

KEY FACTS DOCUMENTS - CORPORATE

We thank you for choosing NCBA Bank. At NCBA Bank, we believe in presenting information in a clear simple and transparent manner. This document sets out a summary of the key facts you need to know regarding NCBA Bank Corporate products. It should be read in conjunction with the Bank's General Terms and Conditions, the Tariff Guide and product brochures. To the extent of any inconsistency between this Key Fact Document and our products' Terms and Conditions, the General Terms and Conditions prevail. It has been provided to help you choose the right banking services for your needs.

Corporate Current Account

This is designed for corporate customers.

Features

- Minimum account balance of Kes. 5,000.
- Ledger fee charges at Kes. 40 per credit transaction with a minimum charge of Kes. 600.00
- A cheque book issued with a Kes. 1,350.00 per 100 leaf book.
- Access to the Bank's internet banking system

Benefits

- Dedicated account relationship manager
- Eligibility to:
 - Account Overdrafts
 - Earning interest on deposits
 - Waiver on ledger fees based on eligibility
 - Eligibility to the Bank's credit card program
 - Bank credit facilities

Institutional Banking Current Account

- This is a unique transactional Current Account that affords the customer flexibility and ease to transact and invest while offering tailor made solutions to suit their needs.
- The Institutional Banking Current Account is designed to meet the needs of:
 - Local & International Not for Profit Organizations
 - Diplomatic Missions
 - Donor Agencies
 - Faith Based Organizations
 - Public Sector
 - Professional Firms
 - Insurance Companies
 - Educational Institutions
 - Non-Bank Financial Institutions

- Family Offices
- Trusts

Features

- Account available in Kenya Shillings, USD, EUR, GBP and in all other major foreign currencies.
- Premium Paid on Monthly Balances
- No Minimum Balances
- Sub Accounts opened with ease
- No monthly ledger fees
- Waiver of incoming funds charges
- Access to online banking
- Cheque Books

Benefits

- Dedicated Relationship Manager
- Dedicated Forex Dealer
- Ability to open Sub-Accounts with ease
- Free monthly bank e-statements
- Free Trade-FX platform for foreign currency conversions
- Tailor made Collections and Payment Solutions

Prepaid Card

- This is a payment option for customers who do not necessarily have bank accounts, or who prefer to use a pre-loaded card that is not linked to their main bank account to make payments locally or abroad.

Features

- Types of prepaid cards
 - General Purpose Reloadable card- can be loaded more than once
 - Gift card (one-time loadable) – can only be loaded once

Features of the prepaid card

- Multi-currency- supports KES (Kenya shilling), USD (US Dollar) and Euro
- Multi-wallet-easy customization when designing payment solutions
- M-Pesa Integration- deposits can be done via M-Pesa
- The card is available to both NCBA customers and non-NCBA bank customers.

Where the prepaid card is loaded

1. At any NCBA branch
2. Through NCBA online banking
3. Through Mpesa Paybill (**445992**) service (in KES currency)

Where the prepaid card can be used

Retail Stores (shopping), Online (for online transactions), Travel, Hotel and entertainment joints, Hotel and entertainment joints, Healthcare facilities, Fuel stations, Visa branded ATMs, Restaurants

Benefits

- Multicurrency: You can transact in USD, EUR, KES
- Easy Access to funds
- Convenience
- Safety and security
- Instant card issuance

CORPORATE LOANS**a) Term Loan**

- This facility enables corporate clients develop an ideal lending solution with the bank by analyzing the respective business sales/income figures over a time period, to finance business investment activities.
- The loan amount will be determined by customer need as well as serviceability of the loan
- The repayment capacity will be assessed on existing Business cash flow and cash flow projections
- The security required will be defined in the Group Lending Policy
- The maximum tenor will vary
- The charges will be guided by the Bank's tariff guide
- The currencies for the loan will be in major currencies – KES, USD, EUR

b) Overdraft Facility

- This purpose of this facility is to finance fully fluctuating working assets of a business, mainly stocks and trade debtors and not intended to finance permanent working capital, business expenses nor any form of long term assets.
- The loan amount will be determined by business need
- The repayment capacity will be assessed on existing business cash flow and cash flow projections
- The security required will be determined as per collaterals defined in the group lending policy
- The maximum tenor will be 1-year renewable
- The charges will be guided by the Bank's tariff guide
- The currencies for the loan will be in major currencies – KES, USD, EUR

c) Insurance Premium Finance (IPF)

- Our Insurance Premium Financing (IPF) solution is a credit facility that allows for insurance premiums to be paid in instalments over a minimum of 4 Months and maximum of 10 Months rather than in one lump sum amount.

Features

- IPF facility is offered to finance all insurance classes that are renewed annually.
- No security required – the risk on IPF is predicted on the financial strength of the underwriter who are the guarantors.
- Payments are done through post-dated cheques/direct debit.
- Available for both account holders and non-account holders

Requirements

- IPF Agreement Form signed
- Policy Details provided
- Current Cheque/Cleared funds from First instalment and for the remaining instalments/Standing Order/Direct Debit instructions/Post Dated Cheques
- Identification Documents (ID, PIN, Incorporation Certificate, Registration Certificate, CR12, Directors ID & PIN as applicable)

Benefits

- No credit appraisal for the facility to be taken up
- Convenient and simple documentation
- Easy application process
- Quick processing time
- No hidden charges or fees
- Competitive pricing
- Turnaround time for payment of premium to the Insurance Company is 2 days on cleared funds

d) Operating Lease

- The operating lease solution is a contract that allows a lessee (tenant) to use an asset over a specific period of time in return for periodic payments based on partial pay-out of the capital cost of the asset.
- It does not convey the right of ownership of the asset. This product offering is currently available for Small and Medium Size Enterprises (SME's), Corporates and Government both County and Central Government.

Features

Asset classes that can be leased:

1. Motor vehicles
2. IT equipment
3. Supermarket equipment
4. Construction equipment
5. Furniture, fixtures and fittings
6. Medical equipment
7. Industrial equipment

e) Asset Finance

- This is an alternative form of secured lending that enables businesses to acquire movable & identifiable assets, plant or machinery assets that offers flexible financing options such as;
 - Hire Purchase (HP)
 - Leasing
 - Insurance Premium Finance (IPF)
 - Import Financing
- Examples of asset finance are Motor Vehicles, Tractors, Trailers, PSV Vehicles, Vans, Agricultural Equipment, Construction Equipment, Medical Equipment, Manufacturing plant, Office and IT Equipment
- The loan amount will be subject to Loan to Value (LTV) as per master credit policy with serviceability demonstrated from existing and projected income streams
- The repayment period will be assessed on existing business cash flow and cash flow projections
- Security will be by way of first legal charge on the asset being financed and/or another property
- The charges will be guided by the Bank's tariff guide.
- The benefits to you as a customer are:
 - Competitive pricing on a wide range of movable assets.
 - Reliable dealer partnerships with various dealers in the industry
 - Flexible financing options i.e., HP, Leasing, I.P.F e.t.c.
 - High financing limits with regard to Loan to Value (LTV) ratios
 - Customer can have more than one asset facility as long as their financials can support
 - Payments in convenient installments
 - Insurance Premium Financing for the assets purchased
 - No additional Collateral required
 - Customer assumes immediate Possession & Use of Asset

TRANSACTIONAL BANKING SOLUTIONS

1. CASH MANAGEMENT

PAYMENT SOLUTIONS

a) Funds Transfer – EFT

This product offers a customer the means to transfer money from one financial account to another domestically. The payment is initiated electronically to facilitate transfer of money from a customer's bank account to another financial institution within the country.

Channels that Support this payment are;

- Internet banking
- Mobile Banking
- Branch/Agency
- Application Interfaces (API)

Payment features and functionality

- This payment has a value date of 1 working day (if processed within working hours 0800hrs – 1700hrs)
- Transaction limit: KES. 999,999.95
- This payment supports local currency transactions only
- These payments require a you to know the respective beneficiary bank and branch code

Benefits

- You can process these payments in bulk to payout salaries and other obligations
- Transactions made via electronic channels are cheaper

b) Funds Transfer – RTGS

This is a payment initiated electronically to facilitate transfer of money from a customer's bank account to another financial institution within the country.

