ON THE PATH TO A GREAT FUTURE.

2021 INTEGRATED

ANNUAL REPORT

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WHO WE ARE

OUR COMMITMENT TO INTEGRATED REPORTING

The 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.

Our report presents the following key areas:

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

All the financial information contained in this report has been presented in accordance with the International Financial Reporting Standards (IFRS) applicable to our operations and businesses.

The Financial Statements contain comprehensive information on the business carried out during the period of January 1 to December 31, 2021.

OUR HISTORY

NCBA Group operates a network of more than 100 branches in five countries including Kenya, Uganda, Tanzania, Rwanda and Ivory Coast. Serving over 60 million customers, the NCBA Group is the largest banking group in Africa by customer numbers.

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

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

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

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

This innovation has been instrumental in NCBA's digital drive and its clarity of vision in reimagining the future of the financial services industry through digital transformation.

Indisputably, NIC and CBA were world-class financial service providers offering customers a vast range of products and services tailored to local needs and inspired by global innovation.

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

NCBA Bank Kenya PLC is Kenya's third largest bank by assets. The Bank is set to play a key role in supporting Kenya's economic ambitions, specifically facilitating implementation of the Government's Big Four Agenda which focuses on food security, affordable housing, manufacturing and universal healthcare.

The Bank is a market leader in Corporate Banking, Asset Finance and Digital Banking.

OUR VALUES

WE ARE DRIVEN

WE ARE OPEN

WE ARE RESPONSIVE

WE ARE TRUSTED

MATERIAL THEMES

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

OUR CAPITALS

The Group acknowledges that its success is not only drawn from financial performance but also from the concerted efforts to leverage on the following capitals

Financial Capital
(Funds available to the Group as obtained through equity, debt and retained earnings from income generated from operations and investments)

Manufactured Capital
(Our footprint and infrastructure that enables us to serve our customers)

Intellectual Capital
(Our knowledge base and other intangible assets, including intellectual property, tacit knowledge, systems and procedures)

Human Capital
(Our People and their competencies, capabilities, experience and motivation)

Social & Relationship Capital
(Engagements and Relationships with our stakeholders through shared norms and values)

Natural Capital
(The renewable and non-renewable environmental resources that support the Group's current and future prosperity)

VALUE CREATION MODEL

INPUT	OUTPUT
10 REDUCED INEQUALITIES; 17 PARTNERSHIPS FOR THE GOALS **2,125** KENYA EMPLOYEES **HUMAN CAPITAL** • Rewards and Recognition program aligned to performance • Experienced Executive Management Team and Board • Focused employee development strategy	• Employee Retention **90%** • **219** Employees promoted • **1,418** Employees recognized through our Rewards and Recognition program (won Go STAR awards)
8 DECENT WORK AND ECONOMIC GROWTH **FINANCIAL CAPITAL** • Shareholders' Equity: **KES 78.0B** • Deposits: **KES 469.9 Bn** • Net Loan Book: **KES 241.5 Bn**	• Share price - KES 25.20 • Balance Sheet Growth – 12% • ROE - 13% • Dividend declared – KES 4,943M
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE **BRANCHES** 104 · **ATMs** 93 · **CDM** 34 **MANUFACTURED CAPITAL** • NCBA Bank Kenya T24 Consolidation • Consolidation of our core banking, workflows and processes across the subsidiaries	▲ **99%** Uptime of application systems
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE **INTELLECTUAL CAPITAL** • Leadership in Corporate Banking • Leadership in Asset Finance • Leadership in Digital Business	• Digital customer numbers were at 65,000,000 at the close of the year
10 REDUCED INEQUALITIES; 17 PARTNERSHIPS FOR THE GOALS **65,270,000** CUSTOMERS **SOCIAL CAPITAL & RELATIONSHIP CAPITAL** • Strategic Partnerships • Mentorship and Job Shadow	• NCBA was ranked 3rd amongst tier 1 Banks in Customer responsiveness and satisfactory digital experience. • NPS 32% being 80% of the target of 40%

	OUTCOME
• The average learning hours across the group have increased by **23.5%** from an average of **37** to an average of **46** learning hours per staff. • **35%** increase in Self-initiated learning	A workplace which fosters self-growth, provides career development opportunities and recognizes performance
• ROA – 3% • Earnings Per Share - KES 6 • Dividends Per Share - KES 3	Sustainable return on investment to our shareholders (investors) by providing dividends A stable financial service institutions anchored on good corporate governance
	Stable operating systems that enable seamless back-end customer management and improved system architecture that supports scalability and improved system performance
• In 2021, Asset finance disbursements increased by 21% to KES 19.7Bn maintaining its market leadership position among the top 7 Asset Finance Banks which translated to a market share of 33%.	Enhanced visibility across the region under a strong brand name
• 300 students mentored • 90 education scholarships awarded with 98.9% success/completion rate • 1,750 staff and their dependants received COVID – 19 vaccination	Empowering customers to attain their vision / goals Providing increased access to education, healthcare and caring for our community welfare

To support customers and clients through the pandemic as they navigate the impact of economic lockdowns, supply chain disruptions and inflationary pressures, the NCBA Group has continued to offer them the short and long-term liquidity they have needed to manage through the pandemic.

JAMES NDEGWA
GROUP CHAIRMAN

GROUP CHAIRMAN'S REPORT

Dear Shareholder,

I am pleased to present the NCBA Group's 2021 Integrated Report and Financial Statements.

When I wrote to you a year ago in the Annual Report for the period ended December 31, 2020, the global COVID-19 pandemic had wreaked havoc, in human, social and economic terms. While the year 2021 was also an extremely challenging one with a continuation of the disruptions brought about by the pandemic, it also marked a period of growth from recovery to resilience

To support customers and clients through the pandemic as they navigate the impact of economic lockdowns, supply chain disruptions and inflationary pressures, the NCBA Group has continued to offer them the short and long-term liquidity they have needed to manage through the pandemic.

Market overview

After the unprecedented economic downturn of 2020, the scaling up of the capacity of medical facilities, the positive results of the containment and preventative measures, the rapid deployment of vaccines coupled with the exceptional support from governments and central banks underpinned a strong rebound in 2021.

GROUP CHAIRMAN'S REPORT (CONTINUED)

According to the World Bank, global economic output expanded by 5.6% compared to the 3.5% contraction in 2020, overriding earlier fears of a prolonged systemic meltdown.

The Kenyan economy recovered strongly in 2021 as the carefully managed lifting of COVID-19 restrictions powered services and industries in their return to more normal levels of activity. At the same time, savings from earlier government interventions coupled with strengthening labour markets fueled a pick-up in consumer spending. Incrementally, a combination of strong local and international demand as well as earlier policy support anchored business investments in the year.

As a result, Kenya's Gross Domestic Product (GDP) is estimated to have expanded by 6.5% in the year, a marked rebound from the earlier contraction of 0.3%. That said, significant divergences were apparent across sectors. Growth in services, which account for nearly half of economic activity accelerated at the fastest pace in a decade, with positive spillovers to industries. Output in information and communications technology (ICT), education, trade, construction and health accelerated beyond pre-pandemic levels. However, we saw some soft spots with agriculture contracting by about 0.5% on the back of weather-related shocks and the hospitality industry continuing to experience COVID-19 related depressed performance.

In 2021, Kenya government spending was a key anchor of growth. A surge in revenues as well as support from development partners including the International Monetary Fund (IMF) and World Bank sustained a healthy public spend, with positive effects on the private sector. The government received over US $1.0 billion in budgetary support from the two institutions. Further, the restructuring of public debt created some additional space for spending as liquidity risks for the sovereign abated.

Meanwhile, Kenya's broader economic indicators remained largely stable. In the year, overall inflation averaged 6.0% from 5.5% a year before, driven by higher oil and food prices. This was within the acceptable 2.5-7.5% statutory band. The shilling lost 3.6% to the US dollar in the period to KES 113.20, which was a reasonable adjustment considering the local and external shocks within the year.

Financial sector performance

The ongoing rebound in economic activity has presented opportunities for banks to not only expand their balance sheets but also to improve their quality.

During the year, total assets in the sector grew by 2.3% to KES 5,822 billion. Gross loans and advances increased by 8% while investments in government securities rose by 21%. Customer deposits also increased by 9% to KES 4,346 billion.

In 2021, private sector credit grew by 8.8%. Unlike the previous year where balance sheet growth reflected restructuring effects including capitalization of interest, 2021 saw real, sustainable demand for working capital and a resurgence in capital investments. Moreover, banks also increased the supply of credit as the credit risk environment improved.

Fears over asset quality deterioration did not crystalize as initially expected. A faster than expected economic recovery, coordinated fiscal policy, monetary and prudential interventions averted a marked escalation in non-performing loans. In fact, about 90% of the KES 1.6 trillion loans restructured in 2020, normalized to a performing book by the close of 2021. In the year, non-performing loans ratio in the industry declined from 14.5% to 13.5%.

The prudential ratios in the industry also improved, pointing to enhanced resilience. The sector was liquid and well capitalized. Core capital to risk weighted assets was at 16.3% in Q3 and remained solidly above the 10.5% minimum requirement. Similarly, total capital to risk weighted assets was at 18.8%, holding significantly above the 14.5% regulatory threshold. Liquidity ratio remained stable at 56.7%.

INFLATION

▲0.5%

In the year, overall inflation averaged **6.0%** from **5.5%** a year before, driven by higher oil and food prices.

CREDIT GROWTH

▲8.8%

In Private sector, during the year

INDUSTRY ASSET GROWTH

Total assets in the sector grew by **2.3%** to **KES 5,822 billion.**

GROUP CHAIRMAN'S REPORT (CONTINUED)

Future Outlook

Looking ahead, strategic efforts to de-risk the crucial Micro, Small and Medium Enterprises (MSMEs) sector will complement the organic rise in demand for credit from firms and households. Operational and credit risk will also abate as pandemic related uncertainty wanes, providing more room for balance sheet expansion. Liquidity risks will remain markedly subdued.

Fundamentally, we believe there is sufficient momentum to sustain sound economic performance in 2022. Risks from the pandemic continue to diminish as economies transition, releasing more demand, necessary for business investments. For Kenya, increased adaptability and vaccine access will continue to enable return to normalcy.

Whereas the government will continue to face difficult economic tradeoffs, public spending will remain decent at over KES 3.0 trillion in nominal terms. On the fiscal front, Kenya will benefit further from drawdowns from the IMF, the World Bank and other multilateral lenders. This will complement private sector activity that will ride on steady rebound in demand and sound confidence.

Agriculture may remain problematic should the risks from climate change become more apparent. The sector accounts for a fifth of the country's GDP and a slowdown may keep output growth below its potential.

We expect the Central Bank to maintain its sound support for credit markets. Despite risks from inflation, the monetary policy will keep interest rates low and maintain the liquidity support to the financial sector for a well-functioning credit market. With that said, effects of a stronger dollar on inflation may cause an increase in interest rates, though the regulator may intervene for a more sustainable growth.

I see the economy maintaining an above trend growth trajectory at about 5.2% in 2022. While the August General elections will cause some anxiety among investors and consumers, we believe in the capacity of the various agencies to deal with election related disruptions and in the Judiciary's ability to deal with any election disputes.

Conclusion

Whilst some uncertainty remains, the long-term prospects for our industry continue to be extremely attractive.

Your Board and executive leadership team will ensure that NCBA continues to focus on long-term value creation for all our stakeholders.

Finally, on behalf of the Board of Directors and myself, I would like to express my sincere gratitude to our esteemed customers for their confidence and trust in NCBA. I would also like to send my gratitude to our shareholders for their support and thank my fellow members of the Board of Directors, the Group's executive management and the entire NCBA staff complement for their dedication and commitment.

J P M Ndegwa
Group Chairman

Pato la Taifa la Kenya (GDP) linakadiriwa kuwa liliongezeka kwa 6.5% mwakani huo

JAMES NDEGWA
MWENYEKITI WA KUNDI

TAARIFA YA MWENYEKITI WA KUNDI

Mpendwa Mmiliki hisa,

Nina furaha kuwasilisha kwenu Ripoti Jumuishi ya Kundi la NCBA na Taarifa ya Hesabu za Kifedha za 2021.

Wakati nilipokuwa nawaandikia Ripoti ya Mwaka jana, janga la kimataifa la COVID-19 lilikuwa tayari limeshaleta maafa, na kuathiri masuala ya kibinadamu, kijamii na ya kiuchumi.

Ingawa mwaka huu uliendelea kuwa wenye changamoto nyingi kwa sababu ya vurugu lililosababishwa na janga hili, pia uliashiria kipindi cha ukuaji kuanzia kupata ahueni hadi hali kuwa ya ustahimilivu

Kuwasaidia wateja wetu kipindi cha Janga la Korona wakati wakifanya bidi kujikwamua katika kipindi cha kuzuia mijumuiko, na katika kipindi kigumu cha mfumoko wa bei na mzunguko hafifu wa bidhaa NCBA Bank iliendelea kuwapa mikopo ya muda mfupi na muda mrefu ili kuweza kijikwamua wakati wa kipindi hicho kigumu.

Hali Ya Uchumi katika Soko la Kenya

Baada ya mkanganyiko na Mdororo wa uchumi wa mwaka 2020, Juhudi za serikali za kuwezesha uwekezaji kwenye vifaa tiba na Matokeo chanya ya kuzibiti na kuzuia maambukizi mapya, ikiwamo juhudi za serikali na Bank Kuu za kuwekeza kwenye chanjo zilifanikisha kuanza kuwa na matokeo mazuri ya kiuchumi kuanzia mwaka 2021.

TAARIFA YA MWENYEKITI WA KUNDI (KUENDELEA)

Kwa mujibu wa Benki Kuu ya Dunia, pato la uchumi ulimwenguni liliongezeka kwa 5.6% ikilinganishwa na kupungua kwa 3.5% katika mwaka wa 2020, hii iliondoa hofu ya awali ya kuendelea kuzorota kwa muda mrefu kwa utaratibu.

Uchumi wa Kenya ulipata ahueni madhubuti katika 2021 wakati pale uondoaji makini ulioratibiwa wa vizuizi vya COVID-19 kama vilivyoshadidiwa na huduma na tasnia. Wakati huo huo, uokozi kutoka kwa juhudi za awali za serikali pamoja na kuimarisha masoko ya ajira zilichochea kuongezeka kwa mahitaji ya watumiaji. Zaidi ya hayo, mchanganyiko wa mahitaji makubwa ya ndani na nje ya nchi pamoja na sera ya awali kusaidia uwekezaji wa biashara katika mwaka tunaoutathmini.

Kutokana na hali hiyo, Pato la Taifa la Kenya (GDP) linakadiriwa kuwa liliongezeka kwa 6.5% mwakani huo, ikiwa ni ongezeko kubwa ikilinganishwa na upunguaji wa awali wa 0.3%. Licha ya hayo, kutofautiana kulidhihirika katika sekta zote; Ukuaji wa huduma, ambao unachukua karibu nusu ya shughuli za kiuchumi uliongezeka kwa kasi ya haraka zaidi katika kipindi cha muongo mmoja, huku kukiwa na matokeo chanya kwa tasnia. Matokeo katika Teknolojia ya Habari na Mawasiliano (ICT), elimu, biashara, ujenzi na afya yaliongezeka kupita viwango vya kabla ya janga. Hata hivyo, baadhi ya maeneo kama kilimo kilipungua kwa takriban 0.5% kutokana na majanga yanayohusiana na mabadiliko ya hali ya hewa huku tasnia ya hoteli na huduma ya chakula ikiendelea kupata utendaji duni kutokana na athari za COVID.

Katika 2021, matumizi ya serikali yalikuwa nyenzo muhimu ya msingi wa ukuaji. Ongezeko la mapato pamoja na usaidizi kutoka kwa washirika wa maendeleo ikiwa ni pamoja na Shirika la Fedha la Kimataifa (IMF) na Benki ya Dunia lilidumisha matumizi mazuri ya umma, huku kukiwa na athari chanya katika sekta ya kibinafsi. Serikali ilipokea zaidi ya dola bilioni 1.0 za Marekani kama msaada wa kusaidia makadirio ya kifedha kutoka kwa taasisi hizo mbili. Zaidi ya hayo, kupangiwa mfumo kwa deni la umma kuliunda nafasi ya ziada ya matumizi huku dhima za ukwasi huru zikipunguzwa.

Wakati huo huo, viashiria vya kiuchumi kwa upana vilitulia kwa kiasi kikubwa nchini Kenya. Katika mwaka huo, mfumuko wa bei kwa ujumla ulikuwa wa wastani wa 6.0% kutoka 5.5% mwaka uliopita, ukichochewa na bei ya juu ya mafuta na vyakula. Hii ilikuwa ndani ya vigezo vya kisheria vinavyokubalika vya 2.5-7.5%. Shilingi ilipoteza 3.6% kwa dola ya Marekani katika kipindi hicho hadi kufika KES 113.20, ambayo ilikuwa marekebisho ya kuridhisha ikizingatiwa majanga ya ndani na nje yaliyodhihirika katika mwaka huo.

Utendaji wa sekta ya fedha

Kurudi hali ya kuboreka kunakoendelea katika shughuli za kiuchumi kunatoa fursa kwa mabenki sio tu kwa kupanua mizania yao ya hesabu bali pia kuinua ubora wao.

Katika kipindi cha mwaka wa 2021, jumla ya mali katika sekta hii ilikua kwa 2.3% hadi kufikia KES bilioni 5,822. Jumla ya mikopo mikubwa na mikopo midogo iliongezeka kwa 8% wakati uwekezaji katika Hati za dhamana za serikali ulipanda kwa 21%. Amana za wateja pia ziliongezeka kwa 9% hadi KES bilioni 4,346.

Katika 2021, mikopo ya sekta binafsi ilipanda kwa 8.8%. Kinyume na mwaka uliotanguliai ambapo kukua kwa mizania ya hesabu kuliakisi athari za urekebishaji ikijumuisha mtaji wa faida, 2021 ilidhihirisha mahitaji halisi, endelevu ya mtaji wa kufanya kazi na kufufuka kwa uwekezaji wa mitaji. Zaidi ya hayo, Mabenki pia yaliongeza utoaji wa mikopo kadiri mazingira ya hatari ya mikopo yalivyozidi kuboreka.

Hofu juu ya kuzorota kwa ubora wa rasilmali hakukwenda kama ilivyotarajiwa mwanzoni. Kuimarika kwa uchumi kwa kasi zaidi kuliko ilivyotarajiwa, uratibu wa sera za fedha, kuingiliwa kati kwa fedha na afua za busara kuliepusha ongezeko kubwa la mikopo iliyoharibika. Kwa hakika, takriban 90% ya mikopo ya KES trilioni 1.6 iliyorekebishwa mwaka wa 2020, ilisasishwa kuwa mikopo inayotekelezwa. Katika mwaka huo huo, uwiano wa mikopo iliyoharibika ulipungua kutoka 14.5% hadi 13.5%.

INFLATION

▲**0.5%**

Katika mwaka huo, mfumuko wa bei kwa ujumla ulikuwa wa wastani wa **6.0%** kutoka **5.5%** mwaka uliopita, ukichochewa na bei ya juu ya mafuta na vyakula.

CREDIT GROWTH

▲**8.8%**

Katika 2021, mikopo ya sekta binafsi ilipanda

INDUSTRY ASSET GROWTH

Jumla ya mali katika sekta hii ilikua kwa **2.3%** hadi kufikia **KES bilioni 5,822.**

TAARIFA YA MWENYEKITI WA KUNDI (KUENDELEA)

Uwiano wa bushara katika tasnia hii pia uliboreshwa, ukiashiria ustahimilivu ulioimarishwa. Sekta hii ilikuwa ya ukwasi na yenye mtaji wa kutosha. Mtaji wa msingi wa rasilimali ya uzito wa dhima ulikuwa 16.3% katika Robo ya tatu ya Mwaka na ulibaki thabiti juu ya mahitaji ya chini ya 10.5%. Vile vile, jumla ya mtaji kwa mali zilizowekewa dhima ilikuwa 18.8%, ikishikilia pakubwa juu ya kiwango cha udhibiti cha 14.5%. Uwiano wa ukwasi ulibakia kuwa 56.7%.

