000	-	-
Purchase of government securities		(69,212,890)	(85,014,048)	-	-
Proceeds from matured government securities		63,688,235	58,730,866	-	-
Purchase of investment securities		(5,002,756)	(612,453)	-	-
Proceeds from sale of investments		254,311	3,417,858	-	-
Purchase of intangible assets	28	(3,092,421)	(1,393,174)	-	-
Purchase of property and equipment	29	(806,487)	(534,445)	-	-
Proceeds on sale of equipment		10,716	16,612	-	-
Net cash used in investing activities		**(14,273,602)**	**(25,298,784)**	**-**	**(3,472,521)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(6,590,077)	(7,001,962)	(6,590,078)	(7,001,957)
Repayment of long-term borrowings	37(b)	(1,619,445)	(2,360,521)	-	-
Payment towards lease liabilities		(896,016)	(1,118,868)	-	-
Additional borrowings		3,055,342	-	-	-
Minority interest buyout		-	(155,174)	-	-
Net cash used in financing activities		**(6,050,196)**	**(10,636,525))**	**(6,590,078)**	**(7,001,957)**
Increase/(decrease) in cash and cash equivalents		**25,445,620**	**(27,455,473)**	**333,747**	**75,225**
Cash and cash equivalents at 1 January	44	40,957,316	67,471,764	84,875	9,650
Foreign currency exchange difference		2,639,204	941,025	-	-
Cash and cash equivalents at 31 December	44	**69,042,140**	**40,957,316**	**418,622**	**84,875**

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 operates in Kenya, Tanzania, Uganda, Rwanda, Cote d'Ivoire and Ghana through its associates and subsidiaries as captured in notes 26 and 27 respectively.

The address of its registered office is as follows:

NCBA Centre

Mara and Ragati Roads, 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. Material 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 IFRS Accounting Standards as issued by the International Accounting Standards Board 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 effective in the year

Disclosure of Accounting Policies - 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

2. Material 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)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (continued)

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

IFRS 17 Insurance Contracts

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

This standard is not applicable to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

2. Material 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)

International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12

The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The amendments require an entity to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

An entity is required to separately disclose its current tax expense (income) related to Pillar Two income taxes, in the periods when the legislation is effective.

The amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of 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 - Classification of Liabilities as Current or Non current and Non-current Liabilities with Covenants

The amendment is effective for annual periods beginning on or after 1 January 2024.

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

2. Material 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 IFRS 16-Lease Liability in a Sale and Leaseback

The amendment is effective for annual periods beginning on or after 1 January 2024.

The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

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

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures — Supplier Finance Arrangements

The amendment is effective for annual periods beginning on or after 1 January 2024.

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2. Material 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 21 - Lack of Exchangeability

The amendment is effective for annual periods beginning on or after 1 January 2025.

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

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 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

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 2023 (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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2. Material accounting policies (continued)

2.2 Consolidation (continued)

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.

When the Group ceases to have control, any retained interest in the entity is measured to its fair value at the date when control is lost, with any resulting gain or loss recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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.

2.3 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 flows 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 flows 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2. Material accounting policies (continued)

2.4. Fee and commission income (continued)

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.

2.6 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. The functional currency of the company is Kenya Shillings.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2. Material accounting policies (continued)

2.7 Financial assets

i) Recognition and subsequent measurement

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

2. Material accounting policies (continued)
2.7 Financial assets (continued)
i) Recognition and subsequent measurement (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

2. Material accounting policies (continued)
2.7 Financial assets (continued)
ii) Modification of loans (continued)

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.

	2023	2022
	Kes '000	Kes '000
Financial assets (with loss allowance based on lifetime ECL) modified during the period		
Carrying amount before modification	67,396,003	29,161,870
Loss allowance before modification	(3,558,419)	1,251,657
Net amortised cost before modification	**63.837,584**	**30,413,527**
Net modification loss	(310,731)	(19,530)
Net amortised cost after modification	**63,526,853**	**30,393,997**

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

2. Material accounting policies (continued)

2.7 Financial assets (continued)

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

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).

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

2. Material accounting policies (continued)

2.8 Financial Liabilities (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

2. Material accounting policies (continued)

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-financial 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 inflows from continuing use that is largely independent of the cash inflows 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.

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 flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

2. Material accounting policies (continued)

2.12 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, non–restricted balances with central banks, treasury bills and amounts due from or to banks on demand or with an original maturity of three months or less, net of amounts due to other banks on demand or with an original maturity of three months or less. These are subject to insignificant risk of changes in their fair value.

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.

2.14 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

2. Material accounting policies (continued)

2.15 Income tax (continued)

iii) Deferred income tax (continued)

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 realised 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

2. Material accounting policies (continued)

2.17. Leases (continued)

i) The Group is the lessee (continued)

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.

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.

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.

2.18 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

2. Material accounting policies (continued)

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 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication that an asset may be impaired. If any such indication exists, then the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

2.28 Comparatives

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

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.
- 82% (2022: 78%) of the loans and advances portfolio are neither past due nor impaired.
- 93% (2022: 96%) 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 summarised 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

3. Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

ii) Significant Increase in credit risk (SICR)

Quantitative Criteria (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 days 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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

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 Group has not rebutted the 90 days past due (DPD) rule for identifying default.

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 refers to the loss that is expected to arise on default, incorporating the impact of forward-looking economic assumptions where relevant, which represents the difference between the contractual cash flows due and those that the Group expects to receive. The Group estimate LGD based on the history of recovery rates and consider the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

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 ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans.

The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and a credit grade. This is supported by a historical analysis.

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 types.

- 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

3. Financial risk management (continued)
3.2 Credit risk (continued)

b) Loans and advances (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 2023 for the years 2023 to 2029.

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	**2023**	**2024**	**Remaining Forecast Period**	**2023**	**2024**	**Remaining Forecast Period**	**2023**	**2024**	**Remaining Forecast Period**
GDP Growth (YoY%)	7.34%	(3.88%)	8.47%	8.07%	(4.27%)	9.32%	6.61%	(3.50%)	7.62%
GDP Per Capita (YoY%)	3.08%	2.86%	3.14%	3.39%	3.15%	3.45%	2.77%	2.58%	2.83%
FX Rate (YoY%)	1.75%	5.50%	2.20%	1.93%	6.05%	2.42%	1.58%	4.95%	1.98%
Lending Rate-Base Rate (%)	11.07%	16.33%	11.32%	12.18%	17.96%	12.46%	9.96%	14.70%	10.19%
Household Spending (YoY%)	11.40%	12.04%	10.67%	12.54%	13.25%	11.74%	10.26%	10.84%	9.60%
Foreign Reserves (YoY%)	13.99%	11.70%	11.00%	15.39%	12.87%	12.10%	12.59%	10.53%	9.90%
Consumer Price Index (YoY%)	5.50%	5.00%	5.68%	4.95%	4.50%	5.11%	6.05%	5.50%	6.25%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

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			Best Case			Worst Case		
	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%	12.28%
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%

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

3. Financial risk management (continued)
3.2 Credit risk (continued)

b) Loans and advances (continued)

ix) The breakdown of loans and advances based on their staging

The following tables set out information about credit quality of loans and advances.

Group	2023 Shs' 000	2022 Shs' 000
At 31 December		
Gross loans and advances		
Stage 1	283,598,769	228,669,234
Stage 2	26,954,101	31,497,403
Stage 3	36,253,433	32,869,198
Total gross loans advanced	**346,806,303**	**293,035,835**
Impairment allowances		
Stage 1	2,372,860	2,327,097
Stage 2	2,437,697	2,740,074
Stage 3	15,877,191	16,079,525
Impairment allowances	**20,687,748**	**21,146,696**
Fair-value		
Loan notes at FVTPL	4,095,870	4,144,045
Net loans and advances	**330,214,425**	**276,033,184**
Coverage ratio of the individually impaired loans and advances	44%	49%

Included in loans and advances above are loan notes valued at Shs 4.1 billion (2022: Shs 4.1 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

3. Financial risk management (continued)
3.2 Credit risk (continued)

b) Loans and advances (continued)

ix) The breakdown of loans and advances based on their staging (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 2023			
Loans and advances to customers 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	283,598,769	-	-	283,598,769
Grade 2: Watch	-	26,954,101	-	26,954,101
Grade 3: Substandard	-	-	4,714,621	4,714,621
Grade 4: Doubtful	-	-	25,875,108	25,875,108
Grade 5: Loss	-	-	5,663,704	5,663,704
Total gross carrying amount	**283,598,769**	**26,954,101**	**36,253,433**	**346,806,303**
Loss allowance	(2,304,904)	(2,401,998)	(15,843,220)	(20,550,122)
Carrying amount	**281,293,865**	**24,552,103**	**20,410,213**	**326,256,181**

	Year ended 31st December 2023			
Letters of Credit, Guarantees and Acceptances	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECL		Lifetime ECL	
	Shs '000	Shs '000	Shs '000	Shs '000
Grade 1: Normal	64,878,254	-	-	64,878,254
Grade 2: Watch	-	6,820,906	-	6,820,906
Grade 3: Substandard	-	-	1,000	1,000
Grade 4: Doubtful	-	-	168,810	168,810
Grade 5: Loss	-	-	3,983	3,983
Total gross carrying amount	**64,878,254**	**6,820,906**	**173,793**	**71,872,953**
Loss allowance	(67,956)	(35,699)	(33,971)	(137,626)
Carrying amount	**64,810,298**	**6,785,207**	**139,822**	**71,735,327**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

3. Financial risk management (continued)
3.2 Credit risk (continued)

b) Loans and advances (continued)

ix) The breakdown of loans and advances based on their staging (continued)

	Year ended 31st December 2022			
Loans and advances to customers 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	(2,257,711)	(2,668,400)	(15,488,726)	(20,414,837)
Carrying amount	**226,411,523**	**28,829,003**	**17,380,472**	**272,620,998**

	Year ended 31st December 2022			
Letters of Credit, Guarantees and Acceptances	**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**

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

3. Financial risk management (continued)
3.2 Credit risk (continued)
c) Other non-loan financial asset (continued)

Group

The summarized information on other financial instrument is tabulated below:

	2023				2022			
	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	28,887,822	1	2,317	28,885,505	23,858,627	1	9,636	23,848,991
Items in the course of collection	381,443	1	-	381,443	401,661	1	-	401,661
Due from banking institutions	66,761,090	1	12,025	66,749,065	25,712,002	1	19,160	25,692,842
Investment securities	15,934,709	1	2,360	15,932,349	8,951,702	1	9,727	8,941,975
Investment securities	233,200	3	-	233,200	272,580	3	-	272,580
Government securities	228,987,908	1	126,935	228,860,973	222,567,826	1	117,166	222,450,660
Other assets	15,788,209	1	-	15,788,209	16,352,844	1	-	16,352,844
Gross maximum exposure	**356,974,381**		**143,637**	**356,830,744**	**298,117,242**		**155,689**	**297,961,553**

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.