Channels that Support this payment are;

- Internet banking (Retail & Corporate)
- Mobile Banking
- Branch/Agency
- Application Interfaces (API)

Payment features and functionality

- This payment has a same day value date (if processed within capped hours 0800hrs – 1500hrs)
- This payment has no transaction limits
- This payment supports local and major foreign currency transactions
- These payments require you to know the respective beneficiary bank SWIFT code

Benefits

- Bank customers can process these payments in bulk to payout salaries and other obligations
- Customers with foreign currency accounts can get cushioned from foreign currency exchange rates if they transact directly from their account

- Transactions made via electronic channels are cheaper

c) Funds Transfer – Pesalink

This is an electronic funds transfer service that enables real-time transfer of money from a customer's bank account to another financial institution within the country

Channels that Support this payment are;

- Internet banking
- Mobile Banking
- Branch/Agency
- Application Interfaces (API)

Payment features and functionalities

- This payment offers real-time value (45 seconds)
- Transaction limits of KES. 10 to KES. 999,999.95
- This payment supports local currency transactions
- Payments can be made directly to another bank account or to a linked beneficiary mobile number
- These payments require a customer to know the respective beneficiary Bank's PesaLink code

Benefits

- You can process these payments in bulk to payout salaries and other obligations
- Offers cheaper funds transfer charges
- The service is available 24 hours a day, 7 days a week, 365 days a year

d) Funds Transfer – Mobile Money

This product offers a customer the means to transfer money from one financial account to a mobile wallet domestically. It is a payment service offering you the means to transfer money from your current account to supported mobile money wallets operating within the country

Channels that Support this payment are;

- Internet banking
- Mobile Banking
- Branch/Agency
- Application Interfaces (API)

Payment features and functionality

- This payment offers real-time value
- Transaction limits of KES. 100 to KES. 70,000

- This payment supports local currency transactions only
- Supports payment to M-Pesa and M-Shwari Wallets

Benefits

- You can process payment in bulk to payout salaries and other obligations
- The service is available 24 hours a day, 7 days a week, 365 days a year
- Payments can be made to both registered and unregistered M-Pesa Wallet holders

e) Funds Transfer – Internal

This product offers the banks customers means to transfer money from one bank account to another internal bank account. It is a payment service offering customers the means to transfer money from their current account to other internal account holders

Channels that Support this payment are;

- Internet banking (Retail & Corporate)
- Mobile Banking
- Branch/Agency
- Automated Teller Machines (ATMs)
- Application Interfaces (API)

Payment features and functionality

- This payment offers real-time value
- This payment has no transaction limits
- This payment supports local and major foreign currencies

Benefits

- Customers can process the payment in bulk to payout salaries and other obligations
- Payments can be made across borders i.e. to regions where the bank operates – Kenya, Tanzania, Rwanda and Uganda

f) Funds Transfer – SWIFT

This product offers the banks customers' means to transfer money from one financial account to another internationally. It is a payment initiated electronically to facilitate transfer of money from a bank account to another financial institution globally, except to the United Nations sanctioned countries.

Channels that Support this payment are;

- Internet banking
- Mobile Banking

- Branch/Agency
- Application Interfaces (API)

Payment features and functionality

- This payment has a same day value date (relative to the beneficiary time zone)
- This payment has no transaction limits
- This payment supports major foreign currency transactions
- These payments require a customer to know the respective beneficiary Bank SWIFT code, Fedwire, Sort Code and IBAN where applicable
- Beneficiary country regulations for international payments may also apply respectively

Benefits

- Seamless and secure international payments

g) Over the Counter 3rd Party Payments

- This is a specialized cash payment service extended to non-bank account holders, who withdraw funds paid to them by our bank clients for such purposes as wages, per diem etc.
- Channels that Support this payment are branch and agency.

Payment features and functionality

- Payments are made to pre-defined beneficiaries identified at the branch by the supplied identification from the remitter of funds

Benefits

- The service offers means to receive payments by non-account holders when paid by our account holders

h) Bulk Payments

This payment service provides efficient and cost effective payment processing for multiple or large sets of financial transactions

Channels that Support this service are;

- Internet banking (Corporate)
- Branch/Agency
- Host to Host

Payment features and functionality

- Supports processing of all funds transfer types;

- The internet channel supports multiple processing modes;
- The internet channel supports multiple charge allocation for bulk payments;
- The internet channel provides for multiple charging structures

Benefits

- Flexible processing of multiple payment transactions in large volumes (up to 200,000 records on a single bulk file for the internet channel)
- Ability to select from multiple charge allocation for bulk payments
- Ability to select from multiple charging structures
- Ability to choose from multiple bulk payment processing modes

i) Third Party Cheques

- This is a specialized product designed to handle payment of dividend cheques issued by the Bank, where beneficiaries can cash in cheques with values equal to or below KES. 1,000
- The channel that supports this payment is Branch/Agency
- The service enables payment of the cheque value in cash when presented at our bank branch and caters to both account holders and non-account holders

j) Dividend Processing

This is a specialized payment service that enables preparation of dividend payment made by a corporation to its shareholders, usually as a banker's cheques or electronic funds transfer

Payment Options / Instruments

- Electronic funds Transfer (EFT)
- Real time Gross Settlement (RTGS)
- International Transfers (SWIFT)
- Mobile Money (M-Pesa, & M-Shwari)
- Bankers Cheque

Features and Functionality

- Preparation & processing of dividend payments / instruments based on customer requirements
- Delivery of prepared cheques to the registrar for shareholder collection
- Advice to shareholders on Cheque collection (based on customer request)

Benefits

- Simplified operational processes for dividend payments by the customer
- Elimination of reconciliation challenges for the Corporate

k) Host-to-Host Solution

This is a secure and automated two-way payment data transfer service that enables our corporate and business customers to initiate transactions from their Enterprise Resource Planning (ERP) systems directly into their banking systems, without manual interventions.

Features

- Enhanced security through file encryption and secured VPN connectivity
- Flexibility - Allows integration into most financial ERP systems
- Automated Customer to Bank processes (straight from Customer ERP Ecosystem)

Channels:

VPN Integration – Straight Through Process / Via Online Banking

Benefits

- Straight Through Processing
- Customer can send or receive Files 24/7
- Customer can approve transactions on their ERP and avoid redundancy of processes
- Automated Processing Report
- Customer can process multiple payments in one file – EFT, PesaLink, RTGS, Internal Account, Mobile Wallet payments
- Enhanced Risk Management: Arrest Possible Duplications
- Real time update on customer receivables on their ERP system

l) Internet banking

Our online banking solution is tailor made for our clients unique commercial business needs. The NCBAConnect is designed to fully deliver single / Bulk payments, utility and statutory payments with an elaborate audit trail. The system supports all payment types (local / international) on a secure environment. NCBAConnect supports multi entity account access for regional business on a single login.

Benefits

- Straight Through Processing
- Customer can initiate payments 24/7
- Customer can approve transactions 24/7 at their convenience
- Automated Transaction Report
- Customer can process individual / multiple payments in one file – EFT, PesaLink, RTGS, Internal Account, Mobile Wallet payments
- Enhanced Risk Management: Arrest Possible Duplications
- Access to account statement and balances

m) Mobile Banking

Designed to give our consumer banking customers' full suite of banking services at the palms of their hands anytime, anywhere. With NCBA Mobile, you are able to do internal transfers, transfers to other banks (local / international), transfers to mobile wallets (M-Pesa / Airtel Money), make utility payments and many more.

Benefits

- Straight Through Processing
- Customer can initiate payments 24/7 at their convenience
- Customer can process various payments – EFT, PesaLink, RTGS, Internal Account, Mobile Wallet payments
- Enhanced Risk Management: Arrest Possible Duplications
- Access to account statement and balances

n) Instant Payment – API Integration

- Our corporate customers can make single payments from their systems to beneficiaries through an easy API integration.

Features

- Enhanced security through file encryption and secured API connectivity
- Flexibility - Allows integration into most financial ERP systems
- Automated Customer to Bank processes (straight from Customer ERP Ecosystem)

Channels:

API Integration – Straight Through Process / Via Online Banking

Benefits

- Straight Through Processing
- Customer can send or receive Files 24/7
- Customer can approve transactions on their ERP and avoid redundancy of processes
- Automated Processing Report
- Customer can process multiple payments in one file – EFT, PesaLink, RTGS, Internal Account, Mobile Wallet payments
- Enhanced Risk Management: Arrest Possible Duplications
- Real time update on customer receivables on their ERP system

o) Post Bank Agency

- NCBA has partnered with Post Bank to offer payments services to customers all over the country. Corporates can fulfill individual or bulk payouts such as

dividend payments, payment of allowances and salaries through Post Bank country wide network.

COLLECTIONS SOLUTIONS

a) M-Pesa Pay Bill

This product facilitates the Bank's current account holders to receive payments directly into their account via a bank issued M-Pesa Pay bill number

Payment platform is Safaricom M-Pesa Service;

- Corporate Pay bill – Unique M-Pesa Pay bill number is issued to the customer
- Bank Generic Pay bill Number - 880100

Features and Functionalities

- M-Pesa Pay bill transaction charges apply
- Supported M-Pesa Tariff plans;
- Flexible application of tariff plan i.e. Daily per transaction or Bundled Monthly
- Enables payment of Credit card dues at no charge
- Standard charge of KES. 40 for credits into our bank account

Benefits

- The Bank can take-over a customer with an existing Pay bill number (seamless migration)
- Ease of transaction reconciliation
- Pre-validation of payment narrative prior to crediting the current account
- Pre-validation of credit card numbers for credit card payments
- Integration capability to customer's Accounting systems
- Optional email & SMS notifications for account credits
- B2B till transfers have no transaction limits

b) M-Pesa Buy Goods

- This product facilitates current account holders to receive payments directly into their current account via a bank issued M-Pesa Till number. The payment platform is Safaricom M-Pesa Service.