Mtazamo wa siku zijazo

Tukitazama mbele, juhudi za kimkakati za kuondoa mashaka kwa sekta muhimu ya Biashara Ndogo na za Kati (MSMEs) zitakamilisha ongezeko la undani la mahitaji ya mikopo kutoka kwa makampuni na ya watu binafsi. Mashaka ya kiutendaji na mikopo pia yatapungua pindi hali ya kutokuwa na uhakika inayohusiana na janga inavyopungua, na kutoa nafasi zaidi ya upanuzi wa daftari ya mizania. Dhima za ukwasi zitasalia kuwa ndogo.

Kimsingi, tunaamini kuna kasi ya kutosha kudumisha matokeo mazuri ya kiuchumi katika 2022. Hatari zitokanazo na janga hili zinaendelea kupungua huku uchumi ukiendelea kubadilika, ukikithirisha mahitaji zaidi yaliyo muhimu kwa uwekezaji wa biashara. Kwa Kenya, kuongezeka kwa uwezo wa kubadilika na hali ilivyo na upatikanaji wa chanjo kutaendelea kuwezesha kurudi kwa hali ya kawaida.

Ingawa serikali itaendelea kukabiliwa na mabadiliko magumu ya kiuchumi, matumizi ya umma yataendelea kuwa mazuri kwa zaidi ya KES trilioni 3.0 kwa halii ya kawaida. Kwa upande wa kifedha, Kenya itanufaika zaidi kutokana na mtiririko kutoka kwa Shirika la Kifedha la KImataifa (IMF), Benki ya Dunia na wakopeshaji wengine wa kimataifa. Hii itapongeza shughuli za sekta binafsi ambayo itategemea kurudi kuongezeka kwa mahitaji na kuwepo kwa matumiani thabiti.

Kilimo kinaweza kubaki kuwa katika hali tata iwapo hatari za mabadiliko ya hali ya hewa kutazidi kudhihirika. Sekta hii inachukua nafasi ya tano katika kuchagia Pato la Taifa na kupungua kasi kwake kunaweza kudhoofisha ukuaji wa pato kwenda chini ya matarajio.

Tunatarajia benki kuu kuendeleza usaidizi wake mzuri kwa masoko ya mikopo. Licha ya hatari zinazotokana na mfumuko wa bei, sera za fedha itaweka viwango vya riba chini na kudumisha usaidizi wa ukwasi kwa sekta ya fedha kwa ajili ya soko la mikopo linalofanya kazi vizuri. Pamoja na hayo, athari za dola yenye nguvu kwenye mfumuko wa bei zinaweza kusababisha kuongezeka kwa viwango vya riba, ingawa mdhibiti kanuni anaweza kuingilia kati ili kudumisha ukuaji endelevu zaidi.

Uchumi utanedelea kukua vizuri kwenda juu kwa wastani wa takriban 5.2% katika 2022. Ingawa Uchaguzi Mkuu wa Agosti utasababisha wasiwasi fulani miongoni mwa wawekezaji na watumiaji, tunaamini katika uwezo na nafasi ya Idara ya Mahakama kushughulikia mizozo ya uchaguzi.

Hitimisho

Ingawa bado kuna hali ya wasiwasi na kutotabirika, matarajio ya muda mrefu ya tasnia yetu yanaendelea kuwa ya kuvutia mno.

Bodi ya NCBA na timu nzima ya uongozi itahakikisha kwamba NCBA inaendelea kuzingatia utendaji endelevu wa thamani kwa wadau wetu wote.

Mwisho, kwa niaba ya bodi ya wakurugenzi na mimi mwenyewe, ningependa kutoa shukrani zangu za dhati kwa wateja wetu wote kwa kuiamini NCBA. Pia ningependa kutoa shukrani zangu kwa wamiliki wa hisa wa NCBA kwa usaidizi wao na nawashukuru wanachama wenzangu wa bodi ya wakurugenzi, wasimamizi wakuu wa kundi la NCBA na wafanyakazi wote wa NCBA kwa kujituma na kujitolea kwao.

J P M Ndegwa
Mwenyekiti wa Kundi

JOHN GACHORA
GROUP MANAGING DIRECTOR

During the year, the bank in Kenya opened **13 new branches** across key strategic towns that ultimately contributed to **11%** growth of the Group's deposits.

GROUP MANAGING DIRECTOR'S STATEMENT

Dear Shareholder,

On behalf of the Board of Directors and Group's senior leadership team, I would like to extend our deepest appreciation for your continuous support. I am pleased to present a brief summary of the Group's performance and major achievements for the financial year ended 31st December 2021.

GROUP MANAGING DIRECTOR'S STATEMENT (CONTINUED)

Delivering on our Strategic Ambitions

In many ways, 2021 marked the beginning of a possible "new normal" following the successful mass vaccinations for Covid-19. For us at NCBA, 2021 marked the second anniversary of our existence as a merged entity and the beginning of a new strategic journey. In 2020, we developed a 5-year strategic plan that called for investments in initiatives that:

- Build a Distinguished Brand Known for Customer Experience,
- Scale Retail Banking,
- Deepen our Market Leadership in Corporate Banking & Asset Finance,
- Enable Digital Transformation, and
- Develop a High-Performance Culture.

I am proud to report that despite the headwinds arising from effects of the Covid-19 pandemic on our customers and business operations in 2021, the Group made significant progress in implementing its strategic agenda.

In the last fiscal year, the Group continued to invest in building its brand profile through intentional and bold marketing campaigns and by simplifying its system architecture in order to elevate customer experience. The concerted efforts to deliver more seamless and delightful experiences were recognized, resulting in the Group being awarded the 2021 KBA 3rd Place Customer Experience –Tier 1 Banks Award.

In 2021, NCBA Bank had the fastest growing branch network in the Kenya. During the year, the bank in Kenya opened 13 new branches across key strategic towns that ultimately contributed to 11% growth in customer deposits. Current performance reviews indicate that the new branches are on track to break even before plan. The Group intends to continue scaling up its branch network in 2022 by opening 12 new branches in Kenya and an additional two new branches in Rwanda, bringing our services closer to our customers.

In 2021, the Group finalized the post-merger consolidation of its mobile banking channels under the NCBA Now mobile app. This exercise was intended to deliver merger cost synergies

The concerted efforts to deliver more seamless and delightful experiences were recognized, resulting in the Group being awarded the **2021 KBA 3rd Place** Customer Experience –**Tier 1 Banks Award.**

KES**584Bn**
LOANS DISBURSED

KES**15Bn**
PRE-TAX PROFIT

6% KES**49.2Bn**
TOTAL OPERATING INCOME

12% KES**591.1Bn**
GROUP TOTAL ASSETS

KES**70.8Bn**
CORE CAPITAL

61.7%
LIQUIDITY RATIO

and to provide a unified platform from which to elevate customer experiences. All NCBA customers in Kenya now have the ability to pay directly to M- Pesa tills, the ability to borrow up to KES 70,000 in unsecured digital loans and the ability to make FX trades digitally. The new and improved app has also incorporated biometric log-in to further secure customer transactions

Drawing from our heritage as a leader in Corporate Banking and Asset Finance, the bank continues to protect and grow its position as the corporate banker of choice and build a moat around its asset finance business. Since the merger, the corporate banking customer deposits have grown year on year, a testament that the business development initiatives are bearing fruit. Incrementally, continued innovation has enabled the bank to be in a position to offer conditional approval for online Asset Finance loan applications within 15 seconds. A true market first!

We continue to lead the market in digital financial services, and have ambitions to grow our regional reach and further support financial inclusion through our digital platforms. In 2021, we disbursed a whopping KES 584 billion in loans across our 60 million digital customers. This was an incredible feat but we are just getting started. In 2022 we have ambitions to become more essential to our customers by establishing a payments platform business. In turn, this will increase the scalability of the digital business and create new incentives for customers to enter and remain in the NCBA ecosystem.

Creating a high-performance employee culture was and continues to be a key pillar post-merger. In 2021, the Group launched a group wide Go-getter culture and implemented a number of initiatives to embed the new way of doing things across its entire business network. The Go-Getter culture aims to enhance team cohesion, drive unity of purpose and build teams that are highly tuned in to the needs of its customers, and breathe life into our core values: Open, Driven, Responsive and Trusted.

Business Performance

The Group's fundamentals remain strong and we are well positioned to respond to the demands of the new environment. In line with its bold strategic direction, NCBA Group has continued to perform exceptionally well in all key parameters.

NCBA Group recorded a pre-tax profit of KES 15.03 billion for the year ending December 31st 2021. Total operating income for the year was KES 49.2 Billion, a year-over-year growth of 6%. The Group's strong performance is best seen through the operating profit (before credit provisions) which increased by 6% to KES 28.4 billion as compared to the same period in the prior year.

As at December 2021, the Group's total assets increased by 12% to close at KES 591.1billion and maintained a strong core capital position of KES 70.8 billion and a liquidity ratio of 61.7%. The Bank's loan impairment expense decreased significantly this year as a result of an improvement in economic conditions. Continued balance sheet strength is critical to our ability to serve our customers, drive core business outcomes and deliver strong and sustainable returns for our shareholders.

Looking forward

I am proud of what our company and employees across the region achieved, collectively and individually. We have successfully adjusted to a new normal in this Covid-19 pandemic era. Building on the momentum from 2021, we have set clear priorities for 2022, being to enhance 1) Our customer experience, 2) Business growth 3) Our control environment and 4) The performance of the Group's regional subsidiaries.

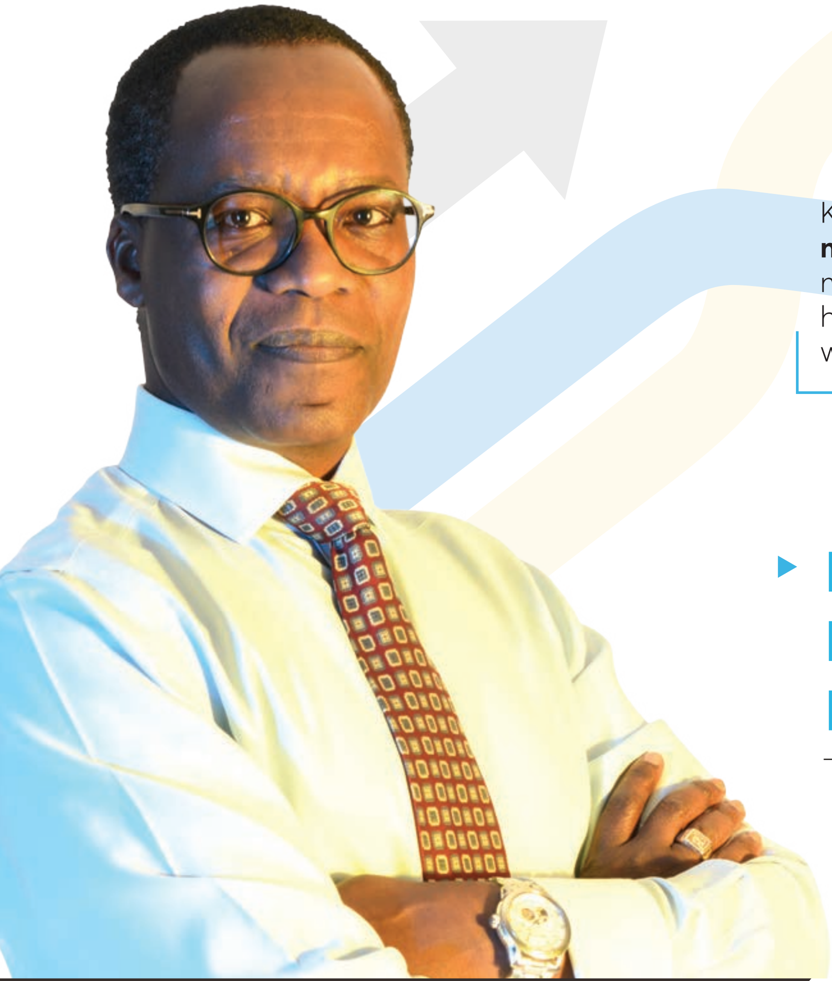
Conclusion

I would like to conclude where I began – with gratitude. I want to express sincere gratitude to the Group board of directors as well as boards of directors of our various operating entities for your counsel, guidance and significant commitment to our various stakeholders. I extend sincere appreciation to our executive leadership team and our more than 2,500 colleagues for their unwavering focus on strategy, customers, colleagues and community.

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

John Gachora

Group Managing Director



Katika mwaka huo, benki hii ilifungua **matawi mapya 13** hapa Kenya katika miji muhimu kimkakati ambayo hatimaye ilichangia ukuaji wa **11%** wa fedha za kuingia za Shirika

MKURUGENZI MTENDAJI WA KUNDI

JOHN GACHORA
MKURUGENZI MTENDAJI WA KUNDI

Mpendwa Mmiliki hisa,

Kwa niaba ya Halmashauri ya Wakurugenzi na timu nzima ya Wasimamizi wakuu wa Shirika, ningependa kutoa shukrani zangu za dhati kwa usaidizi mnaoendelea kunipa. Nina furaha kuwasilisha kwenu muhtasari mfupi wa matokeo na mafanikio makubwa ya Shirika hili katika mwaka wa kifedha unaomalizikia tarehe 31 Disemba 2021.

Juhudi za pamoja za kuwasilisha uzoefu usio na tashwishi na wa kuvutia hatimaye zilitambuliwa, na kusababisha Shirika kutunukiwa **Tuzo ya 2021 ya KBA Nafasi ya tatu** ya Uzoefu wa Mteja –**Daraja ya 1 ya Tuzo za Benki**

KES**584Bn**
LOANS DISBURSED

KES**15Bn**
PRE-TAX PROFIT

▲ **6%** KES**49.2Bn**
TOTAL OPERATING INCOME

▲ **12%** KES**591.1Bn**
GROUP TOTAL ASSETS

KES**70.8Bn**
CORE CAPITAL

61.7%
LIQUIDITY RATIO

TAARIFA YA MKURUGENZI MTENDAJI (KUENDELEA)

Kutekeleza Matarajio yetu ya Kimkakati

2021 iliadhimisha kumbukumbu ya mwaka wa pili wa kuwepo kwetu kama huluki iliyounganishwa; NCBA. Mnamo 2020, tulitengeneza mpango wa kimkakati wa kipindi cha miaka 5 ambao ulihitaji uwekezaji wetu katika mipango ambayo;

- Itaunda Chapa Mashuhuri Inayotambulika kwa Uzoefu wa Wateja,
- Huduma za Rejareja za Kibenki,
- Kuimarisha Uongozi wetu katika Soko kwenye Huduma za Biashara za Benki na Utoaji Fedha za Mali,
- Kuwezesha Mabadiliko ya Kidijitali na
- Kukuza Utamaduni wa Utendaji wa kiwango cha hali ya juu.

Najivunia kuwatangazieni kuwa Shirika hili lilipata maendeleo makubwa katika mwaka wa fedha uliopita katika kutekeleza ajenda yake ya kimkakati licha ya misukosuko iliyosababishwa na athari za janga la Covid-19 kwa wateja wetu na kuathiri shughuli zao za biashara.

Katika mwaka wa fedha uliopita, Kundi liliendelea kuwekeza katika kujenga wasifu wa chapa yake kupitia kampeni zilizodhamiriwa na za ujasiri za kampeni ya uuzaji na kwa kurahisisha usanifu wake wa mfumo ili kuinua uzoefu wa wateja. Juhudi za pamoja za kuwasilisha uzoefu usio na tashwishi na wa kuvutia hatimaye zilitambuliwa, na kusababisha Shirika kutunukiwa Tuzo ya 2021 ya KBA Nafasi ya tatu ya Uzoefu wa Mteja –Daraja ya 1 ya Tuzo za Benki.

Katika 2021, Benki la NCBA ilikuwa na mfumo wa matawi unaokuwa kwa haraka Zaidi hapa Kenya. Katika mwaka huo, benki hii ilifungua matawi 13 mapya hapa Kenya katika miji muhimu kimkakati ambayo hatimaye ilichangia ukuaji wa 11% wa fedha za kuingia za Shirika hili. Tathmini ya matokeo ya sasa yanaashiria kuwa matawi haya mapya yanaelekea kuleta faida hata kabla ya kukamilika mpango. Shirika hili linakusudia kuendelea kuongeza mtandao wa matawi yake katika 2022 kwa kufungua matawi mapya mawili nchini Rwanda na matawi mengine 12 nchini Kenya ili kuleta huduma zetu karibu na wateja wetu.

Katika mwaka wa 2021, Shirika hili lilikamilisha uimarishaji wa baada ya kuunganishwa kwa chaneli zake za shughuli za benki kwa simu chini ya programu ya simu ya NCBA Now. Shughuli hii ilinuiwa kuwasilisha mashirikiano ya gharama ya kuunganisha na kutoa jukwaa moja la kuinua hali ya uzoefu wa wateja. Wateja wote wa NCBA nchini Kenya sasa wana uwezo wa kulipa moja kwa moja kwenye till za M-Pesa, na fursa ya kukopa hadi KES 70,000 kwa mikopo ya kidijitali isiyo na dhamana na uwezo wa kufanya biashara ya FX ya kidijitali. Programu hii mpya na iliyoboreshwa pia imejumuisha kuingia kwa kutumia utambulisho wa kibayometriki ili kulinda zaidi miamala ya wateja.

TAARIFA YA MKURUGENZI MTENDAJI (KUENDELEA)

Kutokana na urithi wetu kama kiongozi katika Benki ya Biashara na Ufadhili wa Mali, benki hii inaendelea kulinda na kukuza nafasi yake kama benki ya shirika teule na kujenga himaya yake kama benki tajika ya kutoa fedha ya mali. Tangu kuungana kwetu, amana za benki za wateja mashirika zimeongezeka mwaka hadi mwaka, ishara kwamba mipango ya maendeleo ya biashara tayari imeanza kuzaa matunda. Kwa kuongezeka, ubunifu unaoendelea umewezesha benki hii kuwa katika nafasi bora ya kuidhinisha ombi la mkopo wenye masharti la mtandaona la kufadhili mali ndani ya sekunde 15. Hii kwa hakika ni ya kwanza katika soko hili!

Tunaendelea kuongoza katika soko hili kwa huduma za benki za kidijitali, na tuna matarajio ya kukuza ufikiaji wetu wa kikanda na kusaidia zaidi ujumuishaji wa kifedha kupitia mifumo yetu ya kidijitali. Katika 2021, tulitoa jumla ya mkopo wa KES 584 bilioni kwa wateja wetu milioni 60 wa kidijitali. Hili lilikuwa tukio la kushangaza lakini ndio mwanzo tunaanza. Katika 2022 tuna hamu kuu ya kutoa manufaa zaidi kwa wateja wetu kwa kuanzisha jukwaa la malipo ya biashara ambayo, kwa upande mwingine, yataongeza kasi ya biashara ya kidijitali na kuunda motisha mpya kwa wateja kuingia na kusalia katika mfumo wa NCBA.

Kubuni utamaduni wa wafanyikazi wenye utendaji wa hali ya juu kulikuwa na kunaendelea kuwa moja ya nguzo muhimu ya baada ya muungano. Katika mwaka wa 2021, Shirika hili lilizindua kikundi kizima chenye utamaduni wa Maahiri wa Biashara na kutekeleza mipango kadhaa ya kupachika njia mpya ya kufanya mambo katika mtandao wake wote wa biashara. Tamaduni ya Maahiri wa Biashara inalenga kuimarisha uwiano wa timu, kuendeleza umoja wa kusudi na kujenga timu ambazo zimezingatia sana mahitaji ya wateja wake, na kuhuisha maadili yetu makuu: Uwazi, Chapakazi, Usikivu na Kuaminika.

Utendaji wa Biashara

Misingi ya Shirika inasalia imara na tuko katika nafasi nzuri ya kujibu na kutosheleza mahitaji ya mazingira haya mapya. Sambamba na mwelekeo wake thabiti wa mkakati shupavu, Kundi hili la NCBA linazidi kufanya vyema katika vigezo vyote muhimu.

Kundi la NCBA limeorodhesha faida, kabla ya kulipa kodi, ya KES bilioni 15.03 kwa mwaka unaomalizikia Disemba 31, 2021. Jumla ya mapato ya uendeshaji kwa mwaka yalikuwa KES Bilioni 49.2, ikiwa ni ukuaji wa 6% ikilinganishwa na mwaka wa 2021. Utendaji imara wa Kundi unaonekana vyema kupitia faida ya uendeshaji (kabla ya masharti ya mikopo) ambayo iliongezeka kwa 6% hadi KES Bilioni 28.4 ikilinganishwa na kipindi kama hicho katika mwaka uliopita.