	2023 Shs '000	2022 Shs '000
Balances with central banks	28,885,505	23,848,991
Due from banking institutions	66,749,065	25,692,842
Items in the course of collection	381,443	401,661
Government securities	228,860,973	222,450,660
Investment securities	16,165,549	9,214,555
Derivatives	8,438	17,363
Customer loans and advances	330,214,425	276,033,184
Other assets (financial)*	15,788,209	16,352,844
	687,053,607	**574,012,100**
Credit risk exposures relating to off-balance sheet items are as follows:		
Letters of credit	15,100,932	20,087,009
Acceptances	27,568,527	10,035,685
Guarantees	29,203,494	30,589,672
	71,872,953	**60,712,366**
Total credit risk exposure	**758,926,560**	**634,724,466**

***Other assets relate to suspense accounts and funding for mobile initiated transactions.**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

3. Financial risk management (continued)
3.2 Credit risk (continued)
c) Other non-loan financial asset (continued)

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:

	2023			2022		
Credit exposure	Balance Shs '000	Stage	ECL Shs '000	Balance Shs '000	Stage	ECL Shs '000
Due from group companies	769,319	1	**769,319**	94,703	1	**94,703**

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	2023 %	2022 %
Manufacturing	26.1%	20.9%
Trade	14.2%	19.2%
Personal & Household	20.0%	20.9%
Transport & communications	12.0%	13.4%
Energy & water	3.5%	6.6%
Financial services	11.2%	5.4%
Mining & quarrying	3.4%	3.8%
Building & construction	3.2%	3.6%
Real estate	3.8%	3.8%
Tourism, restaurant & hotels	1.4%	1.3%
Agriculture	1.3%	1.1%
	100.0%	**100.0%**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

3. Financial risk management (continued)
3.2 Credit risk (continued)
d) Concentrations of risk (continued)

	Gross carrying amount				Allowance for ECL				ECL coverage %			
	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	Total Shs'000	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	Total Shs'000	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	Total Shs'000
Analysis based on industry - 2023												
Manufacturing	67,682,619	7,009,358	15,917,190	**90,609,167**	63,611	542,323	5,292,272	**5,898,206**	0.09%	7.74%	33.25%	**6.51%**
Trade	36,702,793	6,629,340	5,807,834	**49,139,967**	279,957	377,859	2,531,164	**3,188,980**	0.76%	5.70%	43.58%	**6.49%**
Personal and household	60,105,629	2,458,675	6,834,138	**69,398,442**	1,460,758	1,125,396	5,334,164	**7,920,318**	2.43%	45.77%	78.05%	**11.41%**
Transport and communications	34,558,526	4,408,252	2,563,939	**41,530,717**	180,041	36,247	766,032	**982,320**	0.52%	0.82%	29.88%	**2.37%**
Energy and water	10,024,761	1,655,236	427,341	**12,107,338**	25,343	1,721	217,891	**244,955**	0.25%	0.10%	50.99%	**2.02%**
Financial services	38,626,239	86,301	198,614	**38,911,154**	57,425	216	86,034	**143,675**	0.15%	0.25%	43.32%	**0.37%**
Mining and quarrying	11,065,616	525,696	220,003	**11,811,315**	25,082	30,726	102,428	**158,236**	0.23%	5.84%	46.56%	**1.34%**
Real estate	8,678,636	1,518,927	2,858,598	**13,056,161**	117,417	11,336	693,557	**822,310**	1.35%	0.75%	24.26%	**6.30%**
Building and Construction	9,255,539	892,660	789,218	**10,937,417**	123,267	193,110	486,110	**802,487**	1.33%	21.63%	61.59%	**7.34%**
Tourism, restaurant and hotels	2,889,609	1,627,835	175,851	**4,693,295**	21,113	110,690	130,618	**262,421**	0.73%	6.80%	74.28%	**5.59%**
Agriculture	4,008,802	141,821	460,707	**4,611,330**	18,846	8,073	236,921	**263,840**	0.47%	5.69%	51.43%	**5.72%**
Total	**283,598,769**	**26,954,101**	**36,253,433**	**346,806,303**	**2,372,860**	**2,437,697**	**15,877,191**	**20,687,748**	**0.84%**	**9.04%**	**43.80%**	**5.97%**
Analysis based on industry - 2022												
Manufacturing	28,906,449	5,773,836	14,590,955	**49,271,240**	917,431	152,865	6,546,830	**7,617,126**	3.17%	2.65%	44.87%	**15.46%**
Trade	26,605,651	4,958,784	9,969,598	**41,534,033**	317,363	236,300	4,458,844	**5,012,507**	1.19%	4.77%	44.72%	**12.07%**
Personal and household	60,294,926	3,315,057	2,752,491	**66,362,474**	504,125	1,300,075	2,141,172	**3,945,372**	0.84%	39.22%	77.79%	**5.95%**
Transport and communications	28,457,672	5,393,327	1,530,680	**35,381,679**	226,310	180,238	537,959	**944,507**	0.80%	3.34%	35.15%	**2.67%**
Energy and water	33,167,491	1,039,185	70,885	**34,277,561**	86,612	29,671	43,445	**159,728**	0.26%	2.86%	61.29%	**0.47%**
Financial services	16,396,976	3,530,561	80,982	**20,008,519**	55,231	505	36,804	**92,540**	0.34%	0.01%	45.45%	**0.46%**
Mining and quarrying	417,227	114,734	602	**532,563**	29,059	14,455	208	**43,722**	6.96%	12.60%	34.55%	**8.21%**
Real estate	9,472,036	2,864,480	1,369,254	**13,705,770**	40,472	16,354	897,123	**953,949**	0.43%	0.57%	65.52%	**6.96%**
Building and Construction	6,808,216	1,777,476	623,674	**9,209,366**	123,740	791,204	372,706	**1,287,650**	1.82%	44.51%	59.76%	**13.98%**
Tourism, restaurant and hotels	3,510,692	1,843,678	184,634	**5,539,004**	9,797	11,853	133,062	**154,712**	0.28%	0.64%	72.07%	**2.79%**
Agriculture	14,631,898	886,285	1,695,443	**17,213,626**	16,957	6,554	911,372	**934,883**	0.12%	0.74%	53.75%	**5.43%**
Total	**228,669,234**	**31,497,403**	**32,869,198**	**293,035,835**	**2,327,097**	**2,740,074**	**16,079,525**	**21,146,696**	**1.02%**	**8.70%**	**48.92%**	**7.22%**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

3. Financial risk management (continued)
3.2 Credit risk (continued)

e) Collateral

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.

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 2022 and 2023. The forced saale value of the collateral held is undiscounted.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

3. Financial risk management (continued)
3.2 Credit risk (continued)

e) Collateral (continued)

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:

Group	Stage 1	Stage 2	Stage 3	Total
Year ended 2023	Kes '000	Kes '000	Kes '000	Kes '000
Outstanding loans and advances	283,598,769	26,954,101	36,253,433	346,806,303
Outstanding off balance sheet exposure	64,878,254	6,820,906	173,793	71,872,953
Total outstanding loans and advances	**348,477,023**	**33,775,007**	**36,427,226**	**418,679,256**
Collateral Held (Forced Sale Value)				
Land and Property	260,528,342	51,496,652	33,893,245	345,918,239
Debentures	64,561,424	2,322,763	5,511,636	72,395,823
Motor Vehicles and Equipment	50,170,160	2,066,276	2,550,681	54,787,117
Others	31,189,226	7,005,757	172,590	38,367,573
Total Collateral Held	**406,449,152**	**62,891,448**	**42,128,152**	**511,468,752**
Net Exposure	**(57,972,129)**	**(29,116,441)**	**(5,700,926)**	**(92,789,496)**
Year ended 2022				
Outstanding loans and 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 and 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 and 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 2023 the Group held collateral amounting to 116% (2022: 91%) of the value of impaired loans.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

3. Financial risk management (continued)

3.3 Currency risk

The Group takes deposits and lend in currencies other than the local currency and are therefore exposed to effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are both monitored daily. The company's currency position and exposure is managed within the exposure guidelines relating to core capital stipulated by regulation. The Group's significant currency positions were:

Group	USD	GBP	EUR	Other	Total
At 31 December 2023	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Assets					
Cash in hand	1,590,764	122,056	315,800	31,185	**2,059,805**
Central banks balances	4,045,673	1,588,111	1,068,965	48,296	**6,751,045**
Government securities	27,709,404	-	-	-	**27,709,404**
Due from banking institutions	50,795,389	5,643,377	10,228,849	941,856	**67,609,471**
Investment securities	4,913,100	-	-	-	**4,913,100**
Customer loans and advances	102,732,804	36,470	3,026,789	260,929	**106,056,992**
Other assets	1,055,225	18,936	190	108	**1,074,459**
Total assets	**192,842,359**	**7,408,950**	**14,640,593**	**1,282,374**	**216,174,276**
Liabilities					
Customer deposits	184,414,731	7,265,197	12,835,612	1,002,575	**205,518,115**
Due to banking institutions	12,666,624	23,046	21,181	25,809	**12,736,660**
Other liabilities	379,695	-	752,129	37,982	**1,169,806**
Lease liability	352,811	-	-	-	**352,811**
Borrowings	2,703,526	-	644,623	-	**3,348,149**
Total liabilities	**200,517,387**	**7,288,243**	**14,253,545**	**1,066,366**	**223,125,541**
Net on-balance sheet position	**(7,675,028)**	**120,707**	**387,048**	**216,008**	**(6,951,265)**