Features and Functionalities

- Customized M-Pesa transaction charges (borne by the beneficiary);
 - Charges threshold between 0.5% to 1.5% charge per transaction value
 - Charge value is determined by volumes processed
- Multiple business model support;
 - C2B (Consumer to Business) – Payments from M-Pesa Wallet to a Customer Account in the Bank

- B2B (Business to Business) – Payment from an M-Pesa Till Account to a Bank Account

Benefits

- The Bank can take-over a customer with an existing Buy Goods Till number (seamless migration)
- Instant credits to linked bank current account
- Integration capability to customer's Accounting systems
- Optional email & SMS notifications for account credits
- B2B till transfers have no transaction limits

c) Auto-Collect Solution

- The banks acting as a collecting agent provides customers with means to pay for their biller / utility payments via the bank's channel.

Features

- Utility / biller Account validation and outstanding balances
- Utility /biller Company real time data base update on payment
- Capture of unique identifiers as per client preference

Supported utility payments;

- Nairobi Water
- KPLC
- DStv
- Star Times
- GOtv
- ZUKU
- Jamii Telcom
- Telkom – Post Paid
- Airtel – Post Paid
- Various Schools
- Insurance Companies

Channels that Support these transactions are;

- Internet banking and Mobile banking
- Branch/Agency

Benefits

- Real time update of transactions ensuring auto-reconciliation
- Instant recognition/allocation of payment
- Transactions capture required payment details
- Several modules to make payments – online banking, mobile banking, cash or in-house cheque at branch. Mobile money

- API integration for real time notification and update
- Receipting upon payment and immediate access to service
- Less reliance on Contact Centre/RM/CM for transaction details

d) Statutory Collections

This service provides customers with means to pay for statutory taxes via the bank's channels.

Channels that Support these transactions are;

- Internet banking (Retail & Corporate)
- Branch/Agency (Cash / In-house Cheques)

Features and Functionalities

- Supported Statutory payments;
 - Kenya Revenue Authority – Domestic Tax Payments
 - Kenya Revenue Authority – Customs Tax Payments (CCRS)
 - Kenya Trade Network Agency Payments (KENTRADE)
- Transacting customers are required to have generated a valid E-Slip number to make payments

Benefits

- Real time validation of payment details with KRA/KENTRADE before a payment is done
- Near Real-time entry update with KRA/KENTRADE upon successful transaction processing
- Confirmation notifications sent to customers by KRA upon payment
- Payment convenience for customers
- Free KENTRADE transaction processing

e) Cash in Transit

- This is a specialized service targeted at clients with the need for physical transfer of banknotes from a specified location to the Bank or vice versa.
- Supported cash-in-transit alternatives are, Ad Hoc C.I.T, Milk-Run C.I.T and periodic C.I.T Run

Benefits

- Tailor-made C.I.T collection structure to suit customer requirements
- Elimination of the customer's security risk and loss of administration time
- Reduce any hidden cash handling costs for our customers.
- Leverage off the Bank's experience in management of cash-in-transit

f) In-Branch Collections

- This payment service enables collection of large deposit (high volume) funds into a customer account via the branch network. These payments define specific payment details for the collection account.
- These transactions can be done through the branch or agency

Features and functionality

- Creation of customized deposit slips – catering to customer specific requirement
- Customized bank procedures to enable the capture of specific customer information during collection
- Validation of payment data before processing into a customer account
- Provision of reconciliation data as well transaction reports for customer collections
- Collections through the Bank's cross border branches

Benefits

- Customized collection services for high volume payments
- Reduced operational costs for customers with high volume cash payments
- Simplified reconciliation inputs for high volume payment collections

g) Direct Debits

- This product provides a way of processing recurring payments by allowing an organization (typically utility/service companies) to recover money due for bills or services rendered, directly from their customer's that bank with our bank.
- The channel that supports these transactions in internet banking.

Features and functionality

- The direct debit scheme permits an originator to collect amounts due from a payer at our Bank by initiating direct debit transfers on a bank account nominated in a direct debit Authority.
- The direct debit scheme is solely a method of collecting payments and the Bank is not responsible for any underlying contract between the originator (utility/service company) and its clients
- Originators wishing to join the scheme should contact the cash management department for review of requirements before admittance

Benefits

To an originator;

- Decreased requirement to employ a comprehensive reconciliation process to check the receipt of expected payments. As a recommendation, an originator should maintain a separate bank account in which transfers are collected, in order to ease reconciliation.
- The scheme provides the only means recognized by banks where, at the discretion of an originator, a payer could authorize payments from a bank account of amounts which are variable by time and or amount (subject to the cap on the maximum amount), until further notice.



- For payments are subject to changes in amount, a variable authority is available, thereby avoiding the need to issue new instructions whenever amounts change.
- Ability to manage and control cash flow by exception and with greater certainty, by attending to unpaid transfers.
- Ability to take advantage of electronic file formats, specified in the clearing house agreement for automated clearing to update internal financial systems and records.

To the Payer

- The scheme provides a simple, safe and convenient banking service that enables a payer to settle accounts as and when they fall due
- The elimination of cheques and reduction of non-reconciled payments using standing orders
- Discontinuation of visits and queues to cash offices or banks for recurring payments

h) Online Cheque Deposit

- This is a collection solution that allows companies and institutions to scan and upload cheques to their respective accounts at the Bank directly from their premises using a cheque reader/scanner.

Features and functionality

- Requires a PC with Microsoft.Net framework 4.5.2.
- Supports maker / checker user set up functions i.e. inputter and supervisor.
- Supports batching of cheques on upload by inputter and review by supervisor.
- Cheques are arranged in batches for easy reference.

Benefits

- Simple, convenient and cost effective way of processing cheques without banking hours' restriction.
- Minimal cheque movement within the organization as cheques can be captured at the point of collection thus reducing possibility of cheques being lost or misplaced.
- Quick turnaround time for cheque deposits thus removing the current delays in the process which include physical movement to the bank that can be impacted by traffic.
- Real Time access to your account via online banking to confirm the cheques have been processed.

i) Cash Depositor

- This is an automated way of ensuring customers manage their receivables in an efficient manner without necessarily visit a branch using a cash deposit machine.

Features and functionality

- Ability to reject counterfeit notes.

- Provides a printed receipt per deposit.
- Provides a supervisor receipt indicating all previous deposits.
- Provides a CIT receipt indicating value of canisters removed.
- Direct communication to the Bank through SIM card transmission.
- Intraday credit into the customer's account.
- Web based MI system-TMS to view real-time transaction status.

Benefits

- Cash flow challenge due to late banking will be eliminated.
- The clients' cash works for him while still at the premises.
- The cost of managing cash is reduced as the cash cycle is handled at the cashier/till level.
- Time efficiency and controls - The customer will be able to remotely monitor all transactions

j) M-Pesa Superagency Service

- This is a payment service extended to M-Pesa agents for purposes of buying float for their operating M-Pesa Tills

Features

- Cash deposit facilitates the real-time acquisition of float for the M-Pesa agent

Channels:

- Branch/Agency
- Cash Deposit Machines (CDM)

Benefits

- Simplified management of M-Pesa wallet funds for the M-Pesa agent

API Push Notification

Enhance the client management by providing and automatic payment notification to the clients' systems for auto-reconciliation.

Benefits

- Instant recognition of payment received
- Instant / auto-reconciliation function

LIQUIDITY MANAGEMENT SOLUTIONS

a) Standing Instructions/Orders

- This service enables a customer to issue the bank with instruction to pay a set amount of money at regular intervals to a beneficiary account automatically.
- Channels that support these transactions are branch/agency and Internet Banking

- Types of standing orders can be internal, domestic and international.
- The benefit is reliable service for managing regular payments over periodic intervals

b) Account Sweeps

- This service enables a customer means by which one can manage the liquidity or movement of funds across current accounts based on defined preconditions. These services allow a bank account to automatically transfers amounts that exceed, or fall short of, a certain level into a another account at intervals or frequencies defined by the customer.
- Channels that support these transactions are branch/agency and Internet Banking
- The account sweep types are nnormal account sweeps, cash pooling sweeps and notional sweeps
- The benefit of this is a reliable service for managing regular payments over periodic intervals

c) Instant Payment Notification Push Service -API Integration

- This is a solution that provides automatic payments notifications to be pushed to the customer's systems for auto-reconciliation through an API

Features and functionality

- Available for all account credits.
- Requires access to customer's nominated server/endpoint.
- Notifications are sent per transaction and in real-time.

Benefits

- Customer rely less on Contact Centre/RM/CM for transaction details.
- Instant reconciliation by the customer.
- Instant recognition/allocation of payment.
- Payer's immediate access to service.
- Better customer management.

Rights of Having a Cash Management Product with Us

- Right to use the product as prescribed by the bank.
- Right to know all the charges on the product.
- Right to have the access to information required on the products available.
- Right to terminate usage of the product.

Obligation Of Having Cash Management Product with Us

- Payment of charges as agreed with the bank
- To act dutifully with good conduct and in good faith while using our products
- To carry out its obligations with all due diligence, efficiency, and economy in accordance with the highest standards of professional and ethical competence and integrity

Risks on Our Cash Management Product

- Changes in total cost of transactions due to certain factors e.g. tax regime changes such as exercise duty
- Termination of product offering due to internal and external factors with due notice as per the Consumer Act guidelines.
- Change in product offering due to regulatory guidelines and other factors with due notice as per the Consumer Act guidelines.
- System degradation or downtime due to internal and external factors.