Hadi kufikia Disemba 2021, jumla ya mali ya Kundi iliongezeka kwa 12% hadi kufikia KES bilioni 591.1 na kudumisha nafasi kuu ya mtaji ya KES bilioni 70.8 na uwiano wa ukwasi wa 61.7%. Gharama ya mikopo iliyoharibika ya Benki ilipungua kwa kiasi kikubwa mwaka huu kutokana na kuimarika kwa hali ya uchumi. Mizania imara ya hesabu za kifedha inayozidi kuimarika ni muhimu kwa uwezo wetu wa kuwahudumia vyema wateja wetu, kuendeleza matokeo ya msingi ya biashara na kuleta mapato thabiti na endelevu kwa wanahisa wetu.

Mtazamo wa siku zijazo

Ninajivunia yale ambayo kampuni na wafanyikazi wetu katika kundi la NCBA wameweza kufanikisha, kwa pamoja na kibinafsi. Tumefanikiwa kuzoea hali mpya iliyoko katika kipindi hiki cha janga la Covid-19. Kwa kujengea kwenye kasi iliyoanzia 2021, vipaumbele vyetu katika 2022 itakuwa kuboresha 1) Uzoefu wa wateja kwa huduma zetu, 2) Ukuaji wa biashara 3) Mazingira yetu ya udhibiti na 4) Utendaji wa kampuni tanzu za Kundi katika kanda.

Hitimisho

Ningependa kuhitimisha nilipoanzia - kwa shukrani. Nataka kutoa shukrani za dhati kwa bodi ya wakurugenzi ya Kikundi pamoja na bodi za wakurugenzi za vyombo vyetu mbalimbali vya uendeshaji kwa ushauri wenu, mwongozo na kujitolea kwenu kwa wadau wetu mbalimbali. Natanguliza shukrani za dhati kwa timu yetu ya viongozi wakuu na zaidi ya wenzetu 2,500 kwa umakini wao thabiti katika mkakati, wateja, wafanyakazi wenzetu na jumuiya.

Mwisho, ningependa kutoa shukrani zangu za dhati kwa wateja wetu wapendwa kwa kufanya shughuli za benki nasi, wanahisa wa benki kwa msaada wao, na wadau wetu wengine wanaoendelea kujitolea kutembea nasi.

John Gachora
Mkurugenzi Mtendaji wa Kundi

BOARD OF DIRECTORS

James P.M. Ndegwa
Group Chairman Non-Executive

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

Desterio A. Oyatsi
Deputy Group Chairman, Independent

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

John M. Gachora, MBS
Group Managing Director, Executive

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

Hon. Abdirahin H. Abdi
Independent, Non-Executive

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

David Abwoga
Executive

Mr. Abwoga has over 29 years regional experience in Audit, Operations and Finance, having worked for several years in various executive management positions at Citibank N.A., Marshalls (E.A.) Ltd. and Deloitte. He was previously Executive Director, Finance and Strategy at NIC Group. Mr. Abwoga holds a BA degree in Economics from Moi University and an MBA, Strategic Management from the University of Nairobi. He is also a Certified Public Accountant, CPA (K) and Certified Public Secretary, CPS (K) in Kenya. He joined the Board on 21st March 2018.

John S. Armitage
Non-Executive

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

Isaac O. Awuondo
Non-Executive

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

Philip R. Lopokoiyit
Independent, Non-Executive

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

BOARD OF DIRECTORS (Continued)

Andrew S. M. Ndegwa

Non-Executive

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

Esther N. Ngaine

Independent, Non-Executive

Mrs. Ngaine is a retired senior banker who has played a key role in the development of the Financial Services Sector in Kenya and the East Africa Region. She is currently the Managing Director of Amuiri Investment & Management Ltd, Non-Executive Director of several other companies and previously served as Director and Head of Public Sector at Citibank NA, Nairobi until 2014.

Mrs. Ngaine holds a BSc. In International Business Administration, Finance option from United States International University (USIU). She joined the Group's Board on 15th June 2014 and the Bank's Board on 20th November 2019.

Mukeshchandra K. R. Shah

Independent, Non-Executive

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

GROUP COMPANY SECRETARY

Waweru Mathenge

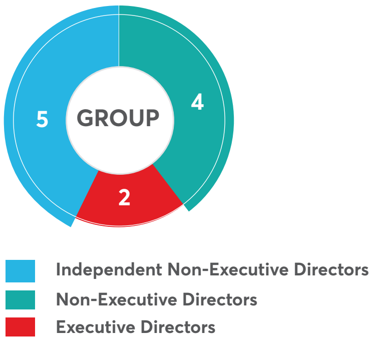
Group Company Secretary

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

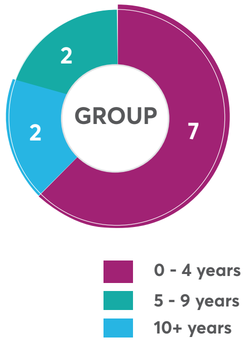
Notes:

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

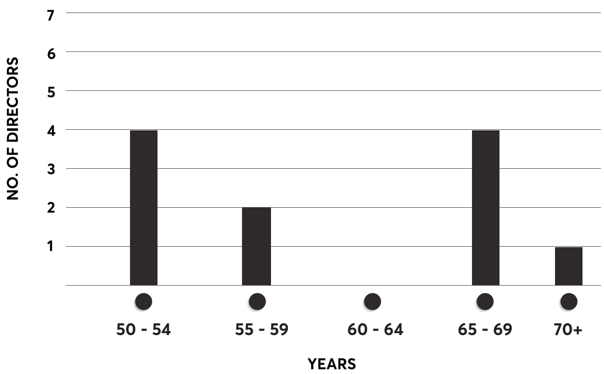
DIRECTORS' INDEPENDENCE



DIRECTORS' LENGTH OF SERVICE



DIRECTORS' AGE DISTRIBUTION



SENIOR MANAGEMENT

John M. Gachora, MBS

Group Managing Director, Executive

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

David Abwoga

Executive Director, Finance

Mr. Abwoga has over 29 years regional experience in Audit, Operations and Finance, having worked for several years in various executive management positions at Citibank N.A., Marshalls (E.A.) Ltd. and Deloitte. He was previously Executive Director, Finance and Strategy at NIC Group. Mr. Abwoga holds a BA degree in Economics from Moi University and an MBA, Strategic Management from the University of Nairobi. He is also a Certified Public Accountant, CPA (K) and Certified Public Secretary, CPS (K) in Kenya. He joined the Board on 21st March 2018.

Waweru Mathenge

Group Director, Governance, Legal & Company Secretary

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

Julius Kamau

Group Director, Technology and Operations

Mr. Kamau holds a Bachelor of Commerce degree in Marketing from University of Nairobi and is a Certified Public Accountant (CPA-K). He has over 22 years' experience in managing Banking Operations, Technology and in delivery Transformation Projects. He has previously worked in various senior management roles at Citibank, Standard Chartered Bank, Ecobank Kenya, NIC Bank Plc and lastly as Director, Shared Services at KCB Group prior to joining NCBA in December 2020 as Group Director, Technology and Operations.

Monicah Kihia

Group Director, Human Resources & Culture

Mrs. Kihia holds an MBA (Strategic Management & Human Resources) from the University of Nairobi and Bachelor of Education (Mathematics & Economics) from Egerton University. She has over 20 years of experience as a business leader and is also a Certified Executive Coach by the Academy of Executive Coaching – UK and a member of the Institute of Human Resources Management (IHRM). Prior to joining NCBA in July 2014, she was the Deputy Head of HR for East Africa and Head of Learning & Development for Sub-Saharan Africa at Citi Bank, where she had also held several senior positions in Africa within the Human Resources, Operations and Customer Service functions.

Lennox Mugambi

Group Director, Asset Finance and Business Solutions

Mr. Mugambi holds a Bachelor of Arts in Economics degree from Kenyatta University, an Executive Masters of Business Administration from Strathmore Business School and Panafrican EMBA Module and Leadership, Innovation and Growth in Globalized World program from IESE Business School, University of Navarra in Barcelona, Spain. He has 20 years' experience in banking, having previously worked at Standard Chartered Bank Kenya Limited, Stanbic Bank Kenya Limited and later, Barclays Bank of Kenya Limited as Head of Asset Finance before joining NCBA (then NIC Bank Limited) in October 2015 as Deputy Director, Asset Finance.

Eric Muriuki

Group Director, Digital Business

Mr. Muriuki holds a BSc. in Mathematics and Computer Science from the Jomo Kenyatta University of Agriculture and Technology (JKUAT) and an MBA from Strathmore Business School. He has over 20 years of banking industry experience and is also a member of the Institute for the Management of Information Systems (IMIS), a Certified Information Systems Auditor (CISA) and a Cisco Certified Network Associate (CCNA). Prior to joining NCBA in 2007, he was the Head of Business Change Management at the Co-operative Bank of Kenya and previously worked as a Business Systems Manager and an Information Technology Officer at Citibank N.A.

Tirus Mwithiga

Group Director, Retail Banking

Mr. Tirus Mwithiga has over 30 years' experience in Retail Banking across Business Management, Wealth and Retail Products Management, Sales Management, Channel Management and Service Delivery Digitization. Tirus has served in an array of Retail Banking leadership roles locally, regionally and internationally, initially with Barclays Bank and lastly with Standard Chartered. Tirus is a certified banker with professional training from The London Institute of Banking and Finance and holds a Chartered Banker MBA from Bangor Business School, Bangor University in Wales UK.

Pauline Ndote

Group Director, Credit Risk Management

Ms. Ndote holds a Global Executive MBA from USIU Kenya, a Bachelor of Commerce Degree with double majors in Accounting and Business Administration & Management from Daystar University and is an Associate of the Kenya Institute of Bankers. Prior to joining NCBA, Ms. Ndote worked with Housing Finance Company of Kenya as the Chief Risk Officer and Stanbic Bank as Head of Credit. She bears the overall responsibility for the NCBA's Credit Risk Management processes, which include lending, credit administration, portfolio management and remedial management.

John Okulo

Group Director, Corporate Banking

Mr. Okulo holds an MSc in Economics from the University of Gdansk, is a Certified Documentary Credit Specialist IFS, UK and a Credit Professional Omega. He has over 22 years of banking experience having previously worked as the Managing Director NC Bank Uganda Limited, Chief Commercial Officer at CBA Kenya, Head of Corporate and Investment Banking for Stanbic Bank Uganda, Head of Corporate Banking Kenya and Industry Head, Corporate Banking at Barclays Bank Kenya and Head of Trade Products (East Africa) at Citibank N. A.

Gift Shoko

Group Director, Regional Business

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

Michael Wachira

Group Director, Global Markets

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

CITIZENSHIP

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

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

To create shared value by implementing a corporate citizenship strategy, by innovating and by differentiating ourselves

Inspiring Growth. Inspiring Change. Inspiring Greatness.

The strength and sustainability of our business is directly related to our social license to operate. At NCBA, we have a clear understanding that our values are geared at driving our vision and the promise we make to our Customers, Shareholders, Employees and Community at large. We also appreciate that our values are the pillars for our high performance culture.

Our Citizenship strategy is aligned to the Sustainable Development Goals (SDG) & National Growth Strategies

CITIZENSHIP (CONTINUED)

SUSTAINABLE DEVELOPMENT GOALS

We have developed a strategic framework to drive NCBA's community initiatives that will deliver relevant and positive impact on our society to drive real and meaningful change within East Africa by addressing social and environmental issues with practical, relevant and innovative financial solutions.

According to the United Nations Development Programme, the Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity.

After conducting a review in regards to the initiatives that we support to create a better environment within the communities we operate in, we adopted seven SDGs namely:

NATIONAL GROWTH STRATEGIES

Through the initiatives that we support, we aim to contribute towards the national growth strategies whose objective is to build a globally competitive and prosperous nations with a high quality of life that aims to transform the various countries into newly industrializing, middle-income countries providing a high quality of life to all its citizens in a clean and secure environment.

- **Economic:** Moving the economy up the value chain and achieving sustained economic growth of 10%
- **Social:** Investing in the people of the countries in which we operate i.e. a just and cohesive society; equitable social development in clean & safe environment.
- **Political:** Moving to the future as one nation. A democratic political system that is issue-based, people-centered, result-oriented and accountable to the public.

OUR CITIZENSHIP AGENDA

Our Citizenship agenda focuses on 3 strategic pillars; People, Planet and Profit. We drive sustainable development within our communities by supporting key initiatives that fall under the below categories:

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

PEOPLE

youth education
& enterprise

Palmhouse Foundation send-off and cheque handover by Louisa Wandabwa, Chief of Staff - To celebrate the accomplishments of the 75 students including the 17 NCBA beneficiaries.

Dr. Prabha Choksey hands over cheques to NCBA-Sponsored students living with albinism

Youth Education and Enterprise

Quality Education - Inclusive education to enable upward social mobility and end poverty.

Over the years, we have partnered with several organizations; Palmhouse Foundation, Edumed Trust, Mpesa Foundation, Dr. Choksey Albinism Foundation and SOS Children's Villages Kenya to enable them sponsor needy students to fund their education. These partners provide an opportunity for bright talented students from families that are financially challenged by diverse circumstances, where qualifying students must be needy, bright, transformational, orphans, half-orphans, come from destitute families, be victims of domestic violence and displaced people.

In 2021, 90 students accessed quality education with 98.9% success/completion rate through our partners. 12 staff mentors participated in these sessions and 340 students across the country accessed the mentorship programs.

SDG 4 QUALITY EDUCATION

Financial Innovation

NCBA Citizenship is keen to support programs that contribute to poverty alleviation as well as reduce inequalities faced by socially and economically backward sections of society through an integrated approach of interventions in the areas of sustainable livelihood generation.

We are dedicated in educating students through experiential and hands-on programs to help young people prepare for the real world by showing them how to generate wealth and effectively manage it, how to create jobs which make their communities more robust, and how to apply entrepreneurial thinking to the workplace. The experiential programs are:

Innovation Challenge: This program dubbed "The Social Innovation Relay (SIR)" targets secondary school and university students to encourage them to generate innovative business solutions that will transform their communities.

Company Program: This program dubbed "Entrepreneurship World Cup (EWC)" targets youth in general with the aim of encouraging them to build on ideas generated at the innovation competitions as they build them into student enterprises and start-ups respectively.

Job Shadow: This focuses on the work readiness pillar and targets students by linking them to mentors to assist them in planning for their future careers.

Our key achievements were:

- 40 high schools across the country submitted 504 innovative ideas for review and selection for the Social Innovation Relay. The top three ideas were:
    - Project Yoof – Mental Health application;
    - Lavoura- An application that links farmers, veterinarians and agro vets;
    - Savpa – A machine that erases printed characters on papers and increases its quality.
- Enrolled Abigael Wangeci and Victoria Gatugi (winners of 2020 program) for a certificate course in Mobile Software Development and Entrepreneurship Program at eMobilis Institute.
- 216 ideas were submitted by tertiary students/youth for the Entrepreneurship World Cup Virtual National Competition. The top three ideas were:
    - Franky's Foundation - ICT based organization that sponsors needy youths/vulnerable women with free smart phone and computer hardware repair skills;
    - Tushone - A co-working space built specifically for entrepreneurs and creatives in the fashion industry;
    - Vitals - A company that has an automated, intelligent monitoring system designed specifically for patients with chronic ailments like hypertension, diabetes and epilepsy. The system alerts the caregivers, first aid stations and for intense cases alert the healthcare facilities for admission.

Students from Nova Pioneer School who are beneficiaries of the SIR Program

Laptop handover for Abigael Wangeci and Victoria Gatugi (winners of 2020 program) to facilitate their virtual learning at MIT. Left: Caroline Wangari, Sponsorships and Programs Officer NCBA Bank and Right: John Wali, Junior Achievement Kenya Executive Director

Preventative Health and Wellness

In our efforts to support **SDG 3: Good health and well-being,** we have partnered with Faraja Cancer Trust which is a registered charitable trust with two centres in Nairobi and Eldoret. They offer free support services to cancer patients and their caregivers through: information and patient navigation, complementary therapies, support groups, art and music therapy for children with cancer and our medical fund. Faraja works alongside several institutions and hospitals that offer conventional cancer treatments such as radiotherapy, chemotherapy and surgery.

Through the various donations/support Faraja has made the below impact in our communities:

- Over 10,000 patients and caregivers have accessed complementary therapies, such as counselling, nutritional therapy, exercise, energy-based healing and more, alongside medical treatment.
- The number of cancer support groups at Faraja in Nairobi has increased from 3 (breast, cervical, prostate) to 9 to include head and neck, blood cancers, young survivors, caregivers, Kipepeo Grief and parents of children with cancer at Kenyatta National Hospital (KNH). They have had over 430 support group meetings with over 13,000 attendees.
- In Eldoret, Faraja gets 18 patients a day, an increase from 2020 which was 5-10 patients a day. Therapies currently being offered are counselling, exercise, nutrition and patient navigation.

NCBA Citizenship Club members in attendance during the Faraja Cancer Awareness Event

We know that people make all the difference. At NCBA, we are determined to be an equal opportunity employer as disability does not mean inability to perform and succeed. We also strive to be the bank where everyone feels welcome by offering accessible and exemplary service to all of our customers.

In April 2021, an internal committee was formed to actualize a PWD roadmap guided by Kenya Bankers Association that ensures certain measures are taken for all customers to access our product and services. Below are the key milestones achieved to date:

Preventive Health & Wellness

- Mobile ramps availed in 99% of our branches and ATMs.
- Migrating customers to NCBA NOW which has biometric capabilities.
- Put in place system markers in CRM and T24 to identify impacted customers and ensure accommodations are applied consistently throughout all customer interactions.
- Updated bank service standards to cater for persons living with disability.
- Trained our security guards to identify and assist customers with disabilities.
- Implemented standard to include sign language interpreters for key customer webinars. e.g. The Economic Forum

"NCBA BANK was my first employer and it is over 10 years to-date."

NCBA staff Felistus Njoroge, Customer Experience

PLANET

Environment & Natural Resources

Tree planting at Kibiko Ngong Forest with o partners & staff in April 2021

Environment and Natural Resources

Our **#ChangeTheStory** campaign promotes environmental sustainability and ecological balance through sustainable livelihood initiatives focused on natural resource conservation and management, renewable energy and energy efficiency projects, afforestation and plantation programs, and awareness programs.

Our key achievements include:

- Tree planting of 29,500 trees at Kibiko Ngong Forest to mark "World Earth Day". This is 21.5 hectares of restored forestland. This has enhanced natural regeneration and regulation of river flows. The current survival rate stands at 85%.
- Tree planting with JA Kenya & GBM in five schools (100 trees each) namely: Moi Forces Lanet Nakuru, Pwani University, Gundua Primary Isiolo, Aquinas High School Nairobi and Nova Pioneer School.
- Tree planting of 1,000 tress in different golf clubs across the country as part of the NCBA 2021 Golf Series.
- Close to 1,000 household's livelihoods were positively impacted through the provision of casual labor and seedlings for tree planting. Capacity building of tree nurseries and Community Forest Associations (CFA) resulted in the production of over 30,000 seedlings.
- Supported Kipipiri Project to achieve its set objectives on environmental conservation with 15,000 exotic trees.
- Operations and seed sowing for the first 250,000 indigenous seedlings at Karura Tree Nursery commenced in partnership with Kenya Forest Services (KFS).
- In partnership with World Wide Fund (WWF), seed sowing for 100,000 seedlings has been done in 4 schools at Kieni County. 91,000 seedlings have been transplanted.

SDG 13 CLIMATE ACTION

SDG 15 LIFE ON LAND

We have supported **SDG 13: Climate Action** & **SDG 15: Life on Land** by channeling our donations to Rhino Ark Foundation and Mara Elephant Project has enabled these organizations to achieve their objectives that support our Environment Pillar such as;

- Repairing/maintaining fences and ensuring the continuation of their protective functions benefiting over 80,000 Kenyan households.
- Continued mega fence project in Mt. Kenya. This includes the construction of 60 km of comprehensive fence; three energizer houses; 20 gates; four elephant grids; and two years of maintenance.
- Forest protection has been a key priority for Rhino Ark. To this end, the conservation organization strengthened community/forest patrols who have been instrumental in tackling illegal logging of indigenous trees, charcoal making, as well as the cultivation of illicit crops.
- Protection of elephants and conservation of the greater Mara ecosystem.