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**

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 2023

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 2023	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	-	-	-	-	-	14,691,059	**14,691,059**
Central bank balances	-	-	-	-	-	28,636,825	**28,636,825**
Government securities	3,803,999	10,841,556	17,615,081	56,865,622	139,734,715	-	**228,860,973**
Due from banking institutions	36,491,102	236,004	-	3,179,821	-	26,842,138	**66,749,065**
Investment securities	4,660,722	3,943,398	2,196,162	4,290,164	-	2,595,002	**17,685,448**
Customer loans and advances	330,214,425	-	-	-	-	-	**330,214,425**
Item in the course of collection	-	-	-	-	-	381,443	**381,443**
Derivative assets	-	-	-	-	-	8,438	**8,438**
Other assets	-	-	-	-	-	15,788,209	**15,788,209**
Total assets	**375,170,248**	**15,020,958**	**19,811,243**	**64,335,607**	**139,734,715**	**88,943,114**	**703,015,885**
Liabilities							
Customer deposits	269,901,521	98,412,832	79,376,111	145,116	424,385	131,141,953	**579,401,918**
Due to banking institutions	16,464,684	-	400,697	-	-	9,815,176	**26,680,557**
Other liabilities	-	-	-	-	-	13,006,386	**13,006,386**
Lease liability	428,414	130,208	420,443	2,354,953	263,114	188,162	**3,785,294**
Borrowings	1,890,587	834,813	700,463	1,047,854	1,938,254	-	**6,411,971**
Total liabilities	**288,685,206**	**99,377,853**	**80,897,714**	**3,547,923**	**2,625,753**	**154,151,677**	**629,286,126**
Interest sensitivity gap	**86,485,042**	**(84,356,895)**	**(61,086,471)**	**60,787,684**	**137,108,962**	**(65,208,563)**	**73,729,759**

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**

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 2023

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 2023	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
Financial assets						
Cash in hand	14,691,059	-	-	-	-	**14,691,059**
Central banks balances	28,636,825	-	63,240	-	-	**28,700,065**
Government securities	18,183,080	9,666,339	33,649,647	137,444,708	192,078,020	**391,021,794**
Derivative assets	8,438	-	-	-	-	**8,438**
Due from banking institutions	65,697,092	239,126	789,282	2,357,855	-	**69,083,355**
Investment securities	1,878,185	3,989,679	2,412,533	12,406,661	35,937	**20,722,995**
Customer loans and advances	90,612,443	20,085,267	40,789,645	147,399,269	124,714,492	**423,601,116**
Other financial assets	15,381,009	407,200	-	-	-	**15,788,209**
Total financial assets	**235,088,131**	**34,387,611**	**77,704,347**	**299,608,493**	**316,828,449**	**963,617,031**
Financial liabilities						
Customer deposits	409,186,564	93,872,853	81,164,320	989,317	553,475	**585,766,529**
Due to banking institutions	37,684,093	-	416,930	-	-	**38,101,023**
Other financial liabilities	12,797,951	-	173,894	34,541	-	**13,006,386**
Lease liability	479,855	89,070	405,215	2,145,177	3,539,220	**6,658,537**
Borrowings	2,106,252	465,358	764,641	2,051,145	1,760,199	**7,147,595**
Total financial liabilities	**462,254,715**	**94,427,281**	**82,925,000**	**5,220,180**	**5,852,894**	**650,680,070**
Net on- balance sheet liquidity gap	**(227,166,584)**	**(60,039,670)**	**(5,220,653)**	**294,388,313**	**310,975,555**	**312,936,961**
Un-recognised financial instruments						
Letters of credit and bankers' acceptances	(12,249,064)	(15,210,890)	(22,392,420)	(6,708,727)	(8,677,851)	**(65,238,952)**
Irrevocable un-utilised facilities	(12,608,891)	-	-	-	-	**(12,608,891)**
Total off-balance sheet notional position	**(24,857,955)**	**(15,210,890)**	**(22,392,420)**	**(6,708,727)**	**(8,677,851)**	**(77,847,843)**
Total on and off-balance sheet net liquidity gap	**(252,024,539)**	**(75,250,560)**	**(27,613,073)**	**287,679,586**	**302,297,704**	**235,089,118**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

3. Financial risk management (continued)

3.5 Liquidity risk (continued)

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	Total Shs '000
Financial 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 financial 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**
Financial 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 2023

3. Financial risk management (continued)

3.5 Liquidity risk (continued)

Company

At 31 December 2023	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	-	528,000	-	528,000
Other assets	-	241,319	-	241,319
Total financial assets	**-**	**769,319**	**-**	**769,319**
Liabilities				
Due to group companies	8,212,747	867,039	-	9,079,786
Other liabilities	458,616	-	-	458,616
Unclaimed dividends	-	241,319	-	241,319
Total financial liabilities	**8,671,363**	**1,108,358**	**-**	**9,779,721**
Net on- balance sheet liquidity gap	**(8,671,363)**	**(339,039)**	**-**	**(9,010,402)**
At 31 December 2022				
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)**

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 2023, the effect of a 100 basis points change in net interest margin would have resulted in an increase or decrease of Shs 463 million (2022 - Shs 530 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.
At 31 December 2023, 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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

3. Financial risk management (continued)
3.6 Market risk sensitivity analysis (continued)

	2023	2022
	Shs '000	Shs '000
10% depreciation/appreciation		
USD	767,503	736,838
GBP	12,071	291,970
EUR	38,705	370,305
Total	**818,278**	**1,399,113**

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 2023 were below 1% (2022: <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, unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

3. Financial risk management (continued)
3.8 Fair value hierarchy (continued)

Financial instruments measured at fair value (continued)

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 2023	**Shs '000**	**Shs '000**	**Shs '000**	**Shs000**
Financial assets at fair value through profit or loss				
Equity securities – listed (note 23)	1,519,899	-	-	1,519,899
Loan notes	-	4,095,870	-	4,095,870
Derivative assets	-	8,438	-	8,438
Unit trusts and other investment securities (note 23)	183,699	-	-	183,699
Other assets	-	90,000	-	90,000
Financial assets at FVOCI				
Fixed rate Treasury bills - FVOCI – (note 22)	-	1,972,527	-	1,972,527
Fixed rate Treasury bonds – FVOCI (note 22)	-	82,494,116	-	82,494,116
Total assets	**1,703,598**	**88,660,951**	**-**	**90,364,549**
At 31 December 2022				
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**

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

iii) Due to banking institutions

Balances due from banking institutions include inter-bank placements and items in the course of collection. The carrying amount of floating rate placements and overnight advances is a reasonable approximation of fair value.

iv) Customer loans and advances

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

3. Financial risk management (continued)
3.8 Fair value hierarchy (continued)

Financial instruments not measured at fair value (continued)

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	Carryingvalue Shs'000
At 31 December 2023						
Assets						
Cash and balances with CBK	18	-	-	43,327,884	43,327,884	43,327,884
Items in course of collection	19	-	-	381,443	381,443	381,443
Loans and advances to Customers	24	-	-	326,118,555	326,118,555	326,118,555
Balances due from banking institutions	20	-	-	66,749,065	66,749,065	66,749,065
Government securities – Amortised cost		-	127,459,852	-	127,459,852	127,459,852
Investment securities	23	-	-	16,165,549	16,165,549	16,165,549
Other assets		-	-	16,988,474	16,988,474	16,988,474
Total		**-**	**127,459,852**	**469,730,970**	**597,190,822**	**597,190,822**
Liabilities						
Customer deposits	34	-	-	579,401,918	579,401,918	579,401,918
Due to banking institutions	35	-	-	26,680,557	26,680,557	26,680,557
Borrowings	37	-	-	6,411,971	6,411,971	6,411,971
Other Liabilities	36	-	-	21,229,439	21,229,439	21,229,439
Total		**-**	**-**	**633,723,885**	**633,723,885**	**633,723,885**
At 31 December 2022						
Assets						
Cash and balances with CBK	18	-	-	38,626,109	38,626,109	38,626,109
Items in course of collection	19	-	-	401,661	401,661	401,661
Loans and advances to Customers	24	-	-	271,889,139	271,889,139	271,889,139
Balances due from banking institutions	20	-	-	25,692,842	25,692,842	25,692,842
Government securities – Amortised cost		-	139,400,834	-	139,400,834	139,400,834
Investment securities	23	-	-	9,214,555	9,214,555	9,214,555
Other assets		-	-	17,915,531	17,915,531	17,915,531
Total		**-**	**139,400,834**	**363,739,837**	**503,140,671**	**503,140,671**
Liabilities						
Customer deposits	34	-	-	502,675,954	502,675,954	502,675,954
Due to banking institutions	35	-	-	5,914,127	5,914,127	5,914,127
Borrowings	37	-	-	4,206,965	4,206,965	4,206,965
Other Liabilities	36	-	-	20,201,833	20,201,833	20,201,833
Total		**-**	**-**	**532,998,879**	**532,998,879**	**532,998,879**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

3. Financial risk management (continued)
3.8 Fair value hierarchy (continued)

Financial instruments not measured at fair value (continued)

Company	Level 3 Shs' 000	Fair Value Shs'000	Carrying value Shs'000
At 31 December 2023			
Assets			
Due from group companies	528,000	528,000	528,000
Other assets	241,319	241,319	241,319
Total	**769,319**	**769,319**	**769,319**
Liabilities			
Due to group companies	9,079,786	9,079,786	9,079,786
Other liabilities	699,935	699,935	699,935
Total	**9,779,721**	**9,779,721**	**9,779,721**
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
Total	**9,329,985**	**9,329,985**	**9,329,985**

4. Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are to comply with the capital requirements set by the regulators and safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders as well as maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital for the banking subsidiaries are monitored regularly by the directors, employing techniques based on guidelines developed by the Basel Committee, as implemented by the regulatory authorities for supervisory purposes. Returns on capital adequacy are filed with the regulators on a regular basis.

The level of capital is reviewed on an annual basis and is determined principally by the level of business growth realised during the period. This informs the directors' decision on dividend payout while ensuring stability and sustainability of business.

In Kenya, the Central Bank (CBK) requires each banking institution to.

- hold a minimum level of regulatory capital of Shs 1 billion;
- maintain a ratio of core capital to the risk-weighted assets at a minimum of 10.5%;
- maintain a ratio of core capital to total deposit liabilities at a minimum of 8%; and
- maintain a ratio of total capital to risk-weighted assets at a minimum of 14.5%.

During the year under review, the Group maintained capital adequacy ratios at levels above the stipulated minimum regulatory benchmarks. In line with Basel and local regulatory guidelines, total capital is divided into two tiers as follows:

- Tier 1 capital (core capital): comprises share capital, share premium and retained earnings.
- Tier 2 capital (supplementary capital): comprises 25% (subject to regulatory approval) of property revaluation reserves, statutory credit risk reserve, subordinated debt not exceeding 50% of tier I capital and hybrid capital instruments. Qualifying tier II capital is limited to 100% of tier I capital.
- Statutory credit risk reserve qualifying as tier II capital cannot exceed 1.25% of risk weighted assets total value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

4. Capital Management (continued)

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 2023.