2. Custodial Services

The Custody team who also offer Registrar and Fiscal Agency Services, works to shape a customized solution structured around your specific challenges, objectives and investment requirements. Our solutions combine the services that best meet your needs with the tools to help you improve efficiency and transparency. Our main role is to give you peace of mind as we manage your investments by providing safekeeping, asset servicing and settlement done in an efficient and secure manner.

Our Services are open to:

- Retirement Benefit Schemes
- Savings and Credit Co-operative Societies (Saccos)
- Insurance Companies
- Corporates
- Foreign Institutional Investors
- Unit Trust Managers
- Mutual Funds
- Umbrella Funds
- Investment Clubs
- High Net-worth Individuals

Features

Our custody offering includes:

- Transaction processing and settlement

With real-time messaging, your cash and securities instructions will flow through us to the appropriate settlement bank and depository. We ensure that all instructions are settled in an efficient and secure manner. This include all purchases, sales and asset transfers and registration.

- Safekeeping

We provide safekeeping of securities for all asset classes a client wishes to invest in. They include and are not limited following:

- Equities (Listed and Unlisted)
- Government Paper (Treasury Bills & Bonds)
- Corporate Bonds



- Commercial Papers
 - Deposits (Fixed and Call)
 - Offshore Investments
 - Private Equity
 - Property & Real Estate Investments
 - Cash
-
- Account opening services - We facilitate the opening of cash and securities accounts required within the market as well make sub custody arrangement for any cross boarder or offshore investments.
 - Income collection and management of cash - We will manage your income and capital collection that will allow you to have predictable cash flows, so you can reinvest income immediately.
 - Corporate action processing - A corporate action diary will be maintained through our system for processing as and when they are due.
 - Reporting and Compliance - Real-time reporting through our online banking portal, gives you current view of your invested custody transactions. We can also provide trade status, asset positions, cash forecasting, intraday cash reporting, and daily and monthly valuation reports. Our trustees and clients will also receive user friendly and easily understandable quarterly reports to be presented and adopted during the board meetings. We shall also ensure that all statutory reporting returns required by the regulators are filed on a timely basis.
 - Processing of benefits and Expenses - Payment requests such as pension payroll, member withdrawals and scheme/client expenses can be processed as per client instructions through the following mode of payment(s) by cheque, via Electronic Fund Transfer (EFT), Telegraphic Transfers (TT's) or Real Time Gross Settlement (RTGS).
 - Receipt of contributions - To ensure compliance with the regulator, we will track remittance of contributions received and notify trustees if there are any delays.
 - Whistle blowing - We are mandated to whistle blow on any danger a client or scheme may be exposed to either the trustees, fund managers, administrators, and or the regulators (RBA/ CMA).
 - Proxy voting services - Proxy voting support is available through us.
 - Information services - We deliver timely market updates and intelligence supported by our engagement in key market and industry developments. You can opt to receive this information electronically through our, daily, weekly and or monthly publications.

Benefits

- Access to all asset classes and investment markets
- Secure and Efficient settlement of investment transactions
- Assets are held in our Nominee name with an account designate thus Ring Fenced from assets held by the bank and other clients.
- Income is collected on time and reinvested thus growth of the funds
- Members paid on time and in a safe manner
- Our clients have the ability to initiate payments online
- Client's ability to track Investments and Cash Transaction movement real time through our online platform
- Reconciliation of reports with the fund managers and depository thus assuring accuracy.
- Monitor the contributions received to help client ensure compliance
- Funds invested promptly upon receipt.
- Day-to-day support will be accessible via the Relationship Manager and Customer Service team
- First -time resolution and escalation procedures

TRADE FINANCE

When conducting international trade, trading partners encounter numerous risks which they endeavor to mitigate, the main ones being:

- Country risks
- Political risks
- Economic risks
- Legal environments
- Foreign Exchange Risks: Currency volatility and restrictions
- Commercial Risks
- Counterparty risks

METHODS OF PAYMENT IN INTERNATIONAL TRADE

- There are three methods of settling international trade transactions:
 - Clean Payments
 - Letters of Credit
 - Documentary Collections

CLEAN PAYMENTS

- Clean payments are characterized by trust between trading partners. Either the exporter ships goods and trusts the importer to pay once the goods have been received, or the importer trusts the exporter to ship goods after payment is done.
- Clean payments are classified into two:



- Open Account: The Exporter ships goods to the Importer and awaits payment on due date
- Payment in advance: The Importer makes payment for the goods and trusts the Exporter to ship
- The role of the bank under clean payments is limited to clearing the funds as requested. All other documents are handled directly between the trading parties.

LETTERS OF CREDIT

Letters of credit (LC's) are also referred to as Documentary Credits or simply Credits.

These are written undertakings by NCBA Bank Kenya PLC (NCBA) in favor of the seller (the beneficiary) at the request and in accordance with the instructions of the buyer (the applicant), to effect payment up to a stated amount within a prescribed time limit and against stipulated documents.

The regulatory background for Letters of Credit is defined and regulated by Uniform Customs and Practice for Documentary Credits, Publication No.600 (UCP 600) of the International Chamber of Commerce (2007 edition).

Letters of Credit are, by their nature, separate transactions from sales or other contracts on which they may be based and banks are in no way concerned or bound by such contracts. Letters of credit, in principle, are Irrevocable hence they cannot be amended or revoked without the agreement of all the parties to it.

Banks only deal with documents to ascertain that the terms and conditions of the LC have been met. NCBA shall not in any way be involved in handling of goods, unless the facility availed to the LC applicant involves a structured model that may entail warehousing and collateral management.

Parties to a Letter of Credit are:

1. The Applicant: The party to whose order NCBA acts when issuing the LC. This is the party that is purchasing goods/services.
2. The Beneficiary: The party in whose favor the LC is issued. The party that supplies/delivers the goods/services.
3. Issuing Bank: The bank that undertakes to make payment, if the terms and conditions contained in the LC are met.
4. Advising Bank: The bank that informs the beneficiary of receipt of the LC in their favor. In most instances it will be a correspondent bank or branch of NCBA.

LC payment terms can be broken down into four as follows:



1. **Sight Payment:** Value of the documents is paid to the beneficiary immediately after the documents have been submitted to the nominated bank, and the nominated bank has determined that the same comply to the LC terms and conditions.
2. **Deferred Payment:** Value of documents is paid to the beneficiary on the date calculated according to the formula specified in the LC
3. **Acceptance:** Traditional form of deferred payment whereby the beneficiary must, along with other documents specified in the LC, submit a bill of exchange whose due date is calculated according to the terms and conditions of the LC.
4. **Negotiation:** This is whereby the nominated bank pays (or promises to pay) the beneficiary the value of the documents (or the bill of exchange) before it receives money from NCBA.

TYPES OF LETTERS OF CREDIT

1. **Confirmed LC:** A confirmed LC is one that carries the undertaking of a second bank in addition to the undertaking from NCBA. This is important where:
 - (i) the beneficiary of the LC is not comfortable with the financial standing of NCBA.
 - (ii) where the country risk of the NCBA issuing office is high e.g. political instability, economic difficulties, government legislations and declarations.

Thus the undertaking is taken away from NCBA to the confirming bank which is either financially stronger and known to the beneficiary, and/or located in a country with better economic stability or jurisdiction, in the judgment of the beneficiary.

2. **Transferable LC:** Is one that can be transferred by the original beneficiary (first beneficiary) to one or more second beneficiaries. Transferable credits are used where the supplier of goods sells them through an intermediary (middleman) and does not deal directly with the ultimate buyer. The first beneficiary will approach the LC applicant and request for a transferable LC in his favor. The first beneficiary will then instruct the Nominated Bank (referred to as the Transferring Bank) to transfer all or part of the LC to one or more beneficiaries. A transferable LC can only be transferred once to one or more second beneficiaries. Second beneficiary(ies) cannot subsequently transfer any or part of the transferred LC. At the time of transferring the LC, the terms and conditions of the 1st LC must not be changed except:
 - a. Latest shipment date
 - b. Validity of LC (LC Expiry)
 - c. Period for presentation of documents
 - d. Amount

- e. Unit price.
 - f. Insurance cover
3. **Back to Back LC:** A Back to Back arrangement is a method of finance which enables a middleman with limited financial resources to transact business at a level which is normally beyond his own ability to sustain by using as security a Letter of Credit that is issued in his favor. The bank will therefore hold the Letter of Credit in favor of the middleman (referred to as the Master Letter of Credit) as security and source of repayment for another LC that will be issued (referred to as the Slave Letter of Credit) on behalf of the middleman and in favor of the actual supplier. The Slave LC is an entirely independent document from the Master LC.
 4. **Revolving LC:** A revolving Letter of Credit is one where under the terms and conditions thereof, the LC amount can be renewed or reinstated without specific formal amendment being required. This is used in the situation where constant and regular shipments from the same supplier are to be effected over a given period.
 5. **Standby LC:** This is a conditional irrevocable undertaking by NCBA to pay a specified sum of money to the Beneficiary against the documents called for by the LC and within the LC validity in order:
 - a. To make payment on account of indebtedness undertaken by the applicant.
 - b. To make payment on account of any default by the applicant in the performance of an obligation.