CITIZENSHIP (CONTINUED)

PROFIT

NCBA Golf Series Partners – Ben Omuodo, 2021 Chairman of Kenya Golf Union and Coach Emanuel Kasio, Tournament Director U. S. Kids Golf

Tobias Messo of Kericho Golf Club crowned the overall winner of the NCBA Golf Series on 3rd December 2021

NCBA Junior Golf Series Invitational Winners

Sponsorships

In line with our goal to create shared value by implementing social strategies, sports sponsorship continues to transform the lives of many Kenyans and as such, we launched the NCBA Golf Series on 27th January 2021. Through the Series, the bank hosted sequential tournaments in different clubs across the country, with the winners of the events competing for the overall prize in the grand finale, which was held on 3rd December 2021. The inaugural Series included 23 tournaments and saw the participation of over 3,000 golfers across the country, becoming the most successful golf series in the country in 2021 despite the COVID – 19 related country lock down. As result of the interaction with the golfers, we saw growth in assets and liabilities.

We also had an opportunity to impact junior golfers across the country by offering them an opportunity to hone their skills at a national and international platform. This was achieved by executing two junior tournaments –the NCBA Junior Series Invitational held at Karen and Muthaiga Golf clubs on 23rd -24th August and 9th -10th December 2021 respectively. The 2-day tournaments, in partnership with the United States Kids Golf Foundation, saw over 100 junior golfers play on both occasions, attracting international participants form Zimbabwe, Uganda, South Africa, India and the Netherlands. The event attained international status, which enabled the juniors to qualify for international tournaments. Over 30 juniors qualified for the Rome Junior Classic and Big 5, South Africa Tournaments.

In line with our objective to grow the sport among the juniors, we have a 3-year sponsorship with the Junior Golf Foundation in Kenya, which will see 70% of our annual sponsorship go towards the development of the sport in the country. The sponsorship has enabled the Junior Golf Foundation under the umbrella body, Kenya Golf Union to bring the Player Pathway Golf Development Program in Kenya in partnership with the United States Kids Golf. This partnership which was launched on 31st October 2021,has facilitated the training of 40 coaches from around the country and the inclusion of Kenya to host a local tour in 2022. The launch was presided over by Cabinet Secretary for Sports, Heritage and Culture of Kenya – Ambassador Dr. Amina Mohamed, the President U.S. Kids Golf Dan Van Horn, Kenya Golf Union Leadership, our Group Managing Director Mr. John Gachora and other like-minded stakeholders. The Vice President – Coaches Institute John Bryan and Senior Director – Academic Development Jim Hardy undertook the training of the coaches.

In line with our mission to be a financial service provider for our partners to inspire growth" Incrementally, we supported our customers through sponsoring various golf events across Kenya, These included Muthaiga Golf Club Chairman's and Lady Captain's Prize, Karen Chairman's and Captains Prize, Limuru Country Club Captain's Prize, Vetlab Sports Club Vice Chairman's Putter and Kenya Airports Authority Community Golf. These events enabled us to interact with both our existing and potential customers. Similarly, we maintained our support of the NCBA Diani Charity Goat Derby, which saw the organizers – East African Women's League raise funds worth Kes. 1,498,000 with the monies being donated in support of the following initiatives : Kwale District Eye Center Poor Patients fund, Ukunda Epilepsy Clinic, Nimuyumba Special Needs Unit, Msamweni Palliative Care Unit, KSPCA, Cerebral Palsy Units and the distribution of sanitary pads to different schools in need within the Coastal region enabling girls not to miss school every month.

Own your own home at 11.9%

Because your goals matter to us.

NCBA Bank Kenya PLC is regulated by the Central Bank of Kenya.

ncbagroup.com

Go for it

EMPLOYEE **WELFARE**

NCBA Group takes pride in being an employer of choice with a High Performance Culture that attracts and retains the very best of talent. We drive this through our unique Employee Value Proposition of Doing Greatness Every Day

In 2021 we made investments to support our Employee Value Proposition anchored around four key pillars:

THE NCBA CULTURE JOURNEY

2021 kicked off with the launch of the NCBA culture. To support the embedding of a consistent culture we embarked on a group-wide training and sensitization program dubbed "Go-Getter Culture Immersion". This program saw all NCBA colleagues undertake a 3-day training to fully appreciate what the new organization culture entailed and what was expected of each colleague.

The program delved on our core culture values, the associated behaviors expected of each staff and tenets of culture in everyday working life.

Elite team of Culture Change Champions Go-Igniters Training

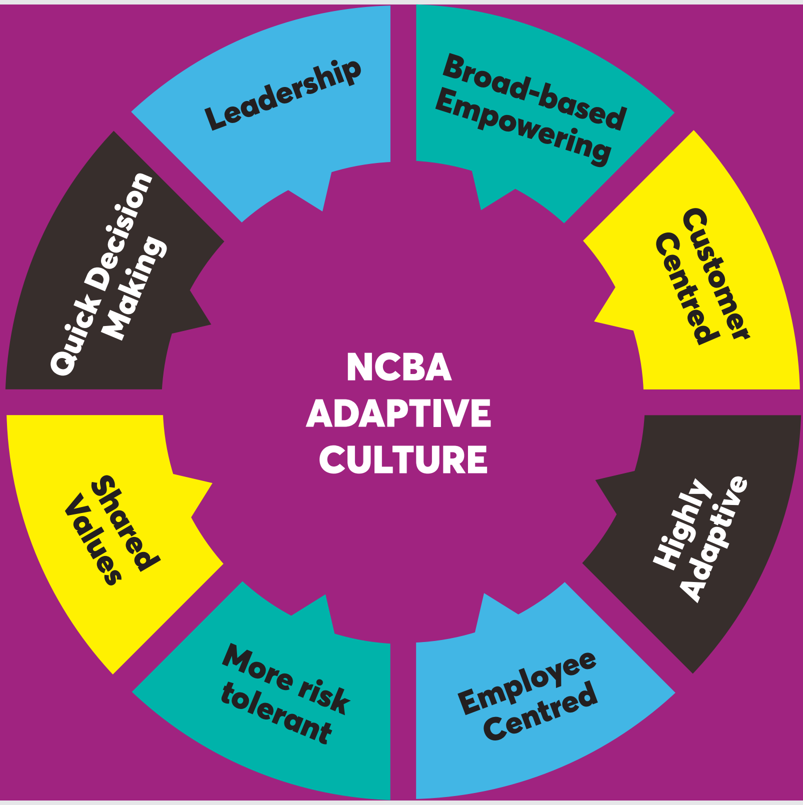
> The NCBA Go- Getter Culture Immersion program included a training session for all NCBA Senior Leaders to Lead with Greatness

EMPLOYEE WELFARE (CONTINUED)

At the end of the culture immersion session each staff signed off the Go Getter culture 5- finger contract canvas to show commitment to Living the Values and Doing Greatness Every day.

The culture journey continues to the sustenance phase in 2022.

NCBA Employees during the Culture 5-finger contract commitment



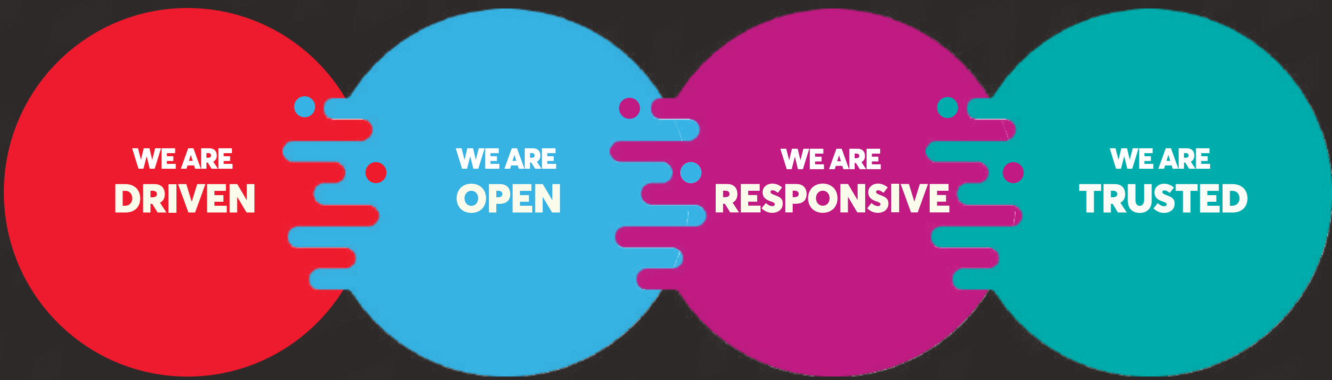
NCBA Go Getter Culture:

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

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

We are confident that by living this co-created culture, NCBA will actualize its purpose and strategic intents. The culture journey continues into 2022.

EMPLOYEE WELFARE (CONTINUED)



BY BEING
- DECISIVE
- PASSIONATE
- BOLD

BY ALWAYS BEING
- HONEST
- TRANSPARENT
- INCLUSIVE

BY EMBRACING
- SPEED
- SIMPLE & INNOVATIVE
- CUSTOMERS FOCUS

BECAUSE WE VALUE
- TEAMWORK
- INTEGRITY
- ACCOUNTABILITY

400
COACHES WENT THROUGH LEADERSHIP TRAINING

2300
STAFF WHO WENT THROUGHCULTURE IMMERSION

▲23.5%
INCREASE IN SELF-INITIATED LEARNING

Learning and Development

1. Trained 400 coaches across the group through the Doing Greatness Academy – Leadership and Performance coaching in partnership with Career Connections, following the 360 degrees feedback exercise.
2. We have taken 2300 staff (including Contract staff) through the Culture Immersion training on how to live the NCBA Go-Getter Culture.
3. The average learning hours across the group have increased by 23.5% from an average of 37 learning hours to an average of 46 hours. Notably, staff have embraced e-learning as a mode of learning through virtual learning and e-learning modules away from the traditional classroom type of learning - a key milestone in how we deliver our learning.
4. We had a 35% increase in Self-initiated learning from an average of 245 courses to an average of 378 courses mainly through self-enrollment of courses under the NCBA Academy and through self-registration by staff to various webinars in professional forums. This includes awareness webinars conducted in partnership with Minet to drive awareness notably in the management of COVID-19.
5. The NCBA Academy Doing Greatness Curriculum is a notable success in our entrenchment of a high performance employee culture. The academy combines external courses and courses available in the NCBA Academy. We have so far rolled out the Corporate banking curriculum and the Sales curriculum for the Direct Sales team in Retail banking.

EMPLOYEE WELFARE (CONTINUED)

KEY NUMBERS

2,125
TOTAL STAFF IN KENYA AS AT DECEMBER 2021

50/50
RATIO OF MEN TO LADIES

219
STAFF PROMOTED

1418
EMPLOYEES WHO WON THE GO STAR AWARDS

90%
STAFF RETENTION

▲23.5%
INCREASE ON LEARNING HOURS

WELLNESS AND EMPLOYEE EXPERIENCE

1200
WELLNESS CHECKS

Full Body Wellness Checks
NCBA cares for the total wellbeing of our staff

1750
VACCINATION

NCBA Supported vaccination drives for staff and their dependents.

09
WEBINARS IN 2021

Webinars – Total Wellness & Celebrating Diversity.

International Women's day – 5th March

Covid preparedness – 16th March, 13th April

Mother's day – 10th May

Father's day /International toilet day – 21st June

Mental Resilience – 25th June

Two shots that matter – 4th August

Mental wellness – 28th September

Men at NCBA – 2th November

OUR **BUSINESS**

KENYA BUSINESS **OVERVIEW**

- Corporate Banking
- Retail Banking
- Asset Finance
- Insurance Agency
- Leasing
- Digital Business

REGIONAL **BUSINESS OVERVIEW**

- Tanzania
- Uganda
- Rwanda

OUR BUSINESS

"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."

CORPORATE BANKING

- TRANSACTIONAL BANKING
- TRADE FINANCE
- INSTITUTIONAL AND CORPORATE BANKING

RETAIL BANKING BUSINESS

- PERSONAL AND PREMIER BANKING
- BUSINESS BANKING
- DIGITAL AND ONLINE BANKING

ASSET FINANCE

BANCASSURANCE

LEASING

INVESTMENT BANK

- ADVISORY
- BROKERAGE
- WEALTH MANAGEMENT

OUR BUSINESS (CONTINUED)

CORPORATE BANKING

The year 2021 began with continued uncertainty caused by the Covid-19 pandemic but with increasing optimism as vaccination programs were rolled out globally with increased intensity as the year progressed.

The gradual opening of the domestic and global economy, the relaxation of travel restrictions both domestic and international led to enhanced economic activity which peaked in Q3 with a GDP growth rate of 11% p.a. signaling a rebound for some sectors to pre-covid productivity levels though many sectors that are reliant on social interaction and foreign travel continued to struggle into the December festive season.

Supply chain challenges persisted throughout the year due to COVID-19 related disruptions to travel in the form of - border closures, onerous COVID-19 protocols at regional border points, shortage of shipping vessels and containers as well as the slower recovery of production capacity across the global supply chain for commodities, raw materials, manufacturing equipment and technology parts. These challenges continued to persist throughout the year leading to in some cases a threefold increase in shipping costs and supply bottlenecks.

During the year, government infrastructure projects particularly on roads, housing and ports continued to drive demand for steel, cement and related products, whilst demand for technology related products continued to grow in line with the demand for remote working capabilities and connectivity.

The moratoria granted by the bank in 2020 on loan repayments went a long way in providing customers with cash flow relief whilst they adjusted their business operations to the uncertainties brought about by the Covid pandemic. We are happy to state that this cashflow relief served its purpose by allowing the vast majority of customers time to recover and invest accordingly prior to resuming their debt service obligations.

In 2021, our customers have continued to embrace technology with increased demand for host-to-host connectivity, Open banking, Cash Deposit machines and online-cheque deposit machines.

The corporate banking division reported a 10.6% growth in deposits to close the year at Kes. 237Bn whilst non funded income reported an impressive growth of 19.7% to close the year at Kes. 4.5Bn which is slightly over 44% of the Divisions Kes. 10.1Bn earned in operating income. Due to the slow growth of the loan book during the Covid-19 pandemic, gross loans noted a drop of 4% year on year to Kes. 162 Bn.

In 2021, the Corporate Banking team continued its collaboration with the NCBA Global Markets team and organized three economic fora that covered various topical matters impacting on the economy. We also continued to provide tailored discussion sessions with our customers on economic matters relating to their specific industries.

Due to the strong rebound of economic activity in Q3/Q4 2021, we remain optimistic about the growth opportunities in 2022.

▲ 10.6%

KES**237Bn**

CUSTOMER DEPOSITS

▲ 19.7%

KES**4.5Bn**

NON FUNDED INCOME

KES**10.1Bn**

OPERATING INCOME

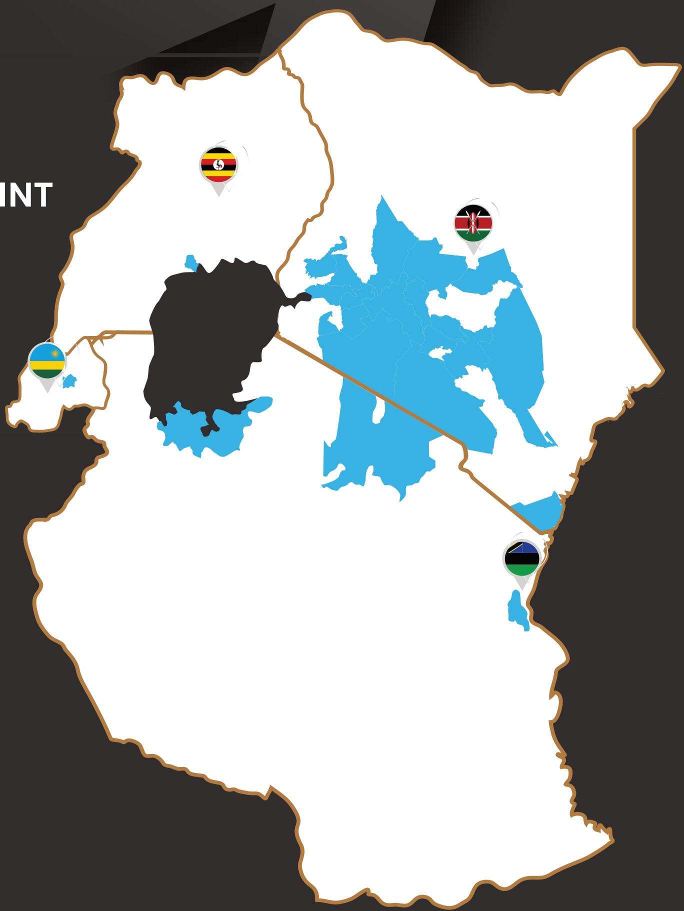
▼ 4%

KES**162Bn**

GROSS LOANS

WE ARE NOW CLOSER TO SERVE YOU BETTER

CUSTOMER TOUCHPOINT



BRANCHES

104

ATMs

93

CASH DEPOSIT MACHINES

34

OPENING 11 MORE BRANCHES IN KENYA IN 2022

OPENED	COMING SOON
Bungoma	Busia
Embu	Eastleigh
Gikomba	Kawangware
Kakamega	Kariobangi
Karatina	Kenol, Muranga
Kericho	Kikuyu
Kiambu	Kitui
Mwembe Tayari	Muranga
Mitchell Cotts	River Road
Naivasha	Utawala
Ngong	Vipingo
Nyeri	
Ruiru (Kamakis)	

BRANCH NETWORK

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

The size of our branch network therefore remains an integral part of our growth strategy. As a result, we embarked on a Branch expansion programme where we completed the opening of 12 outlets comprising 11 branches and one agency bringing our branch network to 83 branches. We additionally completed 18 projects to upgrade branches from pre-merger legacy aesthetics into the NCBA branch look, as well as two branch relocations into bigger, better premises.

OUR BUSINESS (CONTINUED)

RETAIL BANKING BUSINESS

The Retail Banking is the business division in NCBA Bank that provides banking services to individual clients under Personal and Premier Banking and our small and medium enterprise clients under Business Banking as well as operates the Branch Network and digital online and mobile banking channels.

We focus on building and deepening our relationships with our existing clients as well as enhanced our focus on digital platforms as we continued to provide solutions to our clients.

PERSONAL AND PREMIER BANKING

Retail Banking have taken time to understand our customers' needs and created tailor-made banking solutions for all our individual customer segments. We help our esteemed customers attain their personal financial growth goals and enjoy the lifestyle they desire benefitting from the support of over 100 dedicated Relationship Managers and Officers in Personal and Premier Banking.

All our Premier Banking clients have a senior and skilled relationship manager that delivered highly personalized service and bespoke solutions to meet the needs of our very discerning clients.

Our Personal Banking clients are served though three distinct sub-segments (Platinum, Gold and Go Banking) with differentiated Client Service Propositions (CVPs) designed for the unique needs of these clients.

We continually seek to enhance our CVPs through innovative products including and various deposit, transaction and investment options. car financing which is approved within 12 hours, to 105% financing of home loans supported by strategic partnerships and process alignments to improve the overall experience.

Our Workplace Banking proposition exists to offer employee-banking services to the ecosystems of the Corporate and Business Banking clients efficiently acquiring new customers and cross sell to existing customers in their workplace.

BUSINESS BANKING

Our Business Banking division offers a full range of banking services to support medium, small and micro business enterprises. We provide a full range of transaction banking, financing, advisory and insurance solutions to these clients acknowledging that this segment is the engine for economic growth, job creation and prosperity in the country.

As part of enhancing the Business Banking proposition, we continue to support the Enterprise Development Program through our partnership with Strathmore Business School; as well as host events and webinars on a wide range of topics such as Tax, Legal and Marketing to support the growth of the businesses that bank with us.

DIGITAL AND ONLINE BANKING

We also provide digital banking services through NCBA Online and Mobile Banking platforms to enable seamless payments and account management convenience. Approximately 25% of our Personal and Business Banking clients are active on our digital channels with 80% of our transactions being processed though digital channels. During 2022, we commenced the consolidation of our mobile banking applications into a unified platform as well as delivering unique additional functionality (e.g. Lipa na Mpesa) and security enhancements.

We continue focusing on improving productivity and client experience through digitization of branch services to drive cost efficiencies and simplify processes.

OUR BUSINESS (CONTINUED)

24%

KES20Bn

DISBURSEMENTS

33%

MARKET SHARE

99%

NUMBER OF ASSET FINANCE APPLICATIONS PROCESSED DIGITALLY

ASSET FINANCE

NCBA continues to pride itself as the leading Asset Finance Bank in Kenya and the East African region. This leadership position has been achieved through offering a differentiated product supported by consistent excellent service. The bank has also incorporated innovation, competitiveness in our product design, automated some processes and ensured continuous process improvement among other items to help sustain the leadership and sustain the growth. Offering of Insurance services, together with Insurance premium financing has also been a critical value add to our asset finance customers.