As at 31 December 2023	Kenya	Tanzania	Uganda	Rwanda
	Shs '000	Shs '000	Shs '000	Shs '000
Tier I capital	82,120,807	3,902,204	6,057,230	3,593,070
Tier II capital	-	-	111,928	203,235
Total capital	**82,120,807**	**3,963,850**	**6,169,158**	**3,796,305**
Risk-weighted assets				
Credit risk weighted assets	347,184,707	13,988,013	15,892,285	16,396,274
Market risk weighted assets equivalent	35,736,789	586,913	1,690,865	537,607
Operational risk equivalent assets	85,915,722	1,608,847	-	3,214,096
Total risk-weighted assets (TRWA)	**468,837,218**	**16,183,773**	**17,583,150**	**20,147,977**
Core capital / TRWA	17.52%	24.10%	34.40%	17.83%
Regulator minimum requirement	10.50%	12.50%	12.50%	12.50%
Total capital / TRWA	17.52%	24.10%	35.10%	18.84%
Regulator minimum requirement	14.50%	14.50%	14.50%	15.00%

As at 31 December 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**
Core capital / TRWA	17.94%	20.58%	29.69%	17.62%
Regulator minimum requirement	10.50%	12.50%	12.50%	12.50%
Total capital / TRWA	17.94%	20.58%	30.23%	18.87%
Regulator minimum requirement	14.50%	14.50%	14.50%	15.00%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

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 2023, were the net present value of estimated cash flows to differ by +/-1%, the impairment loss is estimated to be Shs 290 million higher or lower (2022: Shs 137.0 million).

The most significant period-end assumptions used for the ECL estimate as at 31 December 2023 was cost of recovery

b) Amortised cost investments

The Group follows the guidance of IFRS 9 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturities as financial investments at 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 16,927 million (2022: increase by Shs 7,340 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

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

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 2023, the fair value of the loan notes would have been estimated at Shs 145 million higher / lower if the determined share price was assumed to be 25% higher /lower (2022 – Shs 193 million).

6. Interest income

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Government securities:				
- Amortised cost	15,288,545	14,407,993	-	-
- Fair value through OCI	11,127,404	10,154,633	-	-
Customer loans and advances	37,290,051	24,909,331	-	-
Credit related fees	11,755,622	13,636,252	-	-
Due from banking institutions	1,640,967	642,800	85,228	33,214
Investment securities	823,439	361,315	-	-
	77,926,028	**64,112,324**	**85,228**	**33,214**

7. Interest expense

Customer deposits	27,965,001	20,408,135	-	-
Deposit from other banking institutions	1,797,212	738,738	-	-
Long term debt– note 37	442,232	159,743	-	-
Lease Liability – note 38	433,528	419,078	-	-
	30,637,973	**21,725,694**	**-**	**-**

8. Impairment losses

Impairment charge for loans and advances

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Stage 1	388,482	347,969	-	-
Stage 2	584,994	(1,276,107)	-	-
Stage 3	9,154,797	16,542,825	-	-
Sub total (note 24)	**10,128,273**	**15,614,687**	**-**	**-**
Bad debts recoveries	(2,699,095)	(3,105,951)	-	-
Other Impairment charges				
Impairment charge / (release) on other assets	12,052	(42,993)	-	-
Total impairment charges	**7,441,230**	**12,465,743**	**-**	**-**
Total impairment charges, may be analysed as follows:				
Loans and advances to customers	7,429,178	12,508,736	-	-
Other impairment charges	12,052	(42,993)	-	-
	7,441,230	**12,465,743**	**-**	**-**

9. Net Fees and Commission Income

	GROUP		COMPANY	
Fees and commission income	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Service and transaction fees	4,586,919	3,572,929	-	-
Fees and commission on bills, letters of credit and guarantees	1,093,257	825,302	-	-
Gross fees and commission income	**5,680,176**	**4,398,231**	**-**	**-**
Fees and commission expense	(599,072)	(464,214)	-	-
Net fees and commission income	**5,081,104**	**3,934,017**	**-**	**-**

10. Foreign exchange income

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Realised gains	8,770,648	12,178,753	-	-
Unrealised (loss)/gain	(393,707)	316,834	-	-
	8,376,941	**12,495,587**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

11. Gains on disposal of financial asset

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Gain on disposal of financial instruments	**78,176**	**134,295**	**-**	**-**

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

12. Other income

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
(a) Fair value loss of financial assets				
Fair value loss of loan note through profit and loss*(note 24)	(1,730,879)	(554,651)	-	-
(b) Other income				
Dividend income (note 26)	-	-	7,086,744	11,859,000
Wealth management fees	567,435	514,156	-	-
Insurance commissions	354,777	257,793	-	-
Fair value gain on equity securities at fair value through profit or loss (note 23)	565,970	42,066	-	-
Management fees (Group recharges)	-	-	488,902	273,054
Operating lease rentals	587,138	331,140	-	-
Gain on disposal of property and equipment	8,464	14,551	-	-
Corporate finance/advisory income	63,568	74,243	-	-
Other**	336,406	244,339	-	-
	2,483,758	**1,478,288**	**7,575,646**	**12,132,054**

*Fair value loss of financial assets relates to loans notes with guarantee by Government of Kenya for an advance to the national airline (Kenya Airways). 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 loan discount amortisation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

13. Operating expenses

		GROUP		COMPANY	
		2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Employee benefits (Note 14)		12,535,693	10,184,151	566,489	322,636
Premises and maintenance expenses		1,158,469	1,037,271	-	-
Equipment and motor vehicle expenses		436,831	456,485	-	-
Marketing and business development expenses		1,457,095	1,172,342	-	-
Security and insurance expenses		1,139,402	1,078,255	-	-
Staff restructure costs		-	193,440	-	-
Information technology expenses		3,225,840	2,781,174	-	-
Communication and stationery		854,587	591,487	-	-
Professional fees		1,512,643	797,054	-	-
Depreciation of property and equipment	29	745,889	698,350	-	-
Amortisation of intangible assets (software)	28	1,174,139	1,152,997	-	-
Amortisation of intangible assets (others)	28	-	531,125	-	-
Amortisation of operating lease	31	125	125	-	-
Regulatory deposits insurance		779,450	738,567	-	-
Auditors' remuneration (inclusive of VAT)		55,370	36,519	-	-
Depreciation on right of use assets	32	1,152,705	1,006,903	-	-
Other expenses*		2,467,485	2,663,852	161,971	128,298
		28,695,723	**25,120,097**	**728,460**	**450,934**

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

14. Employee benefits

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Salaries and allowances	9,741,134	8,369,385	334,032	260,231
Contribution to defined contribution scheme	781,894	601,411	230,922	81,134
Medical	537,248	420,295	1,535	(18,729)
Training	251,057	165,752	-	-
Staff benefits	311,169	244,186	-	-
Other Staff Costs	913,191	383,122	-	-
	12,535,693	**10,184,151**	**566,489**	**322,636**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

15. Income tax expense

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Current tax				
Income tax based on taxable profit for the year	4,913,884	5,038,754	125,444	78,418
Prior year (over)/under provision of current tax	(344,186)	883,337	320	4,055
Deferred tax:				
Deferred income tax (credit)/ charge (note 30)	(480,218)	2,807,461	(33,233)	(41,520)
(Over)/under provision of deferred tax in prior year	(71,250)	(16,051)	-	6,791
Effect of change in tax rate	7,043	-	-	-
	4,025,273	**8,713,501**	**92,531**	**47,744**
Profit before tax	25,481,906	22,491,526	6,932,414	11,714,336
Income tax at statutory rates*	7,638,347	6,747,458	2,079,724	3,514,301
Expenses not deductible for tax purposes	2,533,623	4,612,580	138,510	80,297
Income not assessable for tax purposes	(5,529,891)	(3,983,862)	(2,126,023)	(3,557,700)
(Over)/under provision of current tax in prior year	(344,186)	883,337	320	4,055
(Over)/under provision of deferred tax in prior year	(71,250)	(16,051)	-	6,791
Effect of change in tax rate	7,043	-	-	-
Deferred income tax not recognised	(208,413)	470,039	-	-
	4,025,273	**8,713,501**	**92,531**	**47,744**
Current income tax payable/(recoverable)				
At 1 January	(1,604,931)	2,371,131	(11,093)	(36,212)
Exchange difference on translation	34,169	69,872	-	-
Tax charge - current year	4,913,884	5,038,754	125,444	78,418
Prior year (over)/under provision of current tax	(344,187)	883,337	320	4,055
Income tax paid	(2,850,491)	(9,968,025)	(117,457)	(57,354)
At 31 December	**148,444**	**(1,604,931)**	**(2,786)**	**(11,093)**
Comprising:				
Current income tax recoverable	(59,291)	(2,231,441)	(2,786)	(11,093)
Current income tax payable	207,735	626,510	-	-
At 31 December	**148,444**	**(1,604,931)**	**(2,786)**	**(11,093)**

*Income tax for the Group has been computed based on a 30% rate with prorated adjustments for NCBA Bank Rwanda PLC whose statutory rate changed from 30% to 28% in September 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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 29 May 2024, a final dividend in respect of the year ended 31 December 2023 of Shs 3.00 per share is to be proposed (2022: Shs 2.25 per share). During the year, the interim dividend paid for 2023 was Shs 1.75 per share (2022: Shs 2.00 per share).

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 31 December 2022 or 2023. Diluted earnings per share are therefore equal to basic earnings per share.