This is therefore typically used to guarantee payment in the event of non-performance of contract terms. Standby LCs can be further classified as:

- a) Commercial Standby which supports the obligations of an applicant to pay for goods in the event of nonpayment by other methods. This therefore enables the Beneficiary to advance credit to the applicant, and therefore avail goods before receipt of payment.
- b) Financial Standby that supports an obligation to pay money, including an obligation to repay borrowed money.

Why Use Letters of Credit and When?

Instances which would be best suited to use LC's are:

- When the buyer and the seller do not know each other well. There's minimal trust between the two parties.
- One party or both parties are located in economically or politically unstable country.
- Legislation of one or another country requires the use of the LC.



- Goods are price sensitive or a special order. LC is one way of confirming an order.
- If buyer or intermediary has no money of his own and would need bank support to carry out the transaction.

Below are prerequisites for issuance of an LC by NCBA:

1. Duly completed Letter of Credit Application /Online application on NCBA connect.
2. Copy of Proforma Invoice/Contract.
3. Import Declaration Form (if it involves importation of goods).
4. Insurance Certificate – Payable locally.

Letters of Credit can either be Inward or Outward.

Outward, issued by NCBA on behalf of our clients, to support imports.

Inward, received by NCBA for our clients, to support exports.

Letters of Credit are not limited to International trade and can be used in local trade within the country's borders.

Key NCBA considerations under LC's:

Risks

1. Repossession of Collateral, If the client does not honor obligations.
2. Possibility of Fraud since the Bank only examines documents.
3. Foreign Currency risk.

Obligations

1. To settle the Import LC on due date.
2. To meet the Bank LC Charges.

Rights

1. To indicate their conditions in the LC.
2. In the case of Export LCs, the right to be paid on maturity

LC's Tariff:

Import Letters of Credit	
Charge/Commission	Rate/Amount
Issuance/Establishment	0.5% per quarter or part thereof Min.Kes.2,000.00

Acceptance/Negotiation	0.5% per quarter or part thereof Min.Kes.2,000.00
Payment	0.25% on amount paid Min. Kes.2,000.00
Swift Charges	On Issuance Kes.3,000.00 General Correspondence.....Kes.2,000.00
Export Letters of Credit	
Advising Commission	Account Holder Kes.2,000.00 Non Account Holder..... US\$ 100.00
Confirmation	0.5% per quarter or part thereof min KES 2,000 +SWIFT Charges
General Amendment	Kes 2,000.00
Negotiation/Payment	0.5% Min KES 3,000
Postage/Courier	Local PostageKes.3,500.00 Foreign Postage.....Kes.5,000.00
Document Examination	US\$ 50

BILLS FOR COLLECTION (DOCUMENTARY COLLECTIONS):

A Collection is defined as the handling by NCBA of documents in accordance with the instructions received in order to obtain payment and/or acceptance, deliver documents against payment and/or acceptance or deliver documents on other terms and conditions. Basis on which documentary collections are handled /executed is provided by International Chamber of Commerce (ICC) Uniform Rules for Collections (URC522).

The exporter ships goods and then couriers the documents pertaining to the shipment to the importer's bank (NBCA), through his bank, with instructions to the importer's bank on how and when to release the documents to the importer, whilst obtaining payment for the goods from the importer.

NCBA acting as trustee and intermediary between exporter and importer presents, by order of the exporter, documents to the importer which are proof of dispatch of the goods or service rendered, as well as title to the goods, and in exchange receives payment of the amounts owed or obtains acceptance of a bill of exchange.

A bill of exchange is an unconditional order in writing addressed by one person (The Drawer) to another (The Drawee) signed by the person giving it (The Drawer) requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future date, a sum certain in money, to, or to the order of, a specified person or to the bearer.

In contrast to Letters of Credit, documentary collection involves a prior performance on the part of the seller i.e. manufacture and shipment of goods or rendering of service before securing the payment. It is therefore only recommended where:

1. There is a relationship of trust between the seller/exporter and the buyer/importer.
2. There is no doubt concerning ability and willingness to pay on the part of the buyer.
3. Political, economic and legal conditions in the buyer's/importer's country are stable.
4. International payment transactions involving the buyer's/importer's country are not hindered or threatened by foreign exchange controls/restrictions.

Collections can be classified as:

- (i) Clean Collections: Consists of financial documents only, e.g cheque, promissory note
- (ii) Documentary Collections: Also includes documentation connected to the movement of goods e.g. bill of lading, invoice

Parties to a Documentary Collection

There are generally four parties to a documentary collection:

1. **The Principal(Drawer)**
This is the seller/exporter, who ships the goods and hands over documents to his bank together with instructions on how they should be handled
2. **The Remitting Bank**
Bank to which the principal entrusts the documents. This bank forwards the documents in accordance with the collection instructions
3. **The Collecting (Presenting Bank)**
The collecting bank is any bank, other than the remitting bank, involved in processing the collection. At certain times a remitting bank with presence in various countries will prefer to send the documents to its branch in the importing country who in turn send the documents to the buyer's/importer's bank. In such instance the role of the branch of the international bank fits as a collecting bank whereas the buyer's/importer's bank is the presenting bank. The presenting bank's role is to present the documents to the buyer/importer and collect payment/acceptance in accordance with instructions from the remitting bank. Where documents are sent directly by the remitting bank to the buyer's/importer's bank, then the latter bank is both a collecting and presenting bank.
4. **The Drawee**



This is the buyer or importer to whom the collection documents are presented.

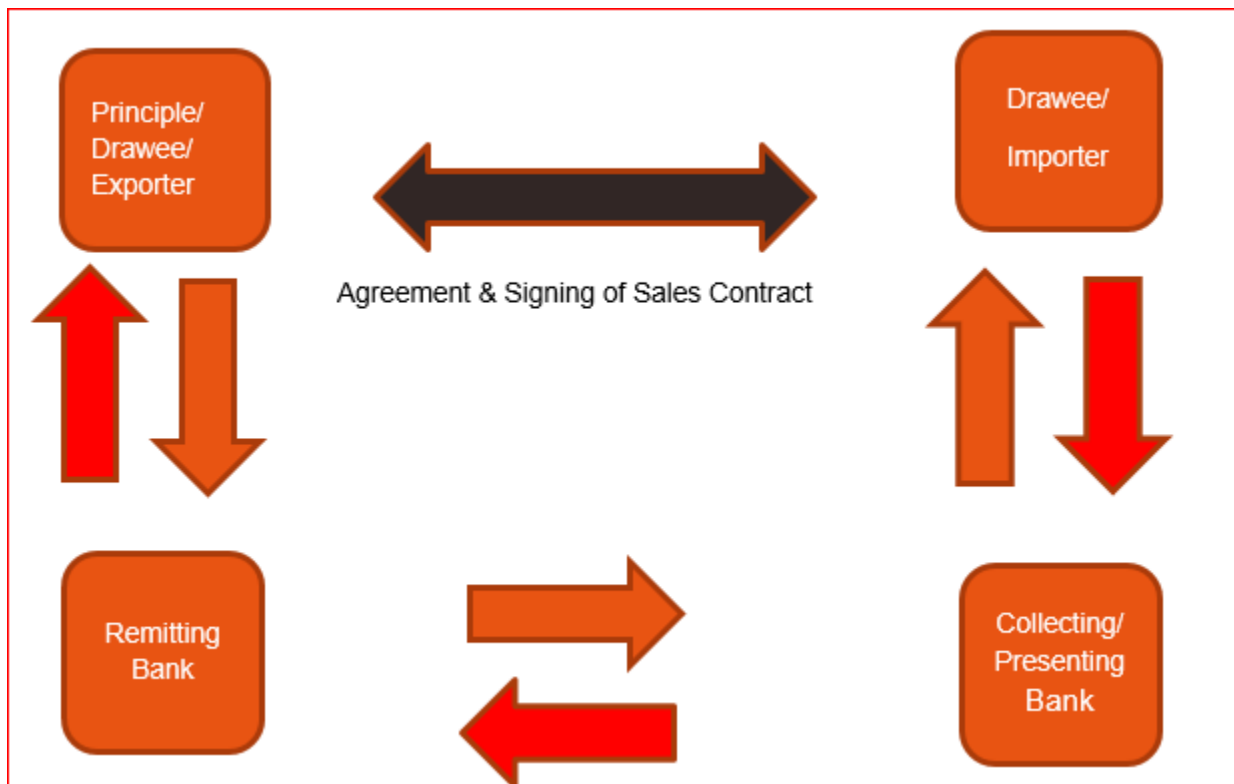
Payment Terms in a Documentary Collection

There are two main payment terms under a Documentary Collection, namely:

- (i) **D/P-Document Against Payment**, where documents are released by NCBA against payment by the buyer/importer
- (ii) **D/A-Documents Against Acceptance**, where documents are released against acceptance of a Tenor/Usance Bill. The buyer accepts the bill by signing on the bill as per mandates held with NCBA.