The asset finance department has been tasked with the responsibility of ensuring that customers who need to acquire moveable assets and pay for the acquisition in flexible extended terms receive the required solution. These assets are in form of motor vehicles, IT equipment, plant and machinery among others and specifically those that have titles and can be easily identifiable. The repayment terms are flexible and range from a period of 6 to 72 months.

2021 was generally a good year as the department managed to meet all its key performance indicators. Taking into consideration the maturity profile of the book, the Asset finance loan book grew by 8% year-on-year. The growth can be attributed to the deep relationship with our strategic partners' namely motor vehicle dealers and original equipment manufacturers supported by our innovative processes that have been substantially digitized. In the wake of continued recovery from the impact of Covid-19 in the country the department experienced increased support by our customers who enabled growth of new business disbursements by 24% to Kes. 20 Billion and a growth in profit before tax by over 500%. The growth which was above the new motor vehicle industry sales growth has cemented our position at the top of the table in terms of market share compared with our peers in the Kenyan market. Our market share remains at 33% notwithstanding the entry of many other players in the Asset Finance Space.

Market pressure like; improved financed amount, extended repayment holiday, longer repayment period and other sweeteners by our competitors continue to impact on the Banks growth, but our continuous process improvement, close relationship to our customers and consistency in our product offering continues to be a significant differentiator in the market place. We remain confident that in 2022, we will increase our market share.

The quality of the book also significantly improved with the NPL ratio reducing by 25% as a result of pro-active engagement with customers, improved collection methods and an effective credit risk management process.

OUR BUSINESS (CONTINUED)

Some the key 2021 successes and milestones include;

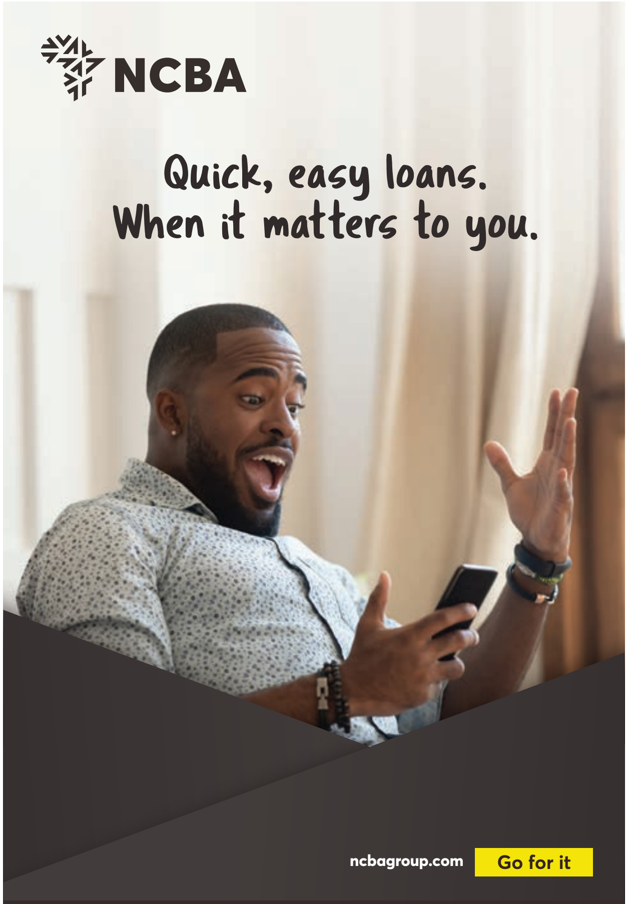
1. **15 seconds conditional approval –**Another first in the market, the 15 seconds TAT was launched to give customers a conditional approval within 15 seconds of submitting the loan application via the online platform. This has resulted in a 15% increase in the applications received year on year.

2. **Online log book loan application form**; the log book loan was re-launched in March and is meant to provide customers with a loan they can use to meet any emergency or personal financial needs for individuals or working capital or other needs for businesses. The product is priced the same as other asset finance products therefore more affordable than other similar products in the market and is secured by the logbook of a motor vehicle they already own. The process of application of the loan was automated and allows customers access to loan application anytime and anywhere at their comfort. As a result of this initiative, there was a 160% increase in logbook loans during the year.

3. **Schemes:** We have partnerships with key dealers and original equipment manufacturers in both the new and used motor vehicle market, continue to perform exceedingly well. A scheme is a loan agreement negotiated between the bank and the dealer where preferential negotiated terms are offered to customers on specific vehicles or equipment units. During the year, dealer scheme loans grew by 38%.

4. **Johari Awards:** This is a unique annual event hosted by NCBA Bank to appreciate the top performing motor vehicle dealers, partners and insurance brokers who support us across the country. Every end of year for the last 14 years, we have been hosting physical Johari events in Nairobi and other regions where we have physical presence as we award and appreciate our outstanding partners in the market. To ensure we are aligned to Covid '19 protocols, we visited individual partners at their premises to thank them for business support as opposed to the traditional joint activity.

5. **Media Launches –** We conducted successful media launches for Isuzu (School bus) scheme, Tata, Simba Corporation and D.T. Dobie schemes in the year.



6. **Best Asset Finance Bank 2021 –** We were awarded as the Best bank in Asset Finance in the 2021 National Road Safety Awards.

7. **Direct Import Finance solution –** During the year, we signed up an import finance scheme with 15 used motor vehicle dealers to provide customers with an option of importing their choice of vehicles and getting finance from the Bank.

NCBA AWARDS/ RECOGNITION

OUR BUSINESS

BANCASSURANCE INTERMEDIARY LTD

The principal activity of the Company is the provision of Bancassurance intermediary services.

The Company is licensed and regulated by the Insurance Regulatory Authority (IRA) to provide insurance and risk management solutions to the group's customers and the general public through partnership with reputable insurance companies. Bancassurance is a rapidly growing channel that today contributes substantially to traditional revenue streams in the banking and insurance industry by offering life and non-life insurance products and services to customers.

Individuals, families, groups and businesses can conveniently access a range of general and life insurance solutions, tailored to meet their needs

The business experienced a challenging year in a difficult operating environment. As a result, total income dropped by 2% to Shs. 351 million YoY. The Company recorded a profit before tax (PBT) of Shs. 214 million, a 13% drop YoY, as well as high expenses incurred in investments in technology.

The business succeeded to bundle and embed insurance solutions within the Retail Banking and Asset Finance portfolios. In addition, the business realigned its sales structure across all the bank's business teams, thereby driving growth of cross-sells. We have won over thousands of insurance customers by leveraging on the Group's strong brand and its existing and growing customer base.

The Bancassurance business also maintained its market leadership in customer retention by growing its customer retention rate, from 85% in 2021 to 87%, a testament of our customers' trust and loyalty to our business.

Whilst we continue to operate in a highly competitive market coupled with an increasingly dynamic economic and regulatory environment, we continue to drive business growth by investing in people and technology. As the bank continues to expand its footprint, the Bancassurance business is poised to experience tremendous growth due to the expanded distribution channels, new product development and strategic partnerships. Providing superior customer experience to our customers remains a priority for NCBA Bancassurance Intermediary and therefore investment in automation and digitization remains top on our agenda.

2% ▼ KES**351M**
TOTAL INCOME

13% ▼ KES**215M**
PROFIT BEFORE TAX

▲ 87% **CUSTOMER GROWTH**

NCBA LEASING LLP

This is a fully owned subsidiary of **NCBA Group PLC**. The business offers various forms of operating leases to corporates, SMES and Government entities. NCBA Leasing has been the leader in innovative leasing solutions for corporate mobility and energy solutions

The business has over the years built technical capacity that has enabled us to offer excellent support to customers' leasing variety of asset categories. This has transformed a leasing experience to a full solution that allows customers to enjoy the use of the assets as they concentrate on their core business. NCBA Leasing scale and expertise reduces customer asset-related operational expenses, leading to increased efficiencies.

KES**3.5B**	KES**1.5B**	KES**104M**
LEASED ASSET BOOK	**ANNUAL GROSS RENTALS**	**PROFIT BEFORE TAX**

NCBA leasing leased 400 vehicles worth Kes 1.8Bn to National Police Service in 2021. The vehicles are on full maintenance lease in partnership with leading motor vehicle distributors. These vehicles are serviced and maintained within the areas in which they operate. This has increased locally owned service canters supported by vehicle manufactures hence enhanced technical and entrepreneurial skills especially among the youth.

The business has developed a bespoke green energy leasing solution for the commercial and industrial sector. The solutions offer lower cost of power compared to the grid and increases reliability while eliminating the capex requirements for assets like commercials solar systems.

The business recorded a 15% growth in rental revenue to Kes 155 M and a profit before tax (PBT) of Kes 104M up from Kes 90M in 2020. Key success factors that boosted this outstanding performance include aggressive disposal of out-of-lease assets and cost-cutting initiatives. The business continues to pursue excellence in service delivery, including the implementation of a new customer interactive leasing system.

OUR BUSINESS

OUTLOOK/MACRO-ENVIRONMENT

Kenya's economic recovery from the global Covid-19 pandemic has seen an increase in uptake of lease as more busineses are focused on funding their operational requirements. In 2022, we foresee opportunities in leasing of green energy solutions and start up opportunities in electric vehicle and their ecosystem financing.

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

15%

BUSINESS GROWTH

DIGITAL BUSINESS

Who We Are

The Digital business unit of NCBA Group has operated as a division within NCBA Bank Kenya over the last 9 years. During this period, the unit has developed and taken to market various digital financial services and generated significant assets by way of a large customer base in five different markets. This has helped catapult the Group to Tier 1 Status in the various jurisdictions of operation.

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

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

Our Markets

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

Our Products

Product	Partner	Customer Number	Loans Disbursed (Inception to Date – Count)	Loans Disbursed (Inception to Date – Value)
M-Shwari	Safaricom	31.9Mn	181Mn	$5.85Bn
Loop	A fully integrated digital banking service delivered through mobile, web and card	241K	$133Mn	$54.4Mn
Fuliza	Safaricom	17.1Mn	2.25Bn	$9.12Bn
M-PAWA	Vodacom	11.9Mn	14.4Mn	$115.9Mn
MoKash Uganda	MTN	10.9Mn	25.2Mn	$327.5 Mn
MoKash Rwanda	MTN	2.9Mn	4.6Mn	$ 64.7Mn
MoMokash Ivory Coast	MTN	5.8 Mn	0.7Mn	$23.7Mn

OUR BUSINESS

DIGITAL BUSINESS (CONTINUED)

Financial Performance against KPI's, 2021

Our digital business was not spared from the effects of Covid-19 on the economy and society and this affected the performance in 2020 and early quarters of 2021. In response to the business climate and regulatory directives, we implemented the below measures to provide relief to borrowing customers and preserve shareholders' value;

- Review of ECL Accounting. Changed the definition of default and CRB listing from day 90 to day 180.
- Delisting from CRB borrowers that had defaulted below Kes 5million
- Zero-rating Loop B2C transactions to aid customers in the management of cash flows.
- Carried out Loan restructures on Longer-Term Loans.

The above measures flowed into 2021 and offered the necessary relief to our esteemed customers. The business has been able to rebound in 2021, across all our markets', gross revenue closed at 3.3% below planned performance, this being 3.5% above prior years and attributable to growth in disbursement values during the period (This grew by 34%). Deposit values closed at 16% above plan, attributable to deposit mobilization activities during the post-Covid Period.

The greatest risk to our digital business remains capital erosion from impaired loans due to the prevalence of unsecured digital loans in the Kenyan market. Statistics from the Central Bank of Kenya (CBK) show that the non-performing loan (NPL) for bank digital loans averaged 23%-25% in the financial year 2021 driven by the coronavirus pandemic. Non-bank digital lenders were greatly impacted by the failure of their customers to meet their repayment obligations and this resulted in some of them going out of business or significantly reducing credit supply.

The Fintech market has, however, continued to expand rapidly and we expect to see the rollout of more digital financial solutions and mobile savings and loans (MSL) products, in partnership with Mobile Network operators, across Africa in 2022 and beyond.

The Kenyan economy is projected to rebound relatively quickly in 2022 (economic experts estimate + 6% GDP growth) and this will be key in ensuring that the BanqTech business meets its Financial Year 2021 objectives. However, this will face significant risks, including the uncertainty around the length and severity of the pandemic and pace of the global economic recovery.

2021 Milestones & Partnerships

- System stability in the Kenya environment that has resulted in steady growth in mobile savings.
- Successfully implemented and deployed NEO system in Tanzania on 12 September 2021. A Resilient, Reliable and Scalable Architecture that has significantly improved the M-Pawa processing performance.
- Rollout of the new platform to the rest of our markets is scheduled for 2022 starting with Rwanda in Quarter 1 followed by Uganda in Quarter 2.
- MoKash Uganda profitability turnaround and acquisition of MTN Uganda trust account, A/c Balance closed at UGX 120 Bn as at month-end, December 2021.
- Launch of the MoMo Advance product in Uganda, thus expanding our revenue lines in the market.

OUR BUSINESS

NCBA Investment Bank Limited is the investment banking subsidiary of the NCBA Group PLC.

The Company is licensed and regulated by the Capital Markets Authority. The Company is also licensed by the Retirement Benefits Authority to offer pension fund management services. NCBA Investment Bank's mandate comprises three offerings; Advisory, Brokerage and Wealth Management Services.

NCBA INVESTMENT BANKING

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

As a licensed pension fund manager, we offer segregated portfolio management services as well as an Individual Pension Fund ("the NCBA IPP) to facilitate pension planning for individuals and an Income Draw Down Fund ("the NCBA Income Drawn Fund") for pension management after retirement. Our corporate retirement planning solution is the NCBA Umbrella Retirement Benefits Scheme. We manage the funds to ensure an optimal return on the invested funds over the long term while managing the resulting investment risks in compliance with guidelines issued by the Retirement Benefits Authority. We also offer execution only services which provides our clients a platform to retain the decision making control over their investments in the short term and long term investments, whilst outsourcing the administrative processes to the investment bank.

NCBA INVESTMENT BANKING (CONTINUED)

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, the Company facilitates approvals for new issuers of securities on the Nairobi Securities Exchange. These services are underpinned by a robust research team that channels out actionable research reports to aid investors in decision making, i.e. whether to buy, hold or sell their investments;

Wealth Management: NCBA Investment Bank has developed fit-for-purpose investment solutions to meet our clients' short to long-term investment needs that reflect their financial status, risk preferences, liquidity needs and investment horizon. Our Private Wealth Management service offering christened "NCBA Wealth" is a premier solution that offers bespoke and professionally managed access portfolios of private and public, on-shore and off-shore investment instruments and unique investment opportunities. Our solutions also include; Collective Investment Schemes, comprising the Kenya Shilling denominated NCBA 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.

NCBA Investment Bank recorded strong growth in revenues and profitability, underscoring the confidence our clients have in us as their preferred financial partners. The Company recorded revenues of KES 580 million in 2021 up from KES 435 million in 2020 representing a 33% increase; and a 68% growth in profit before tax of KES 340 million in 2021 up from KES 202 million in 2020. The impressive growth was supported by strong growth in Assets under Management, a resurgent brokerage service offering and a boisterous advisory deal pipeline that sealed our place as the go-to investment banker.

KES580M = 33%
REVENUE

KES340M = 68%
PROFIT BEFORE TAX

REGIONAL **BUSINESS OVERVIEW**

MANAGING DIRECTOR & CEO'S LETTER - TANZANIA

Margaret Karume

Managing Director &
Chief Executive Officer

KES**13.8B**
CUSTOMER DEPOSITS

KES **11.7B**
LOANS

Dear Shareholder,

During the year, the majority of the economic sectors in the market had not fully recovered from the impact of the COVID – 19 pandemic despite significant efforts from the government and regulators. This considerably limited trade flows globally and increased credit risk in the banking industry in Tanzania.

NCBAT recorded declining financial performance in the year 2021, mainly attributed to deteriorating credit facilities. The bank reported a loss before tax of KES 940M on account of increased credit charges and low momentum on underwriting new credit facilities. The non-performing loans ratio was at 20.3%, which is above the regulatory threshold. In addition, core and total capitals were at 14.72%, slightly above the required threshold of 14.5%.

To address the performance gaps, the business has defined a turnaround strategy which calls for a new business model anchored on the corporate customer and rationalization of co-located branches to actualize cost synergies from the merger. The execution of this strategy in 2022 will markedly cut costs and create a foundation for a more streamlined and focused business that can boldly pursue opportunities in the market.

In 2021, NCBAT achieved an important milestone on its digital transformation agenda. We implemented a digital platform designed to offer better customer experience while at the same time creating scale for growth as we forge into the future. Our digital business has shown resilience through the COVID period with revenue growing 37% and bottom line profitability of KES 68M in 2021. This business will be an area of growth as we forge into the future.

We are heartened that the new strategy and organization model coupled by economic optimism in TZ will enable NCBAT to deliver improved outcomes in the near future.

Margaret Karume

Managing Director &
Chief Executive Officer

AG. MANAGING DIRECTOR & CEO'S LETTER - UGANDA

Mr. Mark Anthony Muyobo

Ag. Managing Director & Chief Executive Officer

▲ KES**22.7B**
TOTAL ASSETS

▲ KES**18.1B**
CUSTOMER DEPOSITS

Dear Shareholder,

In 2021, Uganda's economic growth remained stunted around 5.0%, mainly due to the Covid-19 pandemic. The situation was compounded by low vaccination rates (with less than 1% of the population fully vaccinated) which had a negative impact on its ability to rebound from the pandemic. However, there was an increase in economic activity mid-year with the loosening of lockdown restrictions.

In December 2021, the Bank of Uganda Monetary Policy Committee held the policy rate at 6.5% in an effort to manage inflation, which remained under 3.0%. Government spending remained low, at just about 15.0% of GDP as the country struggles to increase revenues.

Strong offshore portfolio inflows, diaspora remittances, improved export earnings; increased external borrowing amid weak demand underpinned the shilling's strength in the period. Thus the shilling closed 3.0% stronger against the American counterpart.

In mid-year 2021, the government launched a new Covid 19 relief fund that included a cash-transfer programme worth more than KES 1.6B to alleviate the impact of the second lockdown. Furthermore, credit relief measures targeting affected sectors namely tourism and education were extended until end September 2022. The measures were aimed at preventing further Increase in non-performing loans.

NCBAU took great strides in the year despite the negative effects of COVID-19 on businesses and a partially opened economy. Despite a Loss before tax of KES 765M due to increased impairment charges the bank closed the year better positioned in the local market with Total Assets of KES 22.7B and Total Deposits of KES 18.1B, as at December 31 2021.

The Bank shall focus on exceeding customer expectations as we work together towards growing our footprint In the Ugandan mark.

Mr. Mark Anthony Muyobo

Ag. Managing Director & Chief Executive Officer

MANAGING DIRECTOR & CEO'S LETTER - RWANDA

Lina M. Higiro
Chief Executive Officer

68%
KES10.7B
TOTAL ASSETS

56%
KES5.5B
CUSTOMER LOANS

71%
KES7.2B
CUSTOMER DEPOSITS

106%
KES9.5M
FOREX EXCHANGE

Dear Shareholder,

This year marked a paradigm shift in profitability for NCBA Rwanda since the merger despite the lingering effects of Covid-19 pandemic. Our profit before tax was KES 54M in comparison to a loss position of KES 108M in 2020. This performance is in line with the 5-year strategic plan.

During the year, our main success story lay in the balance sheet with the following key growth areas:

- Total assets closed at KES 10.7B being 68% increase compared to prior year.
- Loans grew by 56% to KES 5.5B compared to industry annual growth rate of 12%.
- Customer Deposits grew by 71% to KES 7.2B compared to the industry annual growth rate of 12%.

In addition, we noted considerable growth across our key revenue lines. Foreign Exchange Income grew by 106% to KES 95M, Retail Loans grew by 64% to KES 713M while Asset Finance grew by 277% to KES 120M.

On the digital front, our customers increased from 2.3 million to 2.8 million a testament to the attractiveness of our mobile loans and saving product, Mokash. The total digital disbursements for the year were KES 2.9B and we retained deposits of KES 425M. Mokash also contributed 26% of our total revenue and has accelerated our objective for financial inclusion.