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Group net profit	21,456,633	13,778,025	6,839,883	11,666,592
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
Weighted average number of shares ('000) 31 December	1,647,519	1,647,519	1,647,519	1,647,519
Basic EPS (Shs)	**13.02**	**8.36**	**4.15**	**7.08**

18. Cash and balances with Central Bank

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Cash in hand	14,442,379	14,777,118	-	-
Balances with central banks	3,939,673	2,059,059	-	-
Included in cash and cash equivalent	18,382,052	16,836,177	-	-
Mandatory reserve deposits	24,948,149	21,799,568	-	-
Less: Impairment loss allowance	(2,317)	(9,636)	-	-
	43,327,884	**38,626,109**	**-**	**-**

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 their day-to-day operations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

19. Items in the course of collection

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Clearing account balances	381,443	401,661	-	-

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

20. Due from banking institutions

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Current accounts, overnight and call deposits	38,504,221	15,944,968	-	-
Time deposits	28,256,869	9,767,034	-	-
Impairment	(12,025)	(19,160)	-	-
	66,749,065	**25,692,842**	**-**	**-**

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	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Derivative assets	8,438	17,363	-	-

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	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Treasury bills – amortised cost	2,011,346	1,149,188	-	-
Treasury bills – FVOCI	12,726,061	10,691,529	-	-
Fixed rate Treasury bonds - FVOCI	82,552,380	88,403,421	-	-
Fixed rate Treasury bonds – amortised cost	131,698,121	122,323,688	-	-
Impairment	(126,935)	(117,166)	-	-
	228,860,973	**222,450,660**	**-**	**-**
Treasury bills and bonds maturing within 91 days from date of acquisition	9,098,231	4,352,060	-	-
Treasury bills and bonds maturing after 91 days but within 360 days from date of acquisition	8,028,659	8,079,471	-	-
Treasury bills and bonds maturing after 360 days from date of acquisition	211,861,018	210,136,295	-	-
Impairment	(126,935)	(117,166)	-	-
	228,860,973	**222,450,660**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

22. Government securities (continued)

	GROUP		COMPANY	
The movement in Treasury bonds at amortised cost was as follows:	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
At start of year	122,262,834	108,859,715	-	-
Additions during the year	14,121,761	23,865,247	-	-
Maturities and disposals	(4,702,388)	(10,447,651)	-	-
Impairment	(6,676)	(14,477)	-	-
At end of year	**131,675,531**	**122,262,834**	**-**	**-**
The movement in Treasury bonds at FVOCI was as follows:				
At start of year	88,356,374	76,978,334	-	-
Additions during the year	22,080,597	38,377,783	-	-
Maturities and disposals	(24,145,011)	(23,420,010)	-	-
Changes in fair value	(3,795,414)	(3,565,126)	-	-
Impairment	(2,430)	(14,607)	-	-
At end of year	**82,494,116**	**88,356,374**	**-**	**-**
The movement in Treasury bills at amortised cost was as follows:				
At start of year	10,685,145	22,976,297	-	-
Additions during the year	31,493,551	21,282,248	-	-
Maturities and disposals	(29,459,000)	(33,576,027)	-	-
Impairment	(897)	2,627	-	-
At end of year	**12,718,799**	**10,685,145**	**-**	**-**
The movement in Treasury bills at FVOCI was as follows:				
At start of year	1,146,307	636,501	-	-
Additions during the year	6,212,545	1,488,770	-	-
Maturities and disposals	(5,381,836)	(981,985)	-	-
Changes in Fair Value	(4,722)	5,902	-	-
Impairment	233	(2,881)	-	-
At end of year	**1,972,527**	**1,146,307**	**-**	**-**
ECL Movement was as follows:				
At start of year	(117,165)	(87,827)	-	-
Impairment	(9,770)	(29,338)	-	-
At end of year	**(126,935)**	**(117,165)**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

23. Investment Securities

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Listed equity securities at FVTPL	1,519,899	953,929	-	-
Unit trusts at FVTPL	59,097	50,769	-	-
Other investment securities at FVTPL	73,995	70,772	-	-
Other investment securities at FVTOCI	50,607	-	-	-
Other investment securities at amortised cost	651,003	254,311	-	-
Financial assets at amortised cost	15,333,207	8,848,430	-	-
ECL on financial assets at amortised cost	(2,360)	(9,727)	-	-
	17,685,448	**10,168,484**	**-**	**-**
ECL Movement was as follows:				
At start of year	(9,727)	(81,875)	-	-
ECL writeback	7,367	72,148	-	-
At end of year	**(2,360)**	**(9,727)**	**-**	**-**
The movement in financial assets held at amortised cost was as follows:				
At start of year	8,838,703	11,571,960	-	-
Transfer from loans and advances (note 24b)	1,482,021	-	-	-
Additions	5,002,756	612,453	-	-
Disposals	-	(3,417,858)	-	-
ECL writeback	7,367	72,148	-	-
At end of year	**15,330,847**	**8,838,703**	**-**	**-**
The movement in equity securities was as follows:				
At start of year	953,929	911,863	-	-
Fair value gain on equity securities at fair value through profit or loss (note 12)	565,970	42,066	-	-
At end of year	**1,519,899**	**953,929**	**-**	**-**
The movement in unit trusts at fair value through profit or loss was as follows:				
At start of year	50,769	49,526	-	-
Fair value gain on equity securities at fair value through profit or loss	8,328	1,243	-	-
At end of year	**59,097**	**50,769**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

23. Investment Securities (continued)

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2032 Shs'000	2022 Shs'000
The movement in other investment securities at fair value through profit or loss was as follows:				
At start of year	70,772	77,834	-	-
Fair value gain/(loss) on equity securities at fair value through profit or loss	3,223	(7,062)	-	-
At end of year	**73,995**	**70,772**	**-**	**-**
The movement in other investment securities at amortised costs was as follows:				
At start of year	254,311	233,057	-	-
Disposals	(254,311)	-	-	-
Fair value gain on equity securities at fair value through profit or loss	651,003	21,254	-	-
At end of year	**651,003**	**254,311**	**-**	**-**
The movement in other investment securities at fair value through other comprehensive incomes was as follows:				
At start of year	-	-	-	-
Reclass from government securities	50,607	-	-	-
At end of year	**50,607**	**-**	**-**	**-**
Classified as:				
Non-current	16,058,993	8,693,925	-	-
Current	1,626,455	1,474,559	-	-
Total	**17,685,448**	**10,168,484**	-	-

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 2023, 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 76 million higher or lower (2022: Shs 47.7 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

24. Customer loans and advances - Group

Summary of customer loans and advances

	2023 Shs'000	2022 Shs'000
Loans and advances classified as:		
a) Loans and receivables (amortised cost) net of ECL	326,118,555	271,889,139
b) Loan notes at FVTPL	4,095,870	4,144,045
	330,214,425	**276,033,184**
(a) Loans and advances at amortised cost		
Overdrafts	38,108,208	29,930,226
Term loans	289,478,995	255,483,086
Credit cards	1,198,050	992,391
Bills discounted	18,021,050	6,630,132
	346,806,303	**293,035,835**
Provisions for impairment		
Stage 3	(15,877,191)	(16,079,525)
Stage 2	(2,437,697)	(2,740,074)
Stage 1	(2,372,860)	(2,327,097)
	(20,687,748)	**(21,146,696)**
Net loans and advances at amortised cost	**326,118,555**	**271,889,139**
(b) Loan notes at fair value through profit or loss		
Loans notes	4,095,870	4,144,045
At start of year	4,144,045	4,223,436
Fair value loss	(1,730,879)	(554,651)
Foreign currency exchange rate movements	1,682,704	475,260
At end of year	**4,095,870**	**4,144,045**
(c) Current and non-current analysis		
Current	136,917,734	106,647,605
Non-current	193,296,691	169,385,579
	330,214,425	**276,033,184**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

24. Customer loans and advances – Group (continued)

Significant changes in the gross carrying amounts of loans and advances to customers that contributed to movements in loss allowances were new loans advanced in the year, as well as write off of impaired loans.

The table below shows the movement in gross loans and advances between the various credit quality stages in the year.

	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	Total Shs'000
Gross carrying amount as at 01 January 2023	228,669,234	31,497,403	32,869,198	293,035,835
Transfer to stage 1	1,791,519	(1,213,785)	(577,734)	-
Transfer to stage 2	(6,321,392)	6,799,682	(478,290)	-
Transfer to stage 3	(3,280,336)	(8,626,039)	11,906,375	-
Net new financial assets originated or purchased	55,252,608	3,160,990	5,005,509	63,419,107
Transfer to investment securities (note 23)	(1,482,021)	-	-	(1,482,021)
Foreign exchange and other changes	30,629,951	75,938	(1,420,449)	29,285,440
Financial assets derecognized (including repayments)	(21,660,794)	(4,740,088)	(11,051,176)	(37,452,058)
Gross carrying amounts as at 31 December 2023	**283,598,769**	**26,954,101**	**36,253,433**	**346,806,303**
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
Financial assets derecognized (including repayments	(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**

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

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	**2,327,097**	**2,740,074**	**16,079,525**	**21,146,696**
Transfer to stage 1	(17,330)	(86,658)	103,988	-
Transfer to stage 2	(8,207)	(157,119)	165,326	-
Transfer to stage 3	(6,708)	(154,055)	160,763	-
Net new impairments created/(released)	483,165	813,241	4,679,408	5,975,814
Transfer from Investment Securities	(209)	-	-	(209)
Foreign exchange and other movements	(62,229)	169,585	4,045,312	4,152,668
Total charge to profit or loss	**388,482**	**584,994**	**9,154,797**	**10,128,273**
Financial assets derecognized	(342,719)	(887,371)	(9,357,131)	(10,587,221)
At 31 December 2023	**2,372,860**	**2,437,697**	**15,877,191**	**20,687,748**
At start of year	**2,151,861**	**5,928,181**	**22,727,225**	**30,807,267**
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**
Financial assets derecognized	(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**

25. Other assets

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Deposits and prepayments	1,200,265	1,652,687	-	-
Receivables from mobile banking operators*	11,165,404	12,673,066	-	-
Other receivables	4,622,805	3,679,778	-	-
	16,988,474	**18,005,531**	-	-

*Receivables from mobile banking relates to funding for mobile initiated transactions and other mobile banking funding accounts.