How the Documentary Collection Works

1. The use of bill of collection will be stipulated in the sales contract drawn up between the buyer and seller.
2. The Seller shall then send the goods and provide the requisite documents to its bank (Remitting Bank).
3. Seller's Bank accepts the documents and instructions, and then sends the documents on collection to the buyer's bank (Collecting/Presenting Bank) directly or through its correspondent/branch (Collecting Bank) in the buyer's country.
4. The Presenting Bank shall then advise the buyer of receipt of documents as well as the instructions pertaining to the documents.
5. Documents shall be released to buyer depending on the terms of payment, either against payment or an acceptance to make payment in the future on a bill of exchange.
6. Upon receipt of funds from the buyer, the presenting/collecting bank will remit funds as per the instructions received from the remitting bank.
7. The remitting bank shall in turn avail the received funds to the seller.
8. In the event of non-payment, the presenting bank/collecting bank shall request for disposal instructions of the documents/accepted bill, from the remitting bank and act accordingly.



Documentary Collections: Movement of Funds

The remitting Bank is under no obligation to act on the instructions received nor are they under any obligation to pay, so long as they act according to the instructions received and abide by the URC 522.

The collection instructions that are sent by the remitting bank alongside the documents must specify the following:

1. Full Name and address of both the drawee and the drawer.
2. Identity and address of the drawee's bank. In the absence of this details the remitting bank can use its correspondent bank in the respective jurisdiction.
3. Type and number of the enclosed documents e.g. Commercial Invoice, Packing Lists etc.
4. Clear instructions on who between the drawer and the drawee, shall bear the charges for the various banks and any additional costs.
5. Payment terms of the collection? (Either D/P or D/A).

Settlement instructions once cash is received from the drawee Under Documentary Collection.

NCBA Considerations under DC's:

Risks

1. Foreign currency risk.
2. For the Exporter, there isn't a guarantee of payment as opposed to an LC transaction.

Obligations

1. The importer has an obligation to honor the payment against documents.
2. To meet the Bank Documentary collection charges

NCBA Tariff:

Charge/Commission	Rate/Amount
Document Handling Fee	0.5% Min. KES.3,000
Swift	Kes.2,000.00 per message
Acceptance Commission if Usance	Kes.1,750.00
If Discharged (Unpaid)	Kes.2,000.00
Holding Charges (if not honored on due date) per month	Kes.2,500.00
Postage/Courier	Local PostageKes.3,500.00 Foreign PostageKes.5,000.00
Avalised Bills	0.75% p.q or part thereof min. KES 2,000

Other Notable Instructions that Remitting Banks can include in its Collection Instructions

1. Avalisation:

By requesting for the collection to be Avalized, the remitting bank requests the collecting bank/presenting bank to add it's undertaking to the collection on behalf of the drawee/importer. This would mean that other than the acceptance of the bill by the drawee/importer, an undertaking by their bankers to pay on maturity of the collection, shall be required. The bank that avalizes the collection (NCBA) shall be under obligation to pay the bill on maturity day.

2. Noting:

This shall only be done where a bill of collection under D/A payment terms is not paid by the drawee/importer on the maturity date. Where instructions to note are included, the Collecting/Presenting Bank in the absence of receiving payment shall engage the Notary Public to attest to the dishonor of the bill by the drawee.

The official makes a note on the bill itself consisting of the Notary's initials, the date, the charge for noting and a reference to the Notary's register, where full details of the noting are kept. All charges for this are on the account of the Remitting Bank, on whose instructions the action is undertaken.

3. Protest:

The Notary Public represents the bill and if it is dishonored he draws up a formal certificate of dishonor called Protest. The protest must contain a copy of the bill and signed by the Notary Public under seal. It must also specify the name of the person requesting the Protest, the cause and reason for Protest, the demand made and reason given if any.

Noting and Protesting are done by 3rd Parties outside the bank and therefore any charges/fees incurred as a result are on account of the remitting bank, on whose instructions the action is being undertaken.

GUARANTEES

A Bank Guarantee is a written undertaking either conditional or unconditional issued by NCBA on behalf of a client, guaranteeing that should the principal/applicant not comply with his obligations under the contract, leading to a claim under the guarantee, then NCBA will make financial recompense in accordance with the terms of the guarantee. Guarantees are issued under International Chamber of Commerce's (ICC) Uniform Rules for Demand Guarantee (URDG) No.758.

Types of Guarantees

Bid/Tender Bonds - These guarantees are required in connection with public tenders. If a company participates in a public tender, it must submit a tender bond alongside its offer to secure payment of the guaranteed amount in the event that the contractor does not take up the contract, if awarded. Value of the tender bond is usually 1-5% of the contract value.

Performance Bonds -NCBA undertakes at the request of the principle/contractor, to pay the beneficiary/employer the guaranteed amount in the event that the contractor does not meet or insufficiently fulfills his contractual obligations. Value is usually 10-20% of the contract value.

Advance Payment Guarantee - This type of bond is required where the contractor asks for a sum of money to be paid in advance of the works/service being carried out. The employer is then guaranteed that in the event the contractor defaults in performance of the contract then, they shall be repaid amounts paid out to the contractor. Value is usually equivalent to the amount of advance paid (normally 10-15%).



Retention Bonds - An employer may withhold a certain amount of money to ensure that the works/services have been completed satisfactorily. Issuance of a retention bond allows early release of the funds by the employer to the contractor. The employer is assured that any funds released can be claimed if terms of the contract have not been met. Usually it shall be 5-15% of the contract value.

- **Payment Guarantee** - Mainly employed to for the securing of payments on an open account basis. It is usually issued as a means of securing full payment of goods delivered or services rendered. Payment of a claim is usually made against beneficiary's written declaration that he has delivered the goods/service but has not received payment at maturity.
- **Customs Bond** - A customs bond is issued to enable an importer to bring goods into the country before paying the import duty to the customs authority. This is especially applicable in the case of transit goods or import of specialized machinery into the country for a specific task/duty, after which it is shipped back.
- **Shipping Guarantees** - Bill of Lading constitutes the document of title to the goods and the shipping companies will only release goods to the buyer on production of one original Bill of Lading. Where the Bill of Lading has not been received by the bank before the merchandise has reached the destination, the bank issues a shipment guarantee to enable the buyer take possession of the goods and not incur extra charges by way of demurrage. At the port of destination.
- **Immigration Bonds** - Issued to immigration authorities securing expatriates working in the country.

UNSECURED BID BONDS:

NCBA has a program for Unsecured Bid Bonds that enables the bank to issue bid bonds on behalf of clients on unsecured basis. Key features of this product are:

- Availability: NCBA Account Holders
- Maximum single Bid Bond value: Kes.5,000,000.00
- Maximum exposure per client: Kes.10,000,000.00
- Maximum Tenor of bond: 360 days.

NCBA Tariff:

Charge/Commission	Rate/Amount
Shipping Guarantee	0.5% p.q min KES 2,500

Security/Immigration Bonds	KES 2,500 per annum
Unsecured Bid Bonds	0.75% p.q or part there of min KES 2,500
Other Guarantees	0.5% per quarter or part thereof Min. Kes.2,500.00
Amendment involving amount or period	not Increase in validity Kes.2,500.00

Requirements for Issuance of Guarantees

Below are prerequisite documents that the client has to submit to enable NCBA proceed with issuance of a guarantee:

1. Guarantee Application Form/online application on NCBA Connect / Bee-dee
2. Copy of the Tender Advertisement/Tender Award/Contract
3. Government of Kenya's Form 19 (For Security Bonds)
4. Government of Kenya's Form CB13 (For Customs Bond)

NCBA Considerations:

Risks

1. Risk of Call up of the guarantee by the beneficiary.
2. In case of advising guarantees and SBLCs on behalf of our customers, there's the risk of non-payment of guarantee claims (Subject to Issuer country local laws).

Obligations

1. To meet the Bank Guarantee Charges.
2. To provide adequate collateral for issuance of the guarantee

FINANCING PRODUCTS (FUNDED):

INVOICE DISCOUNTING

Under invoice discounting NCBA provides working capital to approved suppliers with full recourse to the suppliers. It is a short term borrowing that allows a business to draw money against its receivables before receipt of actual payment. The receivables become the bank's collateral.

NCBA provides a facility to the supplier based on a credit assessment done on the supplier. NCBA will request the supplier to also provide a list of their clients to whom the



supplier provides goods/services. NCBA shall vet this clients (off takers) to determine which off takers qualify under this program. Such companies are those that NCBA would consider to have high credit rating.

Benefits of program to Supplier

1. Access to early financing during the supply chain
2. Obtains favorable financing terms by leveraging buyer's credit worthiness
3. Increases transaction visibility through supply chain
4. Increases suppliers working capital
5. Reduces days sales outstanding (DSO)

Transactional Processing

1. Apply for the facility and attach the following documents:
 - Formal request for an Invoice Discounting Line on company letter head signed as per account mandate.
 - Copy of contract/Purchase order from the Buyer.
 - 6 months banks certified statement from the two main accounts.
 - Audited accounts for 3 years
 - Latest Management Accounts for current year i.e. P&L and Balance Sheet.
 - Current list of Aged debtors and creditors
 - Company business profile.
 - Copies of latest annual returns and filing receipts from the Registrar of Companies as required in the provisions of the Company Act - Current CR12
2. Bank approves facility.
3. Offer letter and Agreement Documents sent to borrower for execution.
4. Assignment of Receivables by the borrower after request is approved.
5. Irrevocable Instructions from Supplier to Buyer to channel the proceeds to a collection account at NCBA.
6. Receipt of the Certificate of Insurance from ATI/AGF confirming that cover is in place (If applicable).