In 2021, NCBAR opened two new branches in Nyabugogo and Kayonza in line with our strategic intent to scale up our retail banking and bringing services closer to the customers.

Shareholder confidence in the Rwandan subsidiary was reflected by a strong capital plan, which saw an injection of KES 579M within the year.

The outlook for year 2022 is optimistic anchored on our improved business performance and the strategic achievements in 2021.

Lina Higiro
Chief Executive Officer

CORPORATE **GOVERNANCE**

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

CORPORATE GOVERNANCE

NCBA GOVERNANCE FRAMEWORK

Fairness
Respecting the rights of various stakeholder groups

Responsibility
Enforcing responsible behaviour for the benefit of all stakeholders

Accountability
Directors and officers taking ownership of their decisions and actions

Independence
Establishing mechanisms which minimise or avoid potential conflicts of interest

Discipline
Commitment by the Board and Management to adhere to behaviour that is universally recognised and accepted to be correct and proper

Transparency
Establishing mechanisms that ease the Group's stakeholders' access to and meaningful analysis of information and actions, economic fundamentals and non-financial aspects of the Group's businesses

Social responsibility
Awareness and responsiveness to social issues and promoting high ethical standards

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

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

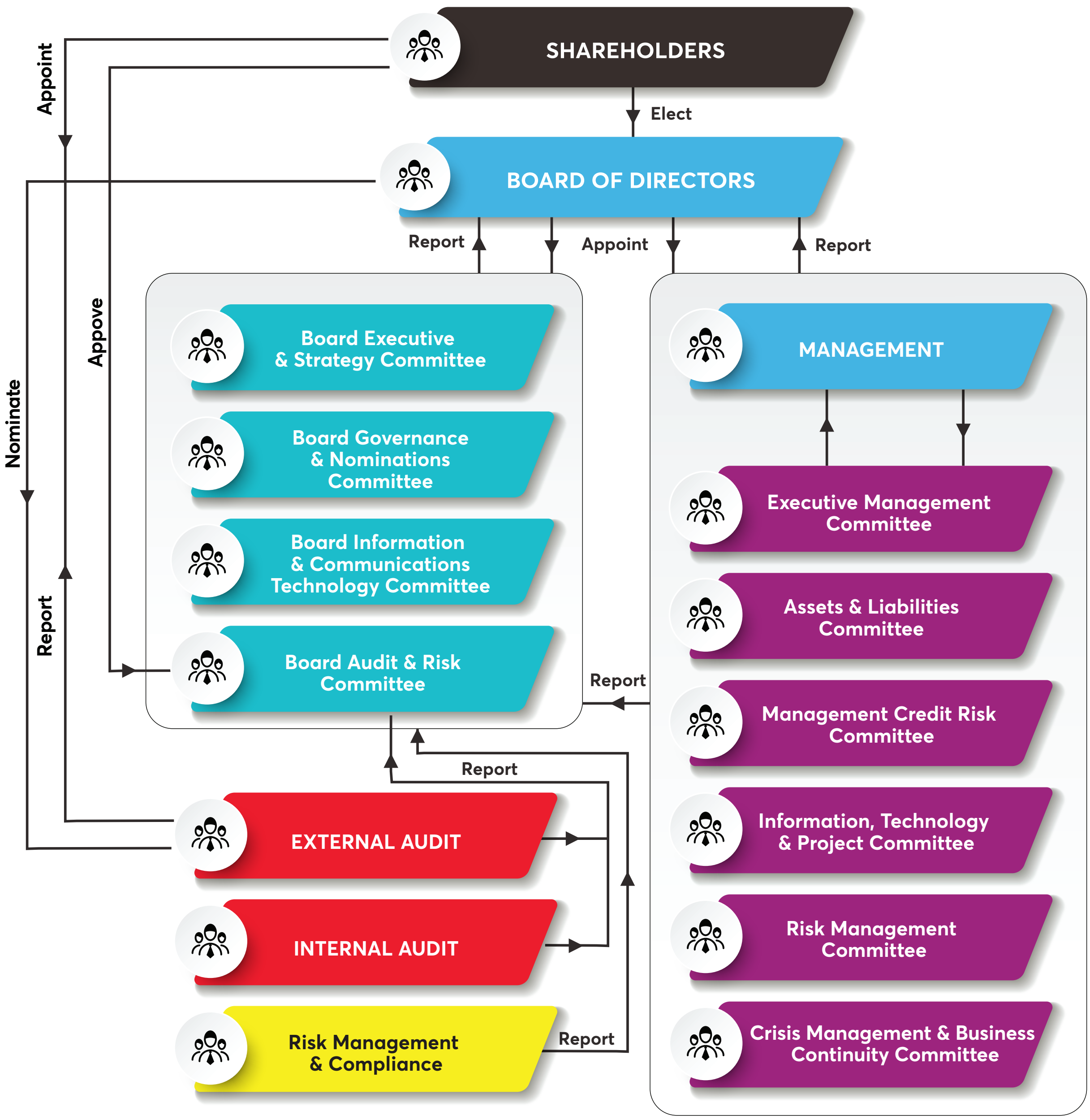
Central Bank of Kenya Prudential Guidelines on Corporate Governance, (the Prudential Guidelines)

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

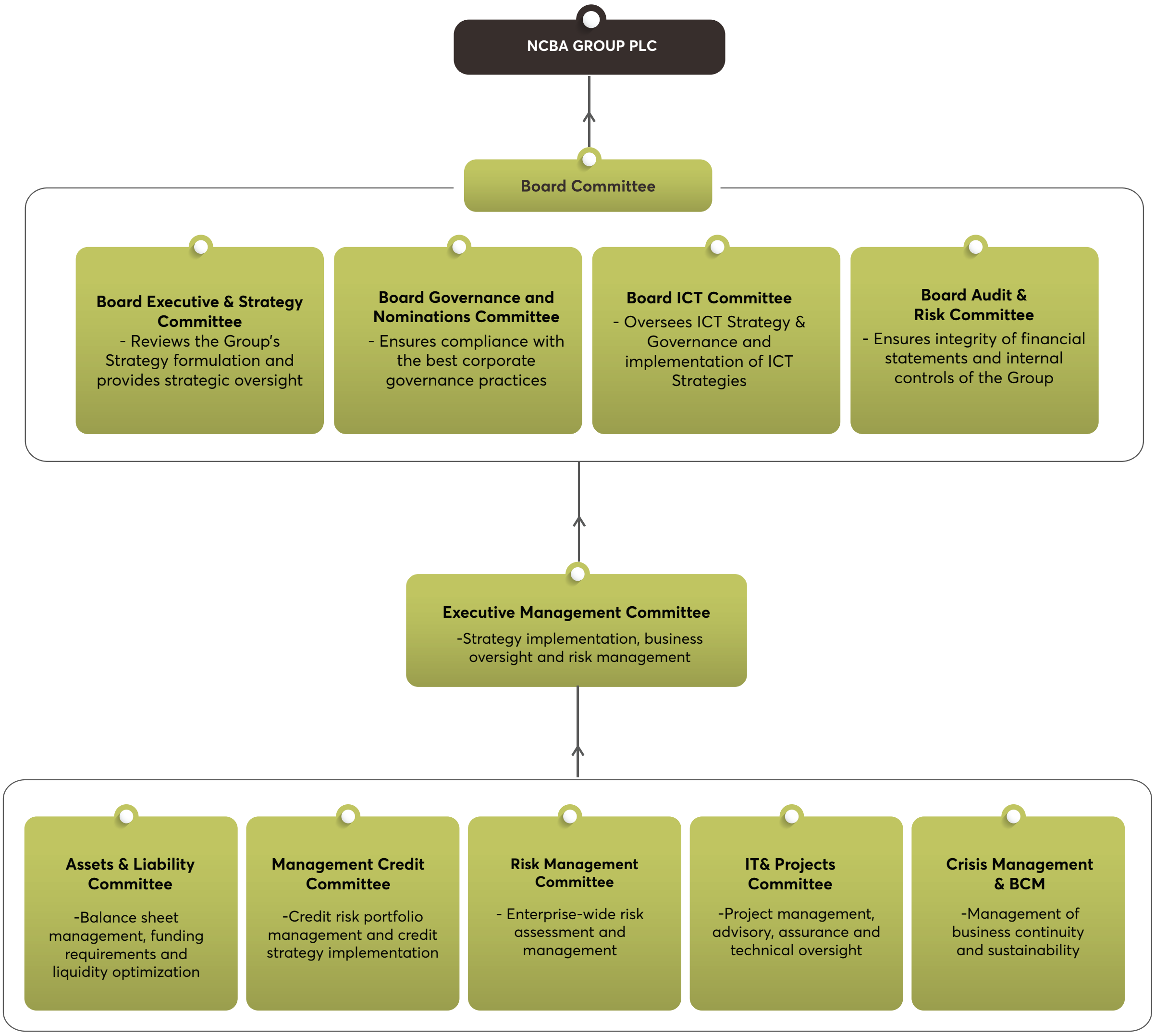
Additionally, the Group applies the following approaches to ensure the entrenchment of good corporate governance practices:

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

The Board and the Governance Structure



CORPORATE GOVERNANCE (CONTINUED)



The Board

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

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

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

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

The Board maintains a minimum of at least one-third Independent Non-Executive Directors and two-thirds Non-Executive Directors, which is reflective of the strong level of Board independence that further enables adequate representation and protection of the rights of minority shareholders.

The Group Board in the year 2021 comprised eleven (11) Directors - the Chairman (Non-Executive), Group Managing Director (Executive), one (1) other Executive Director and eight (8) other Non-Executive Directors, five (5) of whom are Independent Non-Executive Directors. This meets the requirements of the Code and CBK Prudential Guidelines to have at least one-third of the directors being independent non-executive directors.

Board Committees

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

The Composition and key activities of the Board Committees are outlined on pages 78 to 79 of this report.

Independent Directors

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

Board Structure

- Independent of Management
- Subject to retirement by rotation, upon which they are required to seek re-election by Shareholders at least once every three years in accordance with the Company's Articles of Association and the Board Charter.
- Directors appointed during the year are required to retire and seek re-appointment at the next Annual General Meeting following their appointment to the Board.
- Assessed annually during the Board evaluation process to ascertain the Board's level of independence in execution of duty.

Board Appointments

The Board:

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

The Directors' abridged biographies appear on pages 20 to 22 of this Integrated Report.

Key Board Responsibilities

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

The Boards Mix of Skills and Competencies

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

Skill and Experience	Relevance to the Group	Percentage*
Governance	Facilitating an environment that allows for cohesivness, prudent decision making, accountability, control and driving culture	73%
Strategy and planning	Developing and directing the implementation of the Group strategy	100%
Financial Services	Understanding the workings of the industry and formulating suitable strategies for sustainability	100%
Legal experience	Enabling suitable interpretation of the laws and regulations, and providing advisory services to the Board in ensuring compliance thereof	9%
Risk Management	Facilitating a fit for purpose risk management framework that is protective of the Group's interests and long term objectives	91%
Public Sector Experience	Understanding of government policy making processes to position the Group towards aligning with the national growth agenda	55%
Information Technology	Development of a suitable Group ICT strategy in a pervasive digital service delivery and data intensive environment	18%
Commercial Acumen	Understanding diverse business models and nuances of finacial and other disclosures	82%
International Business	Appreciating diversity in business practices and utilizing cross-border synergies for the enhancement of service delivery and performance	100%
Real Estate	Understanding the Real Estate market and opportunities available	45%
Manufacturing	Evaluation of the business opportunities, especially in relation to national policy on industrialization, and thus better support to our customers	73%
Supply chain logistics	Understanding the value chain and how the Group can offer support in making it more efficient	45%
Environment and Sustainability	Developing the Group's environmental and sustainability agenda for the long term benefit of its stakeholders, including consistent shareholder returns	82%
Insurance	Appreciation of the risk environment and facilitating the development of practical solutions to protect our stakeholders' investment, and further providing a link between underwriters and end consumers thus enhancing predictability and stability	64%
Accounting	Enables robust capital management and ensures transparency and accountability in financial reporting	55%

**The percentage (%) constitutes the representation of the Board possessing the above skills & experiences*

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

The roles and responsibilities of the Chairman of the Board and the Group Managing Director remain distinct and separate and are clearly defined in the Board charter. The Board is assisted by a qualified and competent Group Company Secretary who is a member, in good standing, of the Institute of Certified Secretaries (ICS). The key aspects of their roles entail:

Group Chairman

- Providing leadership and smooth functioning of the Board without limiting collective responsibility for Board decisions;
- Facilitating deliberations and sound decision making and the full discharge of the Board's duties;
- Inculcating a positive culture in the Board;
- Working with Committee chairpersons to co-ordinate the Committees' schedule of meetings;
- Ensuring effective communication with Shareholders and ensuring Board understanding and balancing of stakeholder views and interests ;
- Leading the induction program for new Directors and the continuous professional development needs of individual Directors;
- Ensuring that the Board is evaluated at least once a year; and
- Representing the Group to stakeholders

Group Managing Director

- Effectively and efficiently running the Group businesses on a day to day basis;
- Developing and recommending a long-term strategy and vision, business plans and budgets for the Group that support long-term strategy and create shareholder value;
- Ensuring the achievement of a satisfactory competitive position;
- Establishing an active plan for Management development and succession;
- Formulating and overseeing the implementation of corporate policies;
- Consistently striving to achieve the Group's financial and operating goals and objectives; and
- Inculcating an ethical work climate that is conducive to attracting, retaining, and motivating top-quality employees.

Group Company Secretary

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

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 updated policy documents for consideration and approval.

Highlights of the key activities in 2021

During the course of the year 2021, the Board focused on the following key objectives.

Objective	Key considerations
Strategy Development and Capital Planning	• Establishing the Group strategies and objectives, business plans and budgets and advising on the implementation of the Group's strategic plan. • Reviewing, advising on and approving significant matters with a bearing on the Group's capital position. • Reviewing comprehensive market updates and recommending actions for implementation against the strategic plans. • Considering updates and advising on the digital strategy. • Considering and recommending for shareholder approval the dividend payout.
Group Performance	• Monitoring and reviewing updates of the entire Group's performance against the set business targets and strategies and providing guidance on improvements thereof. • Considering and approving the financial reports and accounting policies in use. • Monitoring and reviewing performance vis-à-vis that of the economy. • Considering and approving strategies to maintain liquidity and conserve capital.
Internal Controls and Compliance	• Reviewing, recommending and approving the policies and systems for internal control. • Reviewing and approving the auditors' work plans and guiding on the recommendations made by the auditors for improvement of operational controls. • Considering and recommending measures for risk control as advised by the internal audit and risk management and compliance functions. • Reviewing the level of compliance to laws, regulations and internal policies. • Establishing relevant policies to prudently manage the Group's business activities.

CORPORATE GOVERNANCE (CONTINUED)

Objective	Key considerations
Governance and Ethics	• Reviewing the Board's composition, Charter and Committee Terms of Reference against regulatory requirements and business needs. • Monitoring compliance with good governance principles and practices and implementing measures for adherence thereof. • Reviewing the Group's ethical policies, monitoring and reinforcing the ethical practices by internal stakeholders and avoiding conflicts of interest. • Undertaking continuous professional development and targeted training on governance, business management and technical areas. • Reviewing, recommending and approving changes to the governance, risk and compliance policies including those on people and talent management, succession planning and diversity. • Undertaking an evaluation of the Group's Board, its committees, Executive Management's and the Group Company Secretary's effectiveness and monitoring the implementation of the previous years' evaluation recommendations.
Customer Centricity	• Monitoring customer feedback to identify key touch points for improvement of products and services to suit customer needs. • Reviewing policies to ensure that the Group's practices are aligned with customer expectations. • Establishing a customer experience framework that recognizes customer needs and aspirations in keeping with the Group's vision and values.
Social Responsibility	• Ensuring that the Group upheld its ethical practices in the provision of products and services and in other engagements with stakeholders. • Ensuring that the Group's strategic plans were focused on business sustainability for the long-term benefit of shareholders. • Supporting social development through financing environmental and social initiatives, including educational scholarships, reforestation and wildlife conservancy.

NB: In pursuing the above objectives, the Board and Board Committees are authorized to:

- Undertake any action necessary to realise the Board's mandate as outlined within the Board Charter and/or Board Committee Terms of Reference, or as required by the law, regulations or any other applicable authority;
- Access any information from Management and training that the Board requires to fulfil its responsibilities;
- Where warranted, obtain at the Group's expense external legal or other independent professional advice / assistance on any matter within the Board's scope of duties and responsibilities, in order to effectively deliver on the Board's mandate.

2021 GROUP BOARD COMMITTEES MEMBERSHIP AND ATTENDANCE

Director	Designation		Board	BESC	BARC	BGNC	BICTC	Strategy
J. P. M Ndegwa	Group Chairman (NED)	Membership	√					
		Attendance	4/4			1/1		2/2
D. Oyatsi	Deputy Chairman & Chairman BGNC (INED)	Membership	√			√		
		Attendance	4/4			3/3		2/2
J. Gachora	Group Managing Director (ED)	Membership	√	√				
		Attendance	4/4	12/12	9/9	2/3	5/5	2/2
I. O. Awuondo	NED & Chairman, BESC	Membership	√	√			√	
		Attendance	4/4	12/12			5/5	2/2
E. N. Ngaine	INED	Membership	√			√		
		Attendance	4/4			3/3		2/2
M. K. R. Shah	INED & Chairman, BARC	Membership	√		√			
		Attendance	4/4		9/9			2/2
J. S. Armitage	NED	Membership	√	√				
		Attendance	4/4	12/12				2/2
A. S. M. Ndegwa	NED	Membership	√	√				
		Attendance	4/4	12/12				2/2
Hon A. H. Abdi	INED	Membership	√		√			
		Attendance	4/4		8/9			1/2
D.Abwoga	ED	Membership	√					
		Attendance	4/4	12/12	9/9	3/3	5/5	2/2
P. R. Lopokoiyit	INED	Membership	√		√	√		
		Attendance	4/4		9/9	3/3		2/2
J. Somen*	Co-opted member & Chairman, BICTC (INED)						√	
		Attendance	2/2				5/5	2/2

KEY		
BESC = Board Executive and Strategy Committee	BARC = Board Audit and Risk Committee	NED = Non-Executive Director
BGNC = Board Governance and Nominations Committee	ED = Executive Director	INED = Independent Non-Executive Director
BICTC = Board Information and Communication Technology Committee		

Notes

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

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

CORPORATE GOVERNANCE (CONTINUED)

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 2021, there were no new Directors appointed to the Board.

In 2021, the Directors were kept up to date with key developments through an online training session facilitated by external experts. Highlights of the Board training include

- Foreign Account Tax Compliance Act (FATCA):
    - The purpose and concept of FATCA;
    - NBCA Group's FATCA obligations;
    - Internal Roles, Structure and effective management of a FATCA compliance program;
    - Importance of compliance & implications of contravention;
    - FATCA documentation, due diligence & how to achieve compliance within the NCBA Group;
    - Case Studies.
- Money Laundering and Terrorist Financing Risk Management:
    - Financial Crime overview;
    - Regulatory universe and Obligations;
    - Oversight role of the Board;
    - Challenges faced by Banks;
    - AML/CFT Risk Management Framework;
    - AML/CFT Compliance across the banking and Telecommunication Industry in East Africa;
    - Emerging Trends;
    - Case studies.

Board Instruments

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

Board Charter	Board Code of Conduct
Provides guidance to the Board in the discharge of its duties in overseeing the affairs of the company and covers areas relating to: • Governance structure; • Powers, Role, Responsibilities and Practices • Code of Conduct and Ethics • Conflict of Interest management and Independence; • Board processes; and • Board effectiveness. The Board Charter has been published on the Group's website (www.ncbagroup.com).	The Code of Conduct and Ethics, which has been published on the Group's website, expresses the values that drive our behavior including addressing ethical issues, integrity on reporting, adherence to policies and procedures and addressing internal and external audit matters. It gives guidance to the Board, Management and Staff on acceptable behavior and ethical standards. Additional policy enhancements in relation to the Group's Ethics Risk Profiling policies will be made during the 2022 review cycle to cover, among other enhancements, the recommendations made during the governance audit.
Board Work Plan	**Board Policies**
The Board Work Plan acts as summarized guide on the activities and matters to be covered to be covered in the agenda.	The Board has established a Corporate Governance Framework comprising a number of policy and procedure documents to guide the Directors and Management on the implementation of their roles and responsibilities and the effective running of the Group's businesses.