Other receivables mainly relates to suspense accounts across the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

26. Investment in associates

	Country of incorporation	Effective interest	2023 Shs'000	2022 Shs'000
CBA Mutuya Property Group Limited	Kenya	23.34%		
As start of the year			2,997,946	2,964,327
Share of profits				
Share of associate's profits prior year adjustment			(4,011)	(40,845)
Share of associate's profits current year			637	74,464
Total share of profits			**(3,374)**	**33,619**
At end of year			**2,994,572**	**2,997,946**
AIG Kenya Insurance Company Limited	Kenya	33.33%		
At start of the year			**1,028,041**	**987,290**
Share of profits				
Share of associate's profits prior year adjustment			(3,134)	4,843
Share of associate's profits current year			12,996	125,908
Total share of profits			**9,862**	**130,751**
Dividends received			(116,666)	(90,000)
At end of year			**921,237**	**1,028,041**
Bridge MicroFinance	Cote d'Ivoire	35.00%		
As start of the year			43,673	4,843
Additional investment			228,976	-
Share of profits				
Share of associate's profits prior year adjustment			35	7,099
Share of associate's profits current year			35,181	31,731
Total share of profits			**35,216**	**38,830**
At end of year			**307,865**	**43,673**
Total investment in associates			**4,223,674**	**4,069,660**

Summarised statement of financial position

	CBA Mutuya Property Group Limited		AIG Kenya Insurance Limited		Bridge MicroFinance	
Summarised statement of financial position	2023 Shs '000	2022 Shs'000	2023 Shs '000	2022 Shs'000	2023 Shs '000	2022 Shs'000
Current						
Assets	2,093,879	1,885,068	2,030,356	1,269,330	791,370	914,425
Liabilities	(298,702)	(123,344)	(1,775,292)	(944,893)	(546,695)	(406,610)
Net current assets	**1,795,177**	**1,761,724**	**255,064**	**324,437**	**244,675**	**507,815**
Non-current						
Assets	13,345,744	16,456,968	5,203,697	5,056,599	7,782,982	3,289,076
Liabilities	(877,624)	(2,887,445)	(3,482,354)	(3,035,372)	(7,597,545)	(3,595,424)
Net non-current assets	12,468,120	13,569,523	1,721,343	2,021,227	185,437	(306,348)
Net assets	**14,263,297**	**15,331,247**	**1,976,407**	**2,345,664**	**430,112**	**201,467**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

26. Investment in associates (continued)

Summarised statement of comprehensive income

	CBA Mutuya Property Group Limited		AIG Kenya Insurance Limited		Bridge MicroFinance	
	2023 Shs '000	2022 Shs '000	2023 Shs '000	2022 Shs '000	2023 Shs '000	2022 Shs '000
Revenue	**453,656**	**438,776**	**1,988,384**	**2,202,563**	**543,262**	**449,019**
Profit / (loss) for the year	2,731	319,040	38,993	392,289	100,517	90,661
Total Share of associate's (loss) /profit for the year	**(3,374)**	**33,619**	**9,862**	**130,751**	**35,216**	**38,830**

Share of associate's (loss)/profit for the year	2023 Shs 000	2022 Shs 000
CBA Mutuya Property Group Limited	(3,374)	33,619
AIG Kenya Insurance Limited	9,862	130,751
Bridge MicroFinance	35,216	38,830
	41,704	**203,200**

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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

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 (%)	2023 Shs '000	2022 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	7,085,647
NCBA Bank Uganda Limited	Uganda	Banking	100	4,946,083	4,946,083
NCBA Bank Rwanda PLC	Rwanda	Banking	100	3,300,113	3,300,113
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 Limited	Kenya	Financial Innovation	100	200,001	200,001
NIC Bank Kenya PLC	Kenya	Dormant	100	-	-
Commercial Bank of Africa (Tanzania) Limited	Tanzania	Dormant	100	-	-
Commercial Bank of Africa (Uganda) Limited	Uganda	Dormant	100	-	-
				74,081,089	**74,081,089**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

27. Investment in subsidiaries (continued)

Year 2023	NCBA Bank Kenya Shs'000	NCBA Bank Tanzania Shs'000	NCBA Bank Uganda Shs'000	NCBA Bank Rwanda Shs'000	Others	Total Shs'000
Balance as at 1 January and 31 December 2023	57,247,745	7,085,647	4,946,083	3,300,113	1,501,501	74,081,089
Year 2022						
Balance as at 1 January 2022	57,247,745	5,083,890	4,132,587	2,842,845	1,301,501	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**	**1,501,501**	**74,081,089**

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 (%)	2023 Shs '000	2022 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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

27. Investment in subsidiaries (continued)

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 (%)	2023 Shs '000	2022 Shs '000
LOOP Payco Limited	Kenya	Digital Financial Services	100.00%	6,000	6,000
LOOP Capital Limited*	Kenya	Digital Credit Provider	100.00%	-	-
LOOP Payco Trustee Limited*	Kenya	Trustee services	100.00%	-	-
LOOP DFS Uganda Limited*	Uganda	Digital Financial Services	100.00%	-	-
LOOP Payco Uganda Limited*	Uganda	Payment Service Provider	100.00%	-	-
LOOP Capital Uganda Limited*	Uganda	Digital Credit Provider	100.00%	-	-
LOOP DFS Rwanda Limited*	Rwanda	Digital Financial Services	100.00%	-	-
LOOP Payco Rwanda Limited*	Rwanda	Payment Service Provider	100.00%	-	-
LOOP Capital Rwanda Limited*	Rwanda	Digital Credit Provider	100.00%	-	-
LOOP DFS Ghana Limited	Ghana	Digital Financial Services	77.91%	25,550	25,550
				31,550	**31,550**

LOOP DFS 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.

*The subsidiaries are yet to commence operations.

Investment in subsidiaries is classified as non-current asset.

28. Intangible assets - Group

	2023 Shs'000	2022 Shs'000
Software	7,755,928	5,810,137
Work In Progress	23,079	-
	7,779,007	**5,810,137**

Intangible assets are classified as non-current

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

28. Intangible assets - Group (continued)

a) Software

	2023 Shs'000	2022 Shs'000
At start of year	5,810,137	5,551,514
Additions during the year	3,092,421	1,393,174
Amortisation charge for the year (note 13)	(1,174,139)	(1,152,997)
Writeoff	(10,737)	-
Foreign exchange movement on consolidation	61,325	18,446
At end of year	**7,779,007**	**5,810,137**
Cost	18,145,738	14,868,080
Accumulated amortisation	(10,428,056)	(9,062,166)
Foreign currency exchange rate movement on consolidation	61,325	4,223
	7,779,007	**5,810,137**

b) Other Intangible assets

	Total Shs' 000
Year ended 31 December 2023	
At the start and end of year	-
Year ended 31 December 2022	
At start of year	531,125
Amortisation	(531,125)
At end of year	-

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

29. Property and Equipment - Group

	Improvements on leased properties Shs'000	Equipment, furniture and fittings Shs'000	Motor vehicles Shs'000	Work in progress Shs'000	Total Shs'000
At 1 January 2023					
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**
Year ended 31 December 2023					
Opening net book amount	**1,048,579**	**1,009,449**	**36,108**	**263,241**	**2,357,377**
Asset additions - at cost	152,313	397,346	54,986	201,842	806,487
Exchange rate movements	19,124	46,278	837	2,159	68,398
Capitalisation of work in progress	138,851	104,122	-	(242,973)	-
Asset disposals	(16,190)	(131,220)	(21,252)	-	(168,662)
Depreciation eliminated on disposals	16,190	128,968	21,252	-	166,410
Depreciation charge	(266,535)	(455,463)	(23,891)	-	(745,889)
	1,092,332	**1,099,480**	**68,040**	**224,269**	**2,484,121**
At 31 December 2023					
Cost	3,297,264	7,159,474	229,192	224,269	10,910,199
Accumulated depreciation	(2,204,932)	(6,059,994)	(161,152)	-	(8,426,078)
Net book amount	**1,092,332**	**1,099,480**	**68,040**	**224,269**	**2,484,121**
At 1 January 2022					
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**

Work in progress comprise improvements on leased properties, equipment and fittings which are capitalised upon completion and commissioning of respective projects and depreciated over estimated useful lives of three to eight years.

Property and equipment with a cost of Shs 7.2 billion were fully depreciated as at 31 December 2023 (2022 - Shs 6.2 billion). All property plant and equipment are classified as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

30. Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2022 - 30%) with the exception of Rwanda whose tax rate changed to 28% from 30% in September 2023. The movements in the deferred income tax account were as follows:

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
At start of year	10,300,722	11,832,708	59,220	24,491
Profit or loss credit (note 15)	480,218	(2,807,461)	33,233	41,520
Prior year under (over) provision	71,250	16,051	-	(6,791)
Effect of change in tax rate	(7,043)	-	-	-
Income tax on changes in value of FVOCI financial instruments	1,429,517	1,259,424	-	-
At end of year	12,274,664	10,300,722	92,453	59,220

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

30. Deferred income tax

Group

Year ended 31 December 2023	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	698,617	4,871	(186,225)	-	517,263
Accelerated depreciation	3,610	-	-	-	3,610
Exchange rate difference on consolidation	78,277	(2,123)	(73,681)	289,476	291,949
IFRS 16 right of use and lease liability	184,618	(3,770)	12,508	-	193,356
Leave pay provision	18,346	-	6,958	-	25,304
Loan loss Provision	6,013,217	(80,426)	767,758	-	6,700,549
Changes in fair value of FVOCI financial instruments (note 41)	2,115,884	-	-	1,140,041	3,255,925
Changes in fair value of assets carried at FVTPL	11,507	-	-	-	11,507
Tax losses	2,519,095	152,698	(47,100)	-	2,624,693
Effect of change in tax rate	-	-	(7,043)	-	(7,043)
Deferred income tax de-recognised	(1,342,449)	-	-	-	(1,342,449)
Net deferred income tax asset	10,300,722	71,250	473,175	1,429,517	12,274,664

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

30. Deferred income tax (Continued)

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 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**

Company

	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
Year ended 31 December 2023				
Deferred income tax asset				
Provisions for staff bonus accrual and other general accruals	59,220	33,233	-	92,453
Year ended 31 December 2022				
Deferred income tax asset				
Provisions for staff bonus accrual and other general accruals	24,491	34,729	-	59,220

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

31. Lease Prepayments – Leasehold Land

Group

	2023 Shs'000	2022 Shs'000
Cost		
At start of year and end of year	526,000	526,000
Amortization		
At start of year	3,875	3,750
Charge for the year	125	125
At end of year	4,000	3,875
Net book value	**522,000**	**522,125**

Operating lease prepayments - leasehold land is classified as non-current assets.

32. Right of use asset – Group

	2023 Shs'000	2022 Shs'000
At 1 January	2,940,348	2,979,464
Additions during the year	765,518	1,044,513
Prior period lease amendment	(1,949)	5,142
Derecognition of right of use asset on terminated leases	(50,002)	(100,856)
Depreciation charge for the year	(1,152,705)	(1,006,903)
Foreign currency exchange movements	527,291	18,988
Net book value	**3,028,501**	**2,940,348**

Right of use assets are classified as non-current assets.

33. Goodwill - Group

	2023 Shs'000	2022 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

34. Customer deposits – Group

	2023 Shs'000	2022 Shs'000
Current accounts	257,323,349	243,646,974
Call deposits	54,975,608	27,421,081
Time deposits	241,175,497	210,964,353
Savings accounts	24,025,314	19,276,780
Others	1,902,150	1,366,766
	579,401,918	**502,675,954**
Current and non-current analysis:		
Current	551,880,141	501,486,427
Non-current	27,521,777	1,189,527
	579,401,918	**502,675,954**

The maturity analysis is based on the remaining periods to contractual maturity from year end.

35. Due to banking institutions – Group

	2023 Shs'000	2022 Shs'000
Maturing within 3 months		
Time deposits	15,585,974	2,100,568
Current account balances	11,094,583	3,813,559
Total due to banking institutions	**26,680,557**	**5,914,127**

All the balances due to banking institutions had maturities of less than 91 days and are classified as current liabilities.