Upon Approval and all documents collected,

1. Borrower (Supplier) sends the transactions documents (Buyer Acknowledged original invoice, Delivery note or Goods received note) to NCBA together with a letter indicating the tenor of the invoice.
2. Bank confirms supplier limits available.
3. On confirmation, the Bank transfers funds to the supplier less interest, taxes and commission.
4. Bank books a contract by debiting the bill discounted deferred account and credit the clients account.
5. On due date bill liquidated into the supplier escrow account



6. If receipt of invoice proceeds from Buyer is delayed, supplier to ensure the current account is adequately funded to accommodate repayment of the loan on maturity. Additionally, NCBA has a right of check off, allowing the Bank to collect funds from the current account if a Bill discounted goes into Past Due.

Features of the Facility

- Tenor: Maximum of 90 days from Invoice Date
- Financing: Up to 85% of the invoice value
- Recourse: Recourse to suppliers
- Security: Acceptable Securities will be as follows;
- legal charge
- log book
- cash cover
- For facilities secured by Credit Insurance, ATI/AGF will appraise all the buyers and the facility can only be availed once ATI has issued a certificate of cover for the approved buyers.

Pricing:

- Interest rate applicable: Negotiable, subject to credit risk profile and review on a regular basis.
- Discounting commission : 1% per invoice

REVERSE FACTORING

This is an alternative financing solution where a supplier finances their receivables via a process started by the ordering party (Buyer), in order to help their suppliers receive more favorable financial terms. NCBA will purchase approved supplier invoices uploaded directly by Buyers through our Supply Chain Finance platform. The platform comes at no cost to Buyers and their Suppliers.

The aim of the process is to finance the supplier's receivables by NCBA, so the suppliers can access their funds for what they sold immediately (minus an interest that NCBA deducts from the supplier to finance the advance of funds).

Reverse factoring permits Buyers to gather all the suppliers to one financier and therefore pay one company (NCBA), which eases the invoicing management and reduces follow up disruptions from various suppliers.

The benefit to both parties is that the suppliers gets paid in less than 2 days while buyers can negotiate longer credit days.

Product Features

- Target customer: Suppliers of Top corporate NCBA customers and Top Multinationals



- Buyer Limits: Advised by Buyer's current supplier payments and will be approved through a CR.
- Individual Supplier: The Buyer's recommended portfolio of suppliers will automatically be eligible into the specific buyer program.
- Tenor: The facilities offered under the program will be for a maximum of 90 days
- Financing: Will be for 100% of the invoice value
- Security: This is an unsecured facility and NCBA will select quality Buyers with strong financial standing since the actual funding is to suppliers, Buyers only offer 'soft collateral' being a more creditworthy party in the value chain. NCBA will focus on buyers/clients with already existing facilities and Securities in place.
- Pricing: Interest rate applicable, subject to credit risk assessment, and Factoring commission – 1% per transaction.
- Recourse: This program is offered with full recourse to the Buyers.

Process Flow under Reverse Factoring

1. The bank will identify target buyers from current NCBA's corporates.
2. The buyer will prepare a list of eligible suppliers and their recommended limits based on their average historical supplier payments.
3. NCBA will issue an indicative term sheet
4. NCBA will undertake an assessment of the Buyer's credit worthiness and establish appropriate limits for the Buyer and suppliers through a CR
5. NCBA will prepare the Funding Program Documentation (FPD).
6. NCBA will mark the limits in the core banking system and in the OpenSCI platform
7. The Buyer and supplier profiles will be created in the Open SCi platform.
8. Buyer will upload invoices for the Supplier's acceptance.
9. The Supplier will offer their invoices on the reverse factoring portal by selecting invoices they wish to factor.
10. Trade services will review the supplier's offer and either accept or reject
11. NCBA will finance 100% of invoice and remit funds to the supplier's account less costs.

DISTRIBUTOR FINANCE

Distributor Finance is the provision of financing for a distributor of a large manufacturer to cover the holding of goods for re-sale and to bridge the liquidity gap until the receipt of funds from receivables following the sale of goods to a retailer or end-customer. The parties to distributor finance are large manufacturers (often called 'anchor parties'), their distributors acting as buyers, and NCBA as the funder. Under this program, it is assumed that distributors have entered into verifiable contracts with the anchor against which NCBA is able to advance credit

Eligibility Criteria

The Distributor:

- Must be contracted and introduced to the scheme by the anchor.
- Buyer must have at least 12 months satisfactory trading relationship with the anchor.
- Buyer's financial history to be evidenced by at least 6 months banks statements or any other financial statements requested by the bank.
- Anchor to provide statements of distributor's trading history.
- Anchor to provide applicable limits for each buyer.

Product features:

- Limits per distributor: Limits will be determined per distributor (Buyer) and advised or agreed with the anchor.
- Tenor: Tenor of the Working capital facilities shall not exceed 90 Days or determined in accordance with the Distributor stock turnover days.
- Security: Facilities to be secured by acceptable security as outlines in the Bank credit policy.
- Pricing: Interest applicable, subject to credit risk assessment. Fees and Commissions will be levied based on the terms and conditions negotiated with the anchor.
- Recourse: This program is offered with full recourse to the Buyers.

PRE EXPORT, PIF AND COMMODITY/STOCK FINANCE

Pre-shipment/Pre-export Finance

This product enables NCBA to fund a borrower based on proven orders from buyers. This orders shall be in form of export Letters of Credit in favor of the borrower or Export Documentary Collections. The essence of the funding is to enable the borrower/exporter acquire raw material, undertake processing of the final product, store it and transport the same to the buyer.

Post import Finance

This is mostly geared towards addressing gaps in the cash cycles of the importer.

A classic example is where an importer gets goods under an LC whose payment terms are 60 days from shipment date. At the end of the 60 days the importer might not be in a position to pay as he has not received payment from his clients. The bank shall then come in and pay off the LC on behalf of the importer and book a loan against the importer for say 30, 60 90 days depending on the credit terms he has given his client or his normal cash cycle.

Commodity/Stock Finance

- This is where the bank will provide financing for purchase of the commodity that the client trades in and holds the same as security and will only release the commodity against cash inflows from sales of the said commodities or

undertakings from reputable off-takers. This will appeal most to clients who do not have access to Balance Sheet lending. Money is lent based on the value of the underlying goods, rather than on the balance sheet of the borrower.

- Goods and commodities have an underlying value of their own. NCBA may lend money against the total value of the goods and commodities, minus some amount to take account of price and other risks, so long as the said goods are resalable. Of key importance is that if something goes wrong the bank is able to take possession of the commodities or goods and sell them to realize monies to repay any loan amounts outstanding. The Bank can provide commodity-based financing across part or all of the trade value chain -- from logistics to purchase and sale of commodities -- with relatively predictable cash flows.
- A client therefore borrows against a commodity's expected worth. If all proceeds to plan then the Bank is reimbursed through the sale of the assets. If not then the Bank has recourse to some or all of the assets.
- Examples of commodities/products that can be financed under this facility are rice, sugar, maize, light machinery e.g. transformers, generators, motor-vehicles, motorcycles and their spare parts, petroleum and related products.
- Under this facility NCBA has to engage a Collateral Manager, to take control and look after the goods/commodity that form part of the Bank's collateral. Collateral managers basically "look after" collateral on behalf of a lender financing goods. By using a collateral manager, NCBA can make sure that goods, such as commodities, for example, are being controlled in such a way that if anything goes wrong with the loan, such as the borrower defaulting on payments, then the bank can get its hands on the goods which are the subject of the loan, and sell them to recover monies lent.
- Role of the collateral management agents (CMA) (extent of responsibility and liability) will be spelt out in the tripartite agreement to be signed between the NCBA, The Collateral Manager and the borrower and shall capture:
 - Warehouse inspection and certification that its appropriate for type of commodity,
 - Quality assessment and certification,
 - Commodity transportation, shipment and control of title documents for delivery to the bank,
 - Custom clearance and delivery to designated area
 - Commodity releases in line with mandates,
 - Provision of reports, including aging accounts etc.

- NCBA will take into consideration the following for every given transaction/deal:
- Proof of a market for the commodity/product
- Nature of the commodity. This should be a commodity that is easily saleable and not easily perishable. Examples are grains, light machinery, petroleum products, sugar, cooking oil, fertilizer.
- Know your client
- Know the industry and laws and rules governing the said industry example sugar, petroleum, maize, coffee.