Some of the principal policies and a brief summary of their objectives are outlined here below:

Policy	Key Provisions
Code of Conduct and Ethics	The Code of Conduct and Ethics, which has been published on the Group's website (ke.ncbagroup.com), expresses the values that drive our behavior including addressing ethical issues, integrity on reporting, adherence to policies and procedures and addressing internal and external audit matters.
Board Remuneration, Attraction and Retention Policy	The Policy sets guidelines and criteria for the Board's compensation, attraction and retention of Directors. The Director's remuneration policy and report, including details of their compensation appears on page 92 to 97 of this Report
Corporate Disclosures Policy	The policy of the Group is to make adequate disclosure of material information and to ensure that all communications to the Group's stakeholders are timely, complete and accurate and appropriately and broadly communicated in accordance with all applicable legal and regulatory requirements.
Conflicts of Interest Policy	The policy requires: • new Directors to disclose any actual, potential or perceived conflicts of interest prior to the Board's consideration of their appointment; • non-participation in discussions or decisions in which they have a conflict of interest; and • its application to all internal stakeholders of the Group. The Group Company Secretary maintains a register of all disclosed conflicts of interest and disclosures are also a standing agenda item at each Board and Committee meeting.

CORPORATE GOVERNANCE (CONTINUED)

Policy	Key Provisions
Environmental, Social and Governance Policies	The policies establish a commitment to undertake business activities in a manner that is considerate to the environment and communities surrounding the Group's and its customers operations through: • undertaking an assessment of customers' operating activities; • creating a sustainable ecosystem that is beneficial to all parties involved; • designing an environmentally friendly structure that promotes sustainability.; • Green/ Responsible Procurement and use of sustainable products; and • Labour Related Social Responsibility.
Procurement and Vendor Management Policy	The Policy subscribes to principles of openness, integrity and fairness in implementing the Group's procurement practices for the long term benefit of the Group.
Group Staff and Related Parties Securities Trading Policy	The policy prohibits Directors, Management and staff from trading in the securities, (including equity securities, convertible securities, options, bonds and any stock index containing the security), of any company while in possession of material, non- public information, (also known as insider information), regarding the entity. During the year 2021, there were no determined instances of insider trading by the Directors, Management and Staff of the Group.
Whistle Blowing Policy	The Group's Whistle Blowing Policy sets out the Boards', Managements' and Staff members' obligation and commitment to upholding the highest levels of integrity and observance of the rule of law and provides stakeholders with a secure, confidential and anonymous channel to report information that requires Management's and the Boards' attention on ethical and governance matters. The whistleblowing procedures have been published on the Group's website (ke.ncbagroup.com) for ease of access and reference by the Group's stakeholders.
ICT Policies	The Policies on ICT as established by the Board set the framework for: • prudent procurement practices in relation to ICT systems; • the creation of an enabling environment for relevant infrastructure implementation and future development needs; • Data Protection and management and ICT Security and Cyber Security Monitoring; • ICT literacy and professional skills development for all staff; and • development of fit for purpose ICT systems and applications in support of the innovation and digital approach for the Group.

Policy	Key Provisions
Directors' External Activities and Related Party Transactions Policy	Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Group and its subsidiaries. Directors submit declarations of interests which include an acknowledgement: • of their obligation to declare any matter concerning the Group that may result in a conflict of interest and exclude themselves from any discussion or decision over the matter in question; • that should they be appointed to the Board or acquire a significant interest in a business competing with the Group, or be appointed to the Board of an entity (including a Government entity) that may expose them to potential or actual conflict of interest, that they would be obliged to declare such appointment, undergo an assessment to determine the extent of such conflict and, where applicable, or offer their resignation as a Director where the conflict cannot be mitigated by the existing Board policies for the management of conflicts of interest; and that the foregoing also applies to interests of their immediate family members. In 2021, 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 pages 187 to 189 note 43 of this report.
Corporate Governance Policy	The Policy sets out the framework incorporating t]he key themes, principles and structures that drive the Group's corporate governance agenda. These include: • Corporate Objectives and Governance Policies; • Directors Nominations, Appointment, Induction and Succession Planning; • Board and Directors' Evaluation and Board Remuneration; • Sustainable Value Creation (Environmental, Social & Governance; • Board and Board Committees key responsibilities; • Ethics Framework, Conflict of Interest and Related party transactions; • Corporate Disclosures and Stakeholder Engagement; and • Dispute Resolution.

Board Evaluation

The Board conducts an annual evaluation on its members, Group Chairman, Group Managing Director and Group Company Secretary to identify strengths, weaknesses and development needs in order to put in place mechanisms for ensuring that the Board remains a high-performing unit. In Quarter 1, 2021 an independent governance consultant supported the Board in undertaking the evaluation with the following items highlighted from the assessment:

- The composition of the Board and its Committees was considered appropriate with the right mix of knowledge, experience, competencies and disposition.
- There was a productive working relationship between the Board and the Shareholders.
- Board meetings were conducted in a manner that encouraged candid and diverse opinions, meaningful participation and timely resolution of issues.

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

Recommendation	Action
• Enhancing the Board culture and dynamic between the Board and senior management. • Creating more opportunities for bonding sessions between the Board and Senior Management. • Enhancing the strategic course of the organization. • Ensuring that Board trainings are conducted regularly and pursuing 12 hours of training as guided by the Code. • Providing for gender diversity and a formal Board succession plan. • Deliberating on metrics to track and analyse Board Committee performance. • Deliberating on impediments to financial performance and determining the financial year's targets thereof.	• The Board held a joint strategy session with senior management, incorporating direct engagements to help build camaraderie as part of culture immersion and team dynamic enhancement, which will be entrenched for future development. • The Board reviewed its approach to acquiring training by adopting a hybrid approach consisting of virtual and online training, while allowing for onsite sessions in future when the effects of the COVID-19 pandemic subside. • The Board aligned its Committee's performance measures to those of Management, thus aligning the strategic objectives across the governance structure. • The Board has incorporated comprehensive deliberations on challenges and opportunities into developing the financial targets for each financial year. • The Board annually reviews its composition and considers diversity within its succession planning agenda, to be progressively enhanced during Board composition reviews.

Board Committees

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

The Board, having considered the size of the group and nature of operations, has established Board Committees to support it and guide Management in carrying out their respective duties and responsibilities. The Committees, whose mandate and authority has been entrenched in the Board Charter, have been established with specific terms of reference which are regularly reviewed and up-dated. The appointment of the members to these Committees draws on the skills and experience of individual Directors. The Board Committees form a principal point of contact between the Directors and Senior Management.

The Chairman of each Board Committee reports to the Board on the matters discussed at Board Committee meetings.

Group Board Committees

In 2021, the Group Board had the following committees mainly comprised of Non-Executive Directors:

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

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

	Composition	Key purpose and responsibilities
Board Executive & Strategy Committee	- I Awuondo (Chairman) - S Armitage - A S M Ndegwa	• Strategy formulation and general operations oversight; • Approval of significant capital projects, periodic strategic plans, and key policy guidelines; • Entrepreneurial leadership within a framework of prudent and effective controls; • Monitoring Group performance against strategic plans and objectives; and • Reviewing and monitoring the Group's capital position, approving proposals for investments and allocating capital and other resources as required.
Board ICT Committee	- J Somen (Chairman) - I Awuondo	• Embedding an appropriate ICT governance and risk management framework that suits the business needs; • Alignment of ICT strategy with the business strategy and significant policies of the Group; • Reviewing and monitoring the implementation of corrective actions from the periodic internal and external audits on ICT systems and practices; and • Setting tolerance levels and monitoring the established ICT ethical and integrity standards to entrench a culture that emphasizes prudent ICT risk management.
Board Audit and Risk Committee	- M K. R. Shah (Chairman) - Hon. A H. Abdi - P R. Lopokoiyit	• Review of the accounting policies, financial reporting and regulatory compliance practices; • Evaluation of the effectiveness of internal control systems; • Appointment, supervision and performance appraisal of the independent external and internal auditors; • Review and approval of the scope and plans for the external and internal audit activities and the budget for the Internal Audit review activities; • Monitoring implementation of corrective action plans for internal controls as identified by the Committee, from audit reviews and/or regulatory inspections; and • Setting and monitoring adherence to risk parameters and tolerance limits through establishment of appropriate strategy, policies and programs. To maintain independence, objectivity and professionalism of the external auditor, the audit firms is rotated every six to nine years while the audit partner is rotated not more than five years after having taken up the assignment. The audit firm is appointed by the shareholders subject to the approval by the Central Bank of Kenya.
Board Governance and Nominations Committee	- D A. Oyatsi (Chairman) - P R. Lopokoiyit - E Ngaine	• Monitoring adherence by the Board and Management on good corporate governance practices as enshrined in the Group's constitutive documents and policies and applicable regulatory requirements; • Reviewing the Board's composition to ensure availability of the required skills, expertise and experience to grow and sustain the business and uphold the principles and practices of good Corporate Governance, including the status of independent non-executive directors; • Oversight of the Board's annual performance evaluation, remuneration and assessment of the extent of conflict of interest (if any) posed by Directors' other interests or duties; • Ensuring seamless transition in the event of changes to the Board's membership; • Ensuring shareholder, and where applicable regulatory, approval for appointments to the Board; • Induction program for new members and continuous professional development programs for the Board; and • Oversight of the assessment of corporate governance practices by auditors and regulators and implementation of enhancements thereof.

CORPORATE GOVERNANCE (CONTINUED)

	Highlights of key activities in 2021
	The Committee received, reviewed, monitored, considered, approved, guided Management and made recommendations to the Board on: • Execution of the Group's, vision, mission and NCBA 1.0 strategy; • New initiatives and updates on significant matters bearing on the Group's capital position; • Branch expansion and major business investments; • COVID 19 pandemic impact on the Group's performance and operations; • Human resources and Culture immersion considerations; and • Market position updates vis-à-vis the targets.
	The Committee received, reviewed, monitored, considered, approved, guided Management and made recommendations to the Board on: • Optimisation of core banking systems; • Investment in omni-channel banking capabilities; • Digital transformation strategy; • Data and analytics strategy; • Cyber security initiatives; and • ICT resource capacity to support the Group's ICT and digital strategy.
	The Committee received, reviewed, monitored, considered, approved, guided Management and made recommendations to the Board on: • Risk based plans, capacity and quality assurance program; • Implementation of audit recommendations; • Group performance and approval of audited and unaudited financial statements; • Reviewing coordination between the Group's internal audit function and the external auditor; • Internal control structure adequacy, including ICT systems; • Assessment of the adequacy of provisions on the loan book; • Review of policy changes in relation to national and applicable international laws, regulations and policy guidelines; and • Oversight over the Corporate Risk Register on all key risks affecting the Group.
	The Committee received, reviewed, monitored, considered, approved, guided Management and made recommendations to the Board on Monitoring the status of compliance with the regulatory corporate governance requirements; • Monitoring the implementation of recommended enhancements to the Group's corporate governance practices and the Group's application of the principles thereof based on the findings and recommendations made from the Governance Audit and Legal and Compliance Audit; • Review of and recommendations on the Board composition of the Group's subsidiaries; • Monitoring the implementation of the Board training programme; • Assessment of the independence of Directors and status of independent non-executive directors; • Review and approval of the Board Work Plans and Corporate Governance policies.

Management Committees

A significant factor in the Group's ongoing success is the strength of the Management team. Members of the Management team bring together a vital combination of leadership skills and extensive experience from both local and international institutions. To harness that strength, the Group Managing Director has established Management Committees to assist him and the Board in the management of the Group. These committees are chaired by the Group Managing Director (or his delegate where applicable) and include the respective Heads of Departments, with other senior managers being co-opted on a need basis. In 2021, the Management Committees supporting the Group's activities included:

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

CORPORATE GOVERNANCE (CONTINUED)

Compliance with Laws, Regulations and Standards

In order to ensure that the Group is adhering to all laws, regulations and standards applicable to it and for the purposes of providing assurance to its stakeholders, Management facilitates a comprehensive independent legal and compliance audit at least once every two years by a legal professional in good standing with the Law Society of Kenya. An internal legal and compliance audit is carried out in each year preceding the independent audit to achieve the same purpose and ensure that any departures from the required levels of compliance are identified and corrected in a timely manner.

Governance Audit and Legal & Compliance Audit Updates

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

A legal and compliance audit was conducted and concluded during quarter 1 of 2022. The auditor's opinion has been published in this integrated report on page 88. It was the auditor's opinion that the Group has complied with the applicable laws, regulations, circulars and other legal requirements that the Group is subject to. The Board, through its Governance and Nominations Committee, is currently reviewing the comprehensive legal and compliance audit report and will coordinate the implementation of the recommendations made and make disclosures on the progress made in subsequent annual integrated reports.

In addition, a governance audit was conducted for the financial year 2020 and reported upon in the integrated report published in 2021, with the next one scheduled to be undertaken for the year 2022 and be reported upon in the integrated report to be published in year 2023. During the course of the year 2021, the Board pursued the implementation of recommendations made in the last governance audit, with the following activities being undertaken in this regard:

Recommendation	Action Taken
• Undertaking a post-merger Board Skills review to ensure that the Board has the required skills and competencies and utilisation of the output thereof to enhance Board succession planning, and further utilisation during considerations for the selection and nomination of new Board members at the appropriate time • Enhancement of Board gender diversity during Board composition reviews when the opportunity arises. • Enhancement of tracking of Board deliverables in the execution of the Board's work plan to ensure ease of monitoring and timely intervention as and when required. • Amendment of the Board Charter to reflect the change in meeting mechanism from predominantly physical to a hybrid structure that enables predominance of meetings via electronic channels as brought about by the advent of the COVID-19 pandemic. • Review and implementation of the Board training plan to incorporate specific training needs as identified by the Directors during their annual evaluation exercise, and ensuring incorporation of the minimum regulatory training recommendations on governance matters. • Expansion of the scope / coverage of the Group Staff and Related Parties Securities Trading Policy to include the Board members' commitment to adherence of the policy's provisions. • Consolidation of the numerous existing policies and practices on related party transitions into a unified policy for ease of implementation, tracking and management. • Development of an Ethics Risk profile that depicts the negative ethics risks (threats) as well as the positive ethics risks (opportunities) to support the existing governance and risk management practices. • The establishment of an enhanced Corporate Social Responsibility / Citizenship policy inclusive of goals and metrics for the measurement of the implementation of the policy. • Enhancement of the Environmental and Social Risk Management policy scope to include additional environmental and social matters that the Group will aspire to, such as on waste and energy management.	• The Board undertook a skills review, which was used to validate Director placement within the Board Committees and will be utilized for Board composition reviews and succession planning, including during new appointments when vacancies arise. • Gender diversity has been identified as an area for consideration and has been mapped for action by the Board when a vacancy arises. • The Board Work Plans were reviewed and Board deliverables mapped to strategy deliverables, which are tracked for determination of performance by the Board and its Committees. • The Board Charter was amended to align it to current practices, including amending the requirements for meetings to predominantly virtual while allowing for a hybrid approach, thus embedding flexibility in the event of environmental changes impacting Board operations. • The Board developed a training plan that takes into consideration not only the regulatory requirements, but also Directors recommendations based on specific needs identified to enhance skills and resultant output. • The Board reviewed the securities trading policy to enhance its application and further incorporated the provisions of the policy to Directors' personal trading in listed securities. • The Board tasked Management to develop: • A policy on related party transactions that consolidates the existing practices for ease of reference and application; and • An Ethics Risk Profile for use by the Group in identifying ethical threats and opportunities in the conduct of the Group's business activities. • The policy and Profile are due for Board review and approval during the course of year 2022. • As part of the periodic review of Group policies, the enhancement of the Citizenship Policy is on course for Board review in the year 2022. • Following the issuance of additional Guidelines by the Central Bank of Kenya on climate-related risks, Management is undertaking a comprehensive review of the Environmental and Social Risk Management Policy for Board consideration by mid-2022.

Communication with Stakeholders

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

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

The Group also holds periodic investor briefings to update investors on material factors affecting the Group both positively and negatively and its performance vis à- vis the strategic plan. In order to foster transparent and accountable long-term relationships, the Board has in place formal strategies to promote sustainability including aspects relating to the companies' environmental, social and governance activities and, through the Group Company Secretary, facilitates effective communication between the Group and its shareholders and stakeholders, hence ensuring that their rights are protected at all times.

This includes giving shareholders the opportunity to place items on the agenda at Annual General Meetings, according them the opportunity to question Management of the companies and develop a program for regular investor briefings on the Group's economic, social and environmental performance. Shareholders' questions and responses from the Group are made available on the website for ease of reference.

The Group has engaged the services of a shares registrar, C&R Group, who together with the Group Company Secretary, regularly address issues raised by the shareholders. More broadly, the Group actively engages and participates in initiatives with partner institutions such as the Kenya Bankers Association, development finance institutions including the European Investment Bank, International Finance Corporation and French Development Agency in exchanging thoughts and committing to initiatives aimed at enhancing sustainable business practices. Periodically, the Group hosts an economic forum that brings together thought leadership on key matters affecting the economy and its implication for business resilience and growth.

Internal Controls

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

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

The Group's performance trend is reported regularly to the Board and includes an analysis of performance against budget and prior periods. The financial information is prepared using appropriate accounting policies which are applied consistently.

The Group has an Internal Audit Department which is an independent function that reports directly to the Board Audit Committee and provides independent confirmation that the Group's business standards, policies and procedures are being complied with. Where found necessary, corrective action is recommended.

The Group also has an Enterprise Risk Management and Compliance Department that reports directly to the Board Risk Management Committee. The Board Committee oversees the development and implementation of the Risk Management and Compliance framework while ensuring adherence to the Group's internal policies and regulatory requirements.

A key component of internal controls is the Boards relationship with Management and the latter's implementation of effective governance structures to manage emerging risks. The primary Management governance structure is Management Committees, which oversee the implementation of the Board approved policies and which assist the Board and its Committees to implement, monitor, track and report on various Board mandated initiatives.

Enterprise-Wide Risk Management Framework (ERMF)

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

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

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

The Group operates in a complex, increasingly competitive environment demanding higher quality of accountability and standards that place great pressure on its available resources. The framework provides information on key roles and responsibilities, procedures, standards, systems, and tools that are used, and also sets the context in which risks are managed in terms of their identification, assessment, monitoring, control and finally independent reviews. The implementation of robust, integrated and transparent risk management programs is therefore important to structurally align these challenges to its strategic objectives and against the background of uncertainty

The Framework has been developed to:

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

The key elements to this effective ERMF are:

a) active Board and Senior Management oversight;

b) adequate risk policies, procedures, and limits

c) adequate risk identification, assessment, monitoring and control, plus reporting through appropriately robust management information systems; and

d) comprehensive internal controls, coupled with periodical independent reviews

CORPORATE GOVERNANCE (CONTINUED)

Internal Audit

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

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

- Evaluating the reliability, adequacy and effectiveness of the Group's governance, risk management and internal controls systems, including whether there is prompt and accurate recording of transactions and proper safeguarding of assets;
- Monitoring and reviewing the integrity of financial statements;
- Independent appraisal of reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- Reviewing compliance with laws and regulations and adherence to established policies;
- Providing consulting and advisory services related to governance, risk management and control as appropriate for the Group; and
- Reviewing whether management is taking appropriate steps to address control deficiencies.

The Department has adopted a risk-based approach in its auditing activities, thus providing a systematic method for identifying, prioritising and scheduling audits while at the same time providing a means by which audit resources can be targeted in areas of high risk within the Group's audit universe. Annual audit coverage addresses the range of risks that the Group identifies as "key" to the achievement of its objectives.

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

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

Quality assurance and key developments

In line with leading practices, Group Audit has a quality assurance and improvement programme (QAIP) that covers all aspects of its audit activity and conforms to the International Standards for the Professional Practice of Internal Auditing.

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

- Automating the internal audit process by deploying an audit management software, TeamMate;
- Use of ACL data analysis tool and increasingly adopting data analytics for efficiency of audits and more timely review to add value to auditees;
- Continuous auditing reviews involving control and risk assessments on an ongoing basis as set out in the Internal Audit continuous auditing framework and ICT Audit Plan;
- Improvement of tracking of audit recommendations through automation including through a Board action items tracker; and
- Continuous professional training for Internal Audit staff through conferences, seminars & certification. Training is linked to the development plans prepared for each staff and help them remain current and meet professional and quality requirements.