36. Other liabilities

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Accrued expenses	8,223,053	7,938,680	699,935	370,185
Other settlement items	6,904,863	6,703,083	-	-
Other liabilities	6,342,839	5,560,070	-	-
	21,470,755	**20,201,833**	**699,935**	**370,185**

Other liabilities include pending obligations and items in suspense that are yet to reversed.

The other liabilities are classified as current liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

37. Borrowings – Group

a) Summary of borrowings

	2023 Shs'000	2022 Shs'000
Kenya		
African Development Bank (ADB)		
Principal amount	785,000	1,234,800
Accrued interest	32,617	17,532
	817,617	**1,252,332**
Kenya Mortgage Refinance Company (KMRC)		
Principal amount	856,102	-
Accrued interest	4,072	-
	860,174	**-**
European Investment Bank (EIB)		
Principal amount	1,877,894	2,215,437
Accrued interest	8,015	7,457
	1,885,909	**2,222,894**
Agence Francaise de Developpement (AFD		
Principal amount	640,258	728,818
Accrued interest	4,365	2,921
	644,623	**731,739**
Rwanda		
Rwanda Development Bank (RDB)		
Principal amount	2,012,040	-
Accrued interest	1,331	-
	2,013,371	**-**
Tanzania		
Tanzania Mortgage Refinance Company (TMRC)		
Principal amount	187,200	-
Accrued interest	3,077	-
	190,277	**-**
	6,411,971	**4,206,965**
Maturity Profile:		
Current	3,353,233	1,706,467
Non-current	3,058,738	2,500,498
	6,411,971	**4,206,965**

b) Net borrowings reconciliation

	2023 Shs'000	2022 Shs'000
Opening balance	4,206,965	6,096,755
Additions	3,055,342	-
Accrued interest (note 7)	442,232	159,743
Repayments (principal amount)	(1,619,445)	(2,189,459)
Repayments (interest amount)	(371,255)	(171,062)
Foreign currency exchange movements	698,132	310,988
Closing balance	**6,411,971**	**4,206,965**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

37. Borrowings – Group (continued)

Borrowings are financial instruments classified as a liability at amortised cost. The terms of the borrowings are as follows:

NCBA Group PLC had six long-term senior loans as below:

- US$ 54 million unsecured facility raised from European Investment Bank (EIB) in December 2016, with a tenure of 7 years. Outstanding principal balance as at 31 December 2023 was US$ 12 million (2022: US$ 17.9 million);
- EUR 7.8 million unsecured facility raised from Agence Francaise de Developpement (AFD) in November 2015, with a tenor of 8 years. Outstanding principal balance as at 31 December 2023 was EUR 3.7 million (2022: EUR 5.5 million);
- US$ 65 million unsecured facility raised from African Development Bank (ADB) 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 2023 was US$ 5.2 million (2022: US$ 10 million);
- KES 860.5 million unsecured facility raised from Kenya Mortgage Refinance Company (KMRC) in October 2023. The facility is payable over a period of 12 years and had an outstanding principal balance as at 31 December 2023 of KES 860.1 million.
- RWF 16.2 billion unsecured facilities raised from Rwanda Development Bank (RDB) in three tranches in 2022 and 2023. The facilities are payable within a period of 15 years and had cumulatively an outstanding principal balance as at 31 December 2023 of RWF 16.2 billion.
- TZS 3 billion unsecured facility raised from Tanzania Mortgage Refinance Company (TMRC) in April 2020. The facility is payable over a period of 5 years and had an outstanding principal balance as at 31 December 2023 of TZS 3 billion.

The borrowings from lenders require compliance with various specified financial ratios / covenants as per respective contractual agreements. The Group was compliant with all covenants except one from European Investment Bank (EIB) on non-performing loans ratio (Computed as non- performing loans plus all restructured loans as a percentage of Gross Loans). On a regular basis, the Group reports the status of its compliance with these covenants to EIB. It is expected that a revised loan agreement will be in place in the second quarter of 2024.

The facilities bearing interest at rates referenced to six months Libor, transited to Secured Overnight Financing Rate (SOFR) with the cessation of LIBOR from 30 June 2023.

38. Lease liability

	2023 Shs'000	2022 Shs'000
At start of year 2022	3,614,564	3,599,681
Additions during the year	765,518	715,854
Prior period lease amendment	1,776	839
Derecognition on lease termination	-	(10,670)
Interest expense accruals (lease liability) during the year (note 7)	433,528	419,078
Lease liability debits (rent paid) in the year	(896,016)	(1,118,868)
Interest on lease paid during the year	(290,661)	-
Foreign currency exchange movements	156,585	8,650
At end of year	**3,785,294**	**3,614,564**
Current and non-current analysis		
Current	595,482	2,872,205
Non-Current	3,189,812	742,359
	3,785,294	**3,614,564**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

39. Share capital – Group and Company

	2023 Number of shares (thousands)	2023 Value Shs '000	2022 Number of shares (thousands)	2022 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

	2023 Shs'000	2022 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

	2023 Shs'000	2022 Shs'000
Changes in fair value of financial Instruments at FVOCI		
At start of year	(2,121,494)	369,963
Changes in fair value of FVOCI		
Financial instruments	(3,800,136)	(3,559,224)
Deferred income tax (note 30b)	1,140,041	1,067,767
Fair value gains on financial assets measured at FVOCI, net of tax	**(2,660,095)**	**(2,491,457)**
At end of year	**(4,781,589)**	**(2,121,494)**

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 2,660,095,000 (2022: Shs 2,491,457,000).

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

43. Related parties (continued)

Due to group companies - Company	2023 Shs'000	2022 Shs'000
Deposits with NCBA Bank Kenya PLC	418,622	84,875
Other receivables from NCBA Group companies	109,378	9,828
	528,000	**94,703**
Due to group companies - Company		
Due to NCBA Bank Kenya PLC	9,079,786	8,959,800

The balance due to NCBA Bank Kenya PLC includes Shs 8.2 billion (2022 – Shs 8.2 billion) on transfer of investments in regional subsidiaries from NCBA Bank Kenya PLC to NCBA Group PLC.

Loans and advances to directors - Group	2023 Shs'000	2022 Shs'000
At start of year	260,086	267,422
Advanced during the year	37,515	27,919
Repaid during the year	(19,263)	(35,255)
At end of year	**278,338**	**260,086**
Loans and advances to other key management personnel - Group		
Loans and advances to other key management personnel	504,941	530,351

Loans and advances / facilities to companies controlled by directors, common shareholders or their associates - Group

	2023 Shs'000	2022 Shs'000
On-balance sheet	37,315,288	21,621,311
Off-balance sheet	2,549,151	1,737,158
Income earned on related party transactions - Group		
Interest income earned on related party loans and advances during the year	2,575,070	1,515,857
Commissions earned on related party loans and advances during the year	**718,570**	**102,127**
Commisions earned on Insurance related business		
ICEA Lion Insurance Holdings Limited	35,822	26,076
AIG Kenya Insurance Company	13,190	10,457
	49,012	**36,533**

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

43. Related parties (continued)

Related party deposits - Group

	2023 Shs'000	2022 Shs'000
Related party deposits	36,528,974	20,943,511
Interest expense incurred on related party deposits during the year	2,345,749	1,260,310

The above deposits are from directors, companies on whose Boards the directors serve and from companies with common shareholders as the Group.

Key management personnel compensation

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Salaries and other short term employment benefits	1,327,700	1,024,767	322,246	260,231
Post-employment benefits	136,490	62,577	21,238	19,683
	1,464,190	**1,087,344**	**343,484**	**279,914**

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	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Fees for services as directors	72,891	62,496	34,940	41,530
Other emoluments (included in key management compensation above)	354,641	301,994	221,428	183,434
	427,532	**364,490**	**256,368**	**224,964**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Cash and balances with Central Banks (note 18)	43,327,884	38,626,109	-	-
Less: Cash reserve requirement*	(23,452,483)	(21,799,568)	-	-
	19,875,401	**16,826,541**	**-**	**-**
Due from banking institutions (note 20)	66,749,065	25,692,842	418,622	84,875
Due to banking institutions (note 35)	(26,680,557)	(5,914,127)	-	-
Government securities (note 22)	9,098,231	4,352,060	-	-
	69,042,140	**40,957,316**	**418,622**	**84,875**

*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 their day-to-day operations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

45. Cash generated from operations

	Notes	GROUP		COMPANY	
		2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Additional cash flow information					
Other non cash items included in profit before tax					
Share of profit from associates	26	(41,704)	(203,200)		
Fair value loss on loan note		1,730,879	554,651	-	-
Fair value gain on equity securities		-	(42,066)	-	-
Unrealised foreign exchange income		(2,245,497)	(316,834)	-	-
Gain on disposal property and equipment		(8,464)	(14,984)	-	-
Credit impairment charge	8	7,441,230	12,465,743	-	-
Amortisation of intangible assets	28	1,174,139	1,152,997	-	-
Amortisation of other intangible assets	28	-	531,125	-	-
Depreciation charge on property and equipment	29	745,889	698,350	-	-
Depreciation of right of use asset	32	1,152,705	1,006,903	-	-
Fair value gain on investment securities		(565,970)	-	-	-
Amortisation of lease prepayments	31	125	125	-	-
Interest expense on lease liability	38	433,528	419,078	-	-
Interest expense on borrowings	37	442,232	159,743	-	-
Interest income		(77,926,028)	(64,112,324)	-	-
Interest expense		29,762,213	21,725,694	-	
Total non-cash items		**(37,904,723)**	**(25,974,999)**	**-**	**-**
Changes in operating assets and liabilities					
Increase in balances held with Central Banks-mandatory reserves		(1,652,915)	(1,726,039)	-	-
Increase in loans and advances		(64,906,881)	(47,661,067)	-	-
Decrease/(increase)/ in other assets		1,117,133	(8,164,563)	241,319	-
Increase in derivative assets		8,925	-	-	-
(Decrease)/ increase due from group companies		-	-	(426,095)	2,126,962
(Increase)/decrease due to group companies		-	-	119,986	(1,337,891)
Increase in customer deposits		76,725,964	32,785,871	-	-
Increase/(decrease) in other liabilities		2,765,646	4,613,703	88,430	(1,929,562)
Total changes in operating assets and liabilities		**14,057,872**	**(20,152,095)**	**23,640**	**(1,140,491)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

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.