- Understand the entire cycle of each transaction and modify it where required to ensure the Bank's interest is secured
- Identify risks at every stage of the transaction and mitigate against the same
- Ensure that the Bank has total control and ownership of the commodity and cash proceeds from the sale of the commodity at all times.
- The following instruments will also have to be drawn up and included in the facility:
 - Tripartite Agreements with Collateral Managers who will hold the commodity in question on behalf of the Bank.
 - Warehouse receipts issued by the Collateral Manager, as proof of receipt of the commodity on behalf of the Bank
 - Stock reports/cards showing stock held on behalf of the Bank, at any given time, from the Collateral Manager, which should be availed at given intervals
 - Insurance covers for the commodity stored/warehoused.
 - Escrow accounts, where proceeds from sales of the commodities are held to pay off any liabilities incurred in the purchase of the commodities. The client will have no access to the escrow account. This account will be wholly managed and run by the Bank.
 - Undertakings from final off-takers of the commodity.
 - Assignment of proceeds by the borrower.
 - Cash margin/borrower's contribution or additional security depending on the commodity in question and the transaction cycle.
 - Signed Release letters from the bank authorizing release of the held commodity by the Collateral Manager to the borrower.

Pricing for Pre-export, PIF, Commodity / Stock Finance, & Structured Trade Finance

- Interest rate applicable: Subject to credit risk assessment
- Document handling Commission: 1% per transaction

STRUCTURED TRADE FINANCE

NCBA Trade Finance team also provides clients with structured trade solutions. This is a means of providing trade finance outside the traditional / vanilla products. The bank utilizes trade finance instruments to meet both the needs of the client as well as ensure that the Bank's interest is secured. However, focus in this case shifts from "strength" of the borrower to the underlying cash flow and structures that enhance safe financing.

Typical trade finance products include Letters of credit (LC), import bills for collection, shipping guarantees, import financing, performance bonds, export LC advising, LC confirmation, LC checking and negotiation, pre-shipment export finance, export bills for collections, invoice financing, and all the relevant document preparation.

Why Structured Trade Finance (STCF)?



1. STCF enables the Bank entry into markets and access to customers, which may not be readily accessible via conventional lending regime. It identifies clients who have a market for the product as well as a source for the said product. The Bank only comes in to bridge the gap between the two points, whilst ensuring that the Bank is in full control and possession of the traded commodity.
2. Whenever a structure is drawn, it is self-liquidating. This gives less reliance on the borrower's net worth and his ability to repay the loan. The Bank has an assurance of the market as well as control over the commodities/goods in the underlying transaction.
3. Diversion of funds by borrower, which frequently happens under conventional lending, is completely eliminated, as the Bank ensures that funds are used for the intended purpose (paid directly to the supplier of goods).
4. Structured trade finance is aimed at financing the business/transaction and not the borrower. Thus the bank looks more at the individual transaction, its risks and the return on the said transaction. This will avail more opportunities for the Bank, in growing its loan book.
5. STCF reinforces bank-client relationship. Before structuring a deal to fit the customer's requirement, the bank needs to analyze each transaction from beginning to end and thus be involved in every aspect of the transaction. In tailoring the deal, both the client and the Bank are involved and share ideas on how best to do it. Thus the concerned Bank relationship officers and by extension the Bank, become well versed with the client's operations and ultimately become more of business partners to the borrower than just financiers. Secondly the fact that the Bank will sit down and listen to the borrower's requirements in having the facility tailored to meet his needs, will without doubt endear the borrower to the bank.
6. Structured trade finance methodology separates cash streams. It views a client's business as a collection of discrete transactions which can thus be transacted on an individual basis. Financing is mostly geared towards a single transaction thus reducing risk element on the entire business of the borrower.

Risks on Trade Finance lending solutions

1. In case of default, there is repossession of collateral and CRB listing.
2. Fluctuation of Interest rates

Borrower's rights under NCBA Lending Solutions

1. Right to access Loan statements.
2. Right to know all the charges relating to the loans.

Borrowers' obligations under NCBA Lending solutions

1. Timely settlement of the Loan.
2. Payment of all bank charges (Interest and Commissions)
3. To provide adequate collateral.

INVESTMENTS

a) Call Deposit Account

This deposit account is ideal for the saver that wants to earn high interest over a short term (minimum 7 days), the principal amount plus interest is paid upon maturity.

Features

- Minimum opening balance is KES 10,000,000
- Minimum term is 7 days
- The interest rate is fixed and guaranteed for the term of the investment, so you don't have to worry about declining interest rates
- Interest payment options are flexible, allowing interest to be paid monthly, quarterly, half-yearly, annually or upon maturity
- The Bank will automatically re-invest/roll over funds in a call deposit after the maturity date, unless instructed otherwise by the customer
- Changes to the investment period must be advised to the bank before the date of maturity

Benefit

- A fixed deposit holder is able to access personal overdrafts or loans of up to 95% of the fixed deposit value

a) Fixed Deposit Account

This deposit account offers a high yield return and allows a customer determine the tenure for how long they want to invest, with the option to reinvest/rollover the account at maturity.

Features

- Minimum opening balance is KES 500,000
- Minimum Contract term is 1 month
- Maximum Contract term is 12 months
- The interest rate is fixed and guaranteed for the term of the investment, so you don't have to worry about declining interest rates
- Interest payment options are flexible, allowing interest to be paid monthly, quarterly, half-yearly, annually or upon maturity
- The Bank will automatically re-invest/roll over funds in a call deposit after the maturity date, unless instructed otherwise by the customer
- Changes to the investment period must be advised to the bank before the date of maturity

Benefits

- A fixed deposit holder is able to access personal overdrafts or loans of up to 95% of the fixed deposit value

Foreign Currency Solutions**a) Spot Trading**

This enables a customer to convert currencies for immediate delivery.

Features

The customer can convert foreign currencies instantaneously to local currencies or vice versa quickly and easily with NCBA Bank Spot FX service. This service allows you to exchange currencies within two working days, in line with international practices.

Benefits

Instantaneous exchange from foreign to local currencies

b) Hedging Solutions Forward Contracts

Allows the customer to FX forwards fix the exchange rate for a particular date in the future, whether it's days, months or years.

Features

A customer can fix the exchange rate for a particular date in the future, whether it's days, months or years.

Benefits

A customer can fix the exchange rate for a particular date in the future, whether it's days, months or years.

c) Hedging Solutions- Swaps

This is an agreement between two parties to swap future interest payments, based on a principal amount in one currency for an equivalent amount in another currency.

Features

You can choose to pay in a different currency on either a fixed or floating rate.

Benefits

Hedging against currency and interest rate exposure

d) Hedging Solutions – Options

A customer can hedge against exchange rate volatility with a NCBA Bank FX Option, which can be customized to suit their needs.

Features

With an FX option, you fix the exchange rate between two currencies for an agreed period of time. You can then exercise the option on the agreed date, or choose to let it expire if the prevailing market rate is more favorable.

Benefits

Hedge your risk by choosing whether to exercise your FX option

e) Exotic Currencies

This product offers the ability to make payments in over 100 additional currencies over and above the current 22 global and regional currencies offered.

Features

Clients have flexibility to specify the exact amount to be sent out in the exotic foreign currency or the Exact USD equivalent to be debited from them.

Benefits

- A wide range of currencies to make payments in.
- Reduced costs as a result of cross-currency exchange rates

f) TRADEFX: Electronic Trading Solutions

It's a new generation FX trading platform for clients. This platform allows the bank to offer real-time access to prices for more than 100 currency pairs during trading hours, current information and detailed analyses all within a secure environment.

Features

- Connected to the customer's internet banking
- Prompt listing of all foreign exchange transactions and convenient export to Excel
- Transparent pricing – access two-way streaming prices in multiple currencies.

Benefits

- An option to choose from a range of currencies and tenures.
- Reliable liquidity due to real time foreign exchange trading.
- Top user-friendliness and flexibly adjustable desktop.

Investment Solutions**a) Money Market Deposits**

This short-term investment product is tailored to your specific needs where you can choose from a range of currencies and tenures.

Features

- Varying currencies and tenures

- Varying rates

Benefits

- Investment in money market for a potentially higher return
- An option to choose from a range of currencies and tenures.

b) Fixed Income

- NCBA Bank offers a wide range of bond instruments, from corporate and government to fixed and floating-rate bonds. The customer can generate a stable return, increase capital gains, and diversify portfolio to minimize risk by investing in bond instruments.

Features

Provides liquidity for primary issues and secondary flows.

Benefits

- Grow your wealth with the wide range of bonds offered by NCBA Bank.
- Identify the most suitable bonds for your needs with strategic advice from our investment professionals.
- Stay informed of the latest market developments through our invaluable insights, in-depth analysis and timely updates.
- Leverage our expertise and award-winning capabilities. NCBA Bank is one of the biggest fixed income wealth players in the regional market.
- Investing in bonds diversifies your portfolio and provides a regular stream of income that is typically higher than a traditional savings account
- Bonds also offer a safer investment than equity, which makes them an attractive option for investors with a lower appetite for risk

Need to know more?

You can contact us at any time if you would like any further information, or a copy of the current General Terms and Conditions; Tariff Guide; Electronic and Mobile Banking Terms and Conditions by:

- Calling our Customer Contact Centre on +254-20-2884444, 0711056444, 0732156444
- Visiting our website at www.ncbagroup.com
- E-mailing us using the address contact@ncbagroup.com
- Writing to us at P.O Box 44599-00100 Nairobi; or
- Visiting your nearest branch



This document is for your convenience and does not replace the General Terms and Conditions.