	2023 Shs'000	2022 Shs'000
Letters of credit	15,100,932	20,087,009
Acceptances	27,568,527	10,035,685
Guarantees	29,203,494	30,589,672
	71,872,953	**60,712,366**

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	2023 Shs'000	2022 Shs'000
Un-drawn formal standby facilities, credit lines and other commitments to lend	12,725,543	11,384,035
Foreign exchange forward contracts	1,206,311	5,409,360
Purchase of property, equipment and software	602,267	558,947

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

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 278 billion (2022 – Shs 233 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. (2022: none)

49. Operating segments

The Group operates 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 Maker.

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.

iv) Digital Bank

This segment focuses on mobile savings and lending products at a micro level.

v) Investment banking

Investment banking targets large and medium sized companies for research, advisory, capital restructuring and stock brokerage requirements.

There is no single customer within the Group who accounts for more than 10% of the interest revenue.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

50. Segmental Reporting

The table below analyses the breakdown of segmental assets, liabilities, income and expenses by geographical segments.

Statement of profit or loss – Year ended 31 December 2023

	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Rwanda Shs'000	Group Shs'000
Interest income and other credit-related fees	67,765,506	3,293,967	3,741,854	3,124,701	77,926,028
Interest expense	(27,760,253)	(964,162)	(1,102,173)	(811,385)	(30,637,973)
Net interest income	**40,005,253**	**2,329,805**	**2,639,681**	**2,313,316**	**47,288,055**
Non – interest revenue	12,779,548	587,970	498,147	423,435	14,289,100
Operating and other Income	**52,784,801**	**2,917,775**	**3,137,828**	**2,736,751**	**61,577,155**
Impairment charges	(6,706,751)	(158,287)	(167,553)	(408,639)	(7,441,230)
Depreciation and amortization	(1,581,748)	(230,386)	(172,257)	(158,883)	(2,143,274)
Operating expenses	(22,072,394)	(1,779,950)	(1,573,055)	(1,127,050)	(26,552,449)
Profit before share of associate's profit	**22,423,908**	**749,152**	**1,224,963**	**1,042,179**	**25,440,202**
Share of associates profit	41,704	-	-	-	41,704
Profit before income tax	**22,465,612**	**749,152**	**1,224,963**	**1,042,179**	**25,481,906**
Income tax (expense)/credit	(3,907,051)	416,345	(210,286)	(324,281)	(4,025,273)
Profit for the year	**18,558,561**	**1,165,497**	**1,014,677**	**717,898**	**21,456,633**

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)
Impairment charges	(2,907,523)	(217,569)	(136,920)	(127,363)	(3,389,375)
Operating expenses	(17,986,172)	(1,595,612)	(1,326,045)	(822,893)	(21,730,722)
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)/credit	(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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

50. Segmental Reporting (continued)

Statement of financial position – As at 31 December 2023

	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Rwanda Shs'000	Group Shs'000
Assets					
Cash and balances with Central banks	35,855,822	3,142,565	3,164,970	1,164,527	43,327,884
Government securities	203,416,172	5,782,246	15,410,873	4,251,682	228,860,973
Due from banking institutions	53,344,725	5,099,495	3,033,169	5,271,676	66,749,065
Customer loans and advances	289,684,361	17,187,861	10,497,398	12,844,805	330,214,425
Investment securities	17,634,842	50,607	-	-	17,685,449
Other assets	41,648,239	904,619	3,333,426	1,897,328	47,783,612
Total assets	**641,584,161**	**32,167,393**	**35,439,836**	**25,430,018**	**734,621,408**
Liabilities					
Customer deposits	514,607,655	23,897,670	23,534,495	17,362,098	579,401,918
Due to banking institutions	22,169,222	2,404,040	472,776	1,634,519	26,680,557
Borrowings	4,208,323	190,277	-	2,013,371	6,411,971
Other liabilities	19,301,977	1,599,135	3,944,618	618,054	25,463,784
Total liabilities	**560,287,177**	**28,091,122**	**27,951,889**	**21,628,042**	**637,958,230**
Shareholders' funds	81,296,984	4,076,271	7,487,947	3,801,976	96,663,178
Total liabilities and shareholders' funds	**641,584,161**	**32,167,393**	**35,439,836**	**25,430,018**	**734,621,408**

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	1,877,005	1,278,191	46,690,365
Total assets	**554,751,309**	**22,951,960**	**24,592,759**	**17,365,616**	**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**

NOTICE OF THE 64TH ANNUAL GENERAL MEETING

Notice is hereby given that the **64th Annual General Meeting (AGM)** of the shareholders of **NCBA Group PLC** will be held via electronic communication on **Wednesday, 29th May 2024** at **10:00 am** in the manner set out in the notes immediately following this notice for the following purposes:

Ordinary Business

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 2023, and the Directors' and Auditor's reports thereon.
3. Declaration of Dividend
   a) To confirm an interim dividend of Shs 1.75 per ordinary share for the Financial Year ended 31st December 2023, which was paid to shareholders on 28th September 2023.
   b) To approve a final dividend of Shs 3.00 per ordinary share for the Financial Year ended 31st December 2023 as recommended by the Directors, to bring the total dividend to Shs 4.75 per ordinary share (2022: total dividend Shs 4.25 per ordinary share).
4. Elections of Directors
   a) In accordance with Article 7.18 of the Company's Articles of Association, to re-appoint each of the following Directors who retire by rotation and being eligible, offer themselves for re-election:
      i) D. A. Oyatsi;
      ii) I. O. Awuondo; and
      iii) P. R. Lopokoiyit.
   b) In accordance with Clause 2.5 of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, the following Directors having attained the age of 70 years retire from the Board and being eligible, offer themselves for re-election:
      i) J. S. Armitage; and
      ii) M. K. R. Shah.
5. Election of Board Audit and Risk Committee Members

   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 continue to serve as members of the said Committee, subject to the re-election of the Directors mentioned in agenda 4 above, i.e. P.R. Lopokoiyit and M. K. R. Shah:
      i) M. K. R. Shah;
      ii) Hon. A. H. Abdi; and
      iii) P. R. Lopokoiyit.
6. To approve:
   (a) The Directors' Remuneration Report and the remuneration paid to the Directors in the year ended 31st December 2023 (other than the part relating to the Directors' Remuneration Policy), and to authorise the Board to fix the remuneration of the Directors for the year 2024.
   (b) In accordance with Section 8.21 of the Thirteenth Schedule, Continuing Obligations of the Capital Markets (Public Offers, Listing and Disclosures) Regulations, 2023, the Directors' Policy on Remuneration and Attraction and Retention of Board Members.
7. Appointment of Auditors

   To appoint Deloitte & Touche as the Auditors of the Company until the end of the next AGM by virtue of Section 721 (2) 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 authorise the Directors to fix their remuneration for the ensuing financial year.
8. To transact any other business of the AGM of which due notice has been received.

Special Business

9. Approval of NCBA Group Stakeholder Relations Policy

   To consider and if thought fit to pass the following resolution as an ordinary resolution, as recommended by the Directors: -

   'That in accordance with clause F.13 of Part CO.F.00 on Corporate Governance of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations of 2002, the NCBA Group Stakeholder Relations Policy incorporating the Group's policy provisions on: Effective Communication with Stakeholders, Dispute Resolution for Internal and External Disputes, and Corporate Disclosures, is approved and that the Board be and is hereby authorised to oversee its implementation and effect such amendments to the policy as may be required for its proper functioning.'

BY ORDER OF THE BOARD
Kathryne Maundu
Group Company Secretary
Nairobi
29th April 2024

NOTICE OF THE 64TH ANNUAL GENERAL MEETING (CONTINUED)

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; and
   b) the Company's Financial Statements and reports for the year 2023.
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, 27th May 2024 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 authorised.
4. A copy of this notice, proxy form, policies for shareholder approval and full copy of the Group financial statements including explanatory notes are available from the Company's website https://ncbagroup.com/ (investor relations), while the policies for shareholder perusal and approval will be made available through the same channel on or before 7th May 2024. 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 27th May 2024 at 12:00 noon.
5. All shareholders with valid emails and telephone numbers will be pre-registered for the AGM using their bio-data details on the company register and will receive a personalised link through email or SMS. Shareholders need to confirm their attendance for the AGM as follows:
   a) Via the personalised pre-registration link to the AGM Platform that will be sent to them via SMS and/or email, and following the attendance confirmation prompts.
   b) USSD platform users can access the system through *483*130# from their mobile telephones for all Kenyan telephone networks and follow the various prompts regarding the registration process.
   c) Internet platform users can access the system and registration procedures through https://digital.candrgroup.co.ke.
   d) Registration opens on Wednesday 15th May 2024 at 08:00 am and will conclude on Tuesday 28th May 2024 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) via their personalised link to the AGM platform and clicking the Q&A tab on the display screen; or
   c) online through web access of the system at https://digital.candrgroup.co.ke using their registration details, and clicking the Q&A tab on the display screen; or
   d) by short message service (SMS) through *483*130# and following the menu prompts to the Q&A menu; or
   e) 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 email or physical formal letter 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 27th May 2024 at 12:00 noon.

NOTICE OF THE 64TH ANNUAL GENERAL MEETING (CONTINUED)

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).

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 through:
   a) Their personalised link to the AGM platform and clicking the Voting tab on the display screen
   b) Accessing Virtual AGM via online at https://digital.candrgroup.co.ke, using their registration details, and clicking the Voting tab on the display screen; or
   c) Accessing Virtual AGM via USSD platform *483*130# and following the prompts to the Voting menu option and the various prompts regarding the voting process.

Voting will open with registration on 15th May 2024 at 08:00 am and will close on 28th May 2024 at 5:00 pm, while the results will be announced at the AGM on 29th May 2024 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 **29 May 2024** and at any adjournment thereof.

As witness my / our hand this ______________ day of ________ 2024

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 **24 May 2024**.

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 **29 Mai 2023** au tarehe yoyote iwapo mkutano utahairishwa. Nashuhudia kwa mkono/mikono yangu/yetu siku hii ya

Tarehe ______________________ mwezi wa ________ 2024

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 24 Mei 2024**.

Fomu za uwakilishi zilizojazwa kulingana na maagizo pamoja na nakala za vitambulisho pia zinaweza kutumwa kupitia barua pepe kwa anwani hii; proxy@candrgroup.co.ke kwa muundo wa PDF.

Elewa: Mwakala akiwa anawakilisha kampuni yoyote au shirika ni lazima atumie muhuri rasmi wa kampuni hiyo (common seal), au sahihi rasmi ya wakili aliyeidhinishwa.

NCBA

ncbagroup.com Go for it

NCBA Bank Kenya PLC is regulated by the Central Bank of Kenya