Greater emphasis has been placed on emerging risks and threats including Cyber Security, ICT and digital business. All information technology systems audits are conducted in line with the Information Systems Standards and Guidelines as provided by the Information Systems Audit and Control Association (ISACA).

Going Concern

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

Shareholding Profiles

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

The number of shareholders as at 31st December 2021 was 28,514 (2020 – 28,268)

Principal Shareholders

The top 10 major shareholders, based on the Group's share register as at 31st December 2021 were as follows:

Name	Number of Shares	%
Enke Investments Limited	217,497,023	13.20
First Chartered Securities Limited	206,294,254	12.52
D&M Management Services LLP	173,763,902	10.55
Brookshire Limited	136,661,231	8.29
Westpoint Nominees Limited	126,661,231	7.69
Yana Investments Limited	85,597,304	5.20
Kahuho Holdings Limited	67,602,884	4.10
Rivel Kenya Limited	64,206,673	3.90
Makimwa Consultants Limited	48,587,307	2.95
Livingstone Registrars Limited, Trustees of the CBA ESOP	21,829,633	1.32
Total	**1,148,701,442**	**69.72**

Distribution Schedule

Category	Number of Shareholders	Number of Shares	%
1-500 shares	9,602	1,679,001	0.10
501-5,000 shares	13,908	28,771,618	1.75
5,001-10,000 shares	2,042	14,042,703	0.85
10,001-100,000 shares	2,469	65,052,229	3.95
100,001-1,000,000 shares	410	116,096,135	7.05
1,000,001 and over	83	1,421,877,846	86.30
Total	**28,514**	**1,647,519,532**	**100.00**

CORPORATE GOVERNANCE (CONTINUED)

Shareholder Profile

Category	Number of Shareholders	Number of Shares	%
Local Individual Investors	26,530	371,861,463	22.57
Local Institutional Investors	1,768	1,269,097,107	77.03
Foreign Individual Investors	205	5,677,403	0.35
Foreign Institutional Investors	11	883,559	0.05
Total	**28,514**	**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, including senior management, had direct or indirect beneficial equity interests in the ordinary shares of the Group as at 31st December 2021.

	Name	Number of Shares	%
1.	Andrew S. M. Ndegwa	70,765,367	4.30
2.	James P. M. Ndegwa	69,724,350	4.23
3.	Desterio A. Oyatsi	14,029,400	0.85
4.	John S. Armitage	8,731,852	0.53
5.	John Gachora	2,364,255	0.14
6.	Mukesh K. R. Shah	926,090	0.06
7.	Isaac O. Awuondo	413,766	0.03
8.	Esther N. Ngaine	353,980	0.02
9.	David Abwoga	9,108	0.001

Namasaka & Kariuki Advocates

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One Team One Dream

Date: 18TH February, 2022 **Our Ref:** NKA/NCBA/GEN/2021 **Your Ref:** TBA

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

INTRODUCTION

We confirm undertaking a Legal Audit of NCBA Group PLC and NCBA Bank Kenya PLC for the Financial Year ended 31st December 2020 by which we reviewed the extent of Legal Compliance with the applicable laws and regulations.

BOARD RESPONSIBILITY

The Boards of NCBA Group PLC and NCBA Bank Kenya PLC are responsible for instituting policies and systems which guarantee, ensure and support compliance with the applicable legislation, regulations and legal instruments. These structures are instituted by formulating policies, standard operating procedures and systems modelled along statutory requirements and imperatives. The Board is also expected to infuse normative values of the law into the prescribed procedures, standards and guidelines.

LEGAL AUDITOR'S RESPONSIBILITY

Our responsibility was to express an opinion on the existence and effectiveness of policies, standard operating procedures, codes of conduct and systems to provide a protocol for compliance with normative, mandatory and regulatory legal requirements. The audit was designed using a compliance matrix against which the policies, procedures and systems instituted by the Group and the Bank were assessed for legal compliance.

OPINION

Based on the policies, standard operating procedures and systems we examined, we are of the opinion that the Group and the Bank have put in place systems to guarantee, ensure and facilitate legal compliance with the applicable legal regime in Kenya.

For: Namasaka & Kariuki Advocates

Mwangi Kariuki

MWANGI KARIUKI
Managing Partner
mkariuki@nka.co.ke

CORPORATE INFORMATION

DIRECTORS

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

EXECUTIVE / STRATEGY COMMITTEE

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

AUDIT & RISK COMMITTEE

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

GOVERNANCE AND NOMINATIONS COMMITTEE

D A Oyatsi – Chairman
P R Lopokoiyit
E N Ngaine

INFORMATION, COMMUNICATIONS AND TECHNOLOGY (ICT) COMMITTEE

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

COMPANY SECRETARY

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

AUDITOR

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

REGISTERED OFFICE

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

REGISTRARS AND TRANSFERS OFFICE

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

The directors submit their report together with the audited financial statements for the year ended 31 December 2021.

INCORPORATION

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

DIRECTORATE

The directors who held office during the year and to the date of this report are shown on pages 20 to 22

PRINCIPAL ACTIVITIES

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

RESULTS

	2021 Shs' 000	2020 Shs' 000
Profit before tax	15,034,989	4,981,921
Tax Charge	(4,811,346)	(411,054)
Profit for the Year	10,223,643	4,570,867

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, and Cote d'Ivoire. The Group provides retail and corporate banking, asset finance, securities brokerage, bancassurance, Leasing, property and investment banking services.

Performance for 2021

The year 2021 remained a challenging year globally due to the prolonged effects of the COVID-19 pandemic. Despite the challenges, the Group's performance for the year 2021 demonstrated great resilience registering growth from both balancesheet and income perspectives. Delinquency levels however remained high with the Group applying a prudent approach by maintaining significant loan loss impairment reserves.

The Group ended the year strongly with the key performance indicators including a profit before income tax increase of Shs 10.1 billion to close at Shs 15.0 billion from Shs 5.0 billion reported in year 2020. This was largely attributed to reduced impairment losses on customer loans and advances by Shs 8.9 billion and growth in net interest income by 5.3%, or Shs 1.8 billion. Non-interest income remained largely flat at Shs 9 billion while operating expenses were contained during the year resulting in a moderate increase of Shs 0.4 billion against the year 2020 performance.

REPORT OF THE DIRECTORS (CONTINUED)

Proposed Dividend

The Board has resolved to recommend to the shareholders for their approval at the forthcoming Annual General Meeting, scheduled for 5th May 2022, the payment of a final dividend for the year of Shs 2.25 per share which, together with the interim dividend of Shs 0.75 per share paid on 12th October 2021, brings the total dividend for the year 2021 to Shs 3.00 per share (2020: first and final dividend of Shs 1.50 per share). The dividend will be payable to the shareholders registered on the Company's register at the close of business on 28th April 2022 (closing date for determination of entitlement to dividend) and will be paid on or after 5th May 2022.

Outlook for 2022

Kenya's macroeconomic environment is expected to be largely stable owing to Government policy interventions aimed at providing assurance on a peaceful transition during this election year and continued support through measures such as vaccination drives to forestall adverse impacts from the COVID-19 pandemic and encourage progressive reopening and expansion of economic activity. Comparable interventions by regional Governments and regulatory authorities are similarly projected to support economic growth. The Board is consequently 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 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 have been appointed for the 2021 annual audit engagement in accordance with the company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015, and approved by Central Bank of Kenya. 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.

OTHER MATTERS

The financial statements of the Group for the year ended 31 December 2020 were audited by another auditor, PriceWaterhouseCooper LLP, who expressed an unmodified opinion on those financial statements on 26 March 2021.

By order of the board

23 March, 2022
Waweru Mathenge
Group Company Secretary

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

This report describes the Group's remuneration policy and the remuneration paid to Directors in 2021. 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 2021.

There were no changes to the structure and quantum of the Directors' remuneration in the year ended 31 December 2021.

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

NCBA GROUP PLC BOARD OF DIRECTORS

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

Notes:

- All the Directors of the Company were resident in the Republic of Kenya during the year 2021.
- I O Awuondo is the current Non-Executive Chairman of NCBA Bank Kenya PLC and Executive Chairman of Banqtech Limited, a wholly owned financial technology subsidiary of NCBA Group PLC.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Background:

The members of the Board Governance and Nominations Committee for the period 1 January 2021 to 31 December 2021 were:

D A Oyatsi – Chairman

P R Lopokoiyit

E N Ngaine

PART 1

Remuneration Policy

The remuneration policy establishes guidelines on the remuneration criteria applicable for services rendered by directors to ensure transparency and equitability in implementation. The policy objective is to provide a framework that enables market competitive remuneration that will attract, retain and engage high calibre directors whilst ensuring that the remuneration structure protects, promotes and supports the Group's immediate and long-term strategy and objectives.

Remuneration of Executive Directors

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

The remuneration of the Executive Directors consists of:

- Salary
- Performance-based remuneration
- Deferred remuneration contingent on performance-based remuneration
- Other Benefits – including company car, housing and utilities, medical and life cover, retirement benefits and loan benefits subject to contractual terms as determined by the Board

Remuneration of Non-Executive Directors

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

The remuneration for NEDs consists of:

- Monthly retainer fee; and
- Sitting allowance for Board and Board Committee meetings.
- 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 2021, the Group did not have an implemented share option scheme for Directors.

Directors' Contracts of Service

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

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

The Notice period for departure from the Board for the Group Managing Director is six (6) months while that of 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 will be entitled to any outstanding dues on the monthly retainer fees and sitting allowances up to the date of termination. No additional amounts are payable to Directors unless these are expressly approved under special circumstances by the Board of Directors.

Statement of the Previous General Meeting

A Resolution to approve the Directors' remuneration policy and report for the year ended 31 December 2020 was passed through a poll vote by shareholders at the Annual General Meeting held on the 9th day of June 2021.

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 2021 outline payments relating to qualifying services rendered as Directors for the period served on the Board.

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

c) In the year ended 31 December 2021, 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.

The following table shows the remuneration for the Chairman, other Non-Executive Directors (NEDs) and Executive Directors in respect of qualifying services for the year ended 31 December 2021. The aggregate Directors' emoluments are shown on page 189, note 43.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Directors Remuneration for the year ended 31 December 2021	Fees[1] Shs 000	Salary Shs 000	Cash incentive remuneration[2] Shs 000	Non-cash benefits Shs 000	Retirement Benefits Shs 000	Total[3] Shs 000
J P M Ndegwa – Group Chairman[4]	3,700	-	-	-	-	3,700
D A Oyatsi – Deputy Group Chairman	2,400	-	-	-	-	2,400
J Gachora – Group Managing Director	-	65,012	-	4,694	7,090	76,796
D Abwoga – Executive Director	-	25,256	-	-	2,816	28,072
A H Abdi	11,427	-	-	-	-	11,427
J S Armitage	6,280	-	-	-	-	6,280
I O Awuondo[5]	-	49,668	-	10,939	2	60,610
P R Lopokoiyit	7,190	-	-	-	-	7,190
A S M Ndegwa	6,280	-	-	-	-	6,280
E N Ngaine	8,856	-	-	-	-	8,856
M K R Shah	7,340	-	-	-	-	7,340
	53,473	139,936	-	15,633	9,909	218,951

Notes:

1 Where applicable, fees earned by Directors serving on the Boards of regional subsidiaries have been converted to Kenya Shillings using the annual mean rate obtained from the Central Bank of Kenya.

2 In the year ended 31 December 2021, there was no cash incentive remuneration awarded with respect to the Group's year 2020 performance.

3 Directors' total remuneration is consolidated for services rendered as a Director on the NCBA Group PLC Board and related entities' (i.e. subsidiaries) Boards.

4 The total Director's fees for J P M Ndegwa was paid to Asset Managers Limited in respect of Director's services for the year ended 31 December 2021.

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

The following table shows the remuneration for the Chairman, other Non-Executive Directors (NEDs) and Executive Directors in respect of qualifying services for the year ended 31 December 2020.

Directors Remuneration for the year ended 31 December 2020	Fees[1] Shs 000	Salary Shs 000	Cash incentive remuneration[2] Shs 000	Other remuneration[3] Shs 000	Non-cash benefits Shs 000	Retirement Benefits Shs 000	Total[4] Shs 000
J P M Ndegwa – Group Chairman[5]	2,520	-	-	-	-	-	2,520
D A Oyatsi – Deputy Group Chairman	2,560	-	-	-	-	-	2,560
J Gachora – Group Managing Director	-	65,017	-	3,938	5,490	7,090	81,534
D Abwoga – Executive Director	-	25,245	-	1,563	448	2,816	30,073
J I Ngunze – Executive Director[6]	-	33,998	-	41,851	834	3,831	80,515
A H Abdi	10,304	-	-	-	-	-	10,304
J S Armitage	5,680	-	-	-	-	-	5,680
I O Awuondo[7]	-	49,671	-	3,104	10,860	2	63,638
P R Lopokoiyit	5,989	-	-	-	-	-	5,989
G A Maina[8]	900	-	-	-	-	-	900
A S M Ndegwa	6,095	-	-	-	-	-	6,095
E N Ngaine	7,658	-	-	-	-	-	7,658
M K R Shah	8,040	-	-	-	-	-	8,040
	49,747	173,931	-	50,456	17,632	13,740	305,506

Notes:

1 Where applicable, fees earned by Directors serving on the Boards of regional subsidiaries have been converted to Kenya Shillings using the annual mean rate obtained from the Central Bank of Kenya.

2 In the year ended 31 December 2020, there was no cash incentive remuneration awarded with respect to the Group's year 2019 performance.

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

4 Directors' total remuneration is consolidated for services rendered as a Director on the NCBA Group PLC Board and related entities' (i.e. subsidiaries) Boards.

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

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

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

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

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Share Option Scheme

There was no share option scheme for Directors in the year ended 31 December 2021.

Long Term incentives

There were no long-term incentives granted to NEDs in the year ended 31 December 2021.

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 2021, 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 2021. (2020: Nil)

There was no change in the Group's policy on payments to former directors in the year ended 31 December 2021.

On behalf of the Board

D A Oyatsi
Chairman, Governance and Nominations Committee
23 March, 2022

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 23 March, 2022 and signed on its behalf by:

J P M NDEGWA
Chairman

J GACHORA
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 105 to 194, which comprise the consolidated statement of financial position at 31 December 2021 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, together with the Company statement of financial position at 31 December 2021, and the Company statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of NCBA Group PLC give a true and fair view of the financial position of the Group and the Company at 31 December 2021 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

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

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

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

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Estimation of expected credit losses on loans and advances Loans and advances to customers constitute a significant portion of the total assets of NCBA Group Plc. As disclosed in notes 2.7, 3.2, and 5a Management exercise significant judgment when determining both when and how much to record as loan impairment. This is because a number of significant assumptions and inputs go into the determination of expected credit loss (ECL) impairment amounts on loans and advances to customers as required by IFRS 9 Financial Instruments. Furthermore, the evolving economic impact of the COVID-19 pandemic has increased the overall risk of credit default and the possibility of significant increases in credit risk, hence raising the uncertainty surrounding management judgments and estimating processes. 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: i. 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; ii. 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; iii. Identification and measurement of economic scenarios to measure ECLs on a forward-looking basis reflecting a range of future economic conditions; and iv. Modelling for estimation of ECL parameters: · Probabilities of Default (PDs) · Loss Given Default (LGD); and · Exposure at Default (EAD). Because of the significance of these estimates, judgments and the size of loans and advances portfolio, the audit of loan impairment provisions is considered a key audit matter.	Our audit of the impairment of advances included, amongst others, the following audit procedures performed together with the assistance of our internal credit risk specialists: • Obtained an understanding of the Group's methodology for determining expected credit losses, including enhancements in the year, and evaluated this against the requirements of IFRS 9, Financial Instruments; • Testing the design and implementation of critical controls across all ECL-related processes, particularly the allocation of assets into stages and management overlays; • On a sample of contracts, we assessed the identification of loans and advances that had experienced a significant increase in credit risk or met the Group's default definition criteria for classification purposes. This was completed by reviewing documentation and credit performance to determine whether the staging of such facilities was in accordance with Group policy and IFRS 9 standards; • Assessed the reasonableness of management overlays, taking into account industry and client-specific risk. We recalculated the management overlays and assessed their completeness in light of our understanding of the model and data limitations; • Testing the assumptions, inputs and formulae used in the ECL models with the support of our internal credit risk specialists (including assessing the appropriateness of model design and formulae used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default; • We corroborated the assumptions used for the determination of forward-looking information (FLI) in the models using publicly available information; • Testing the data used in the ECL calculation by reconciling to source systems; and • Assessing the adequacy and appropriateness of disclosures for compliance with the accounting standards. Based on the procedures described above, our audit evidence was consistent with the inputs in the ECL on loans and advances which were found to be within an acceptable range in the context of IFRS 9.

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

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

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

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

- 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 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 90 to 91 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 92 to 97 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

STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2021

	Note	GROUP 2021 Shs'000	GROUP 2020 Shs'000	COMPANY 2021 Shs'000	COMPANY 2020 Shs'000
Interest income and other credit-related fees	6	57,302,525	55,084,206	36,707	33,474
Interest expense	7	(19,477,455)	(19,075,114)	-	-
Net Interest Income		**37,825,070**	**36,009,092**	**36,707**	**33,474**
Gross fee and commission income	9	3,746,811	3,338,124	-	-
Foreign exchange income	10	5,056,517	4,735,403	-	-
Gain on disposal of financial instruments	11	694,047	745,509	-	-
Loss on re-measurement of investment in subsidiaries	46	-	-	-	(5,498,889)
Fair value on financial assets	12 (a)	(1,002,185)	(300,000)	-	-
Other income	12 (b)	1,325,188	1,237,851	6,340,793	1,280,852
Non-interest revenue		**9,820,378**	**9,756,887**	**6,340,793**	**(4,218,037)**
Operating and other income		**47,645,448**	**45,765,979**	**6,377,500**	**(4,184,563)**
Operating expenses	13	(21,489,230)	(20,847,567)	(320,843)	(302,002)
Operating profit before impairment losses on customer loans and advances		26,156,218	24,918,412	6,056,657	(4,486,565)
Impairment losses on customer loans and advances	8	(11,210,714)	(20,094,371)	-	-
Profit before share of associate's profit		**14,945,504**	**4,824,041**	**6,056,657**	**(4,486,565)**
Share of associates profit	26	89,485	157,880	-	-
Profit before income tax		**15,034,989**	**4,981,921**	**6,056,657**	**(4,486,565)**
Income tax expense	15	(4,811,346)	(411,054)	(47,812)	(17,815)
Profit / (Loss) for the year		**10,223,643**	**4,570,867**	**6,008,845**	**(4,504,380)**
Profit for the year attributable to:					
Equity holders of the Group		10,299,488	4,638,306	6,008,845	(4,504,380)
Non-controlling interests		(75,845)	(67,439)	-	-
		10,223,643	**4,570,867**	**6,008,845**	**(4,504,380)**
Earnings per share – basic and diluted (Shs)	17	**6.21**	**2.77**	**3.65**	**(2.73)**

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Note	GROUP 2021 Shs'000	GROUP 2020 Shs'000	COMPANY 2021 Shs'000	COMPANY 2020 Shs'000
Profit/ Loss for the year		**10,223,643**	**4,570,867**	**6,008,845**	**(4,504,380)**
Other comprehensive income net of income tax:					
Items that may be subsequently reclassified to profit or loss					
Fair value gains on financial assets measured at FVOCI	41	(1,247,599)	498,189	-	-
Exchange differences on translation of foreign operations		169,607	225,647	-	-
Other comprehensive income for the year, net of income tax		**(1,077,992)**	**723,836**	**-**	**-**
Total comprehensive income for the year		**9,145,651**	**5,294,703**	**6,008,845**	**(4,504,380)**
Attributable to:					
Equity holders of the Group		9,221,496	5,362,142	6,008,845	(4,504,380)
Non-controlling interests		(75,845)	(67,439)	-	-
		9,145,651	**5,294,703**	**6,008,845**	**(4,504,380)**

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		GROUP		COMPANY	
	Note	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
ASSETS					
Cash and balances with Central Banks	18	43,154,323	34,511,770	-	-
Item in the course of collection	19	269,163	348,662	-	-
Due from banking institutions	20	45,119,386	41,664,359	-	-
Derivative assets	21	96,879	88,835	-	-
Government securities	22	209,450,847	158,182,019	-	-
Investment securities	23	12,844,240	7,060,295	-	-
Customer loans and advances	24	241,464,021	247,506,956	-	-
Other assets	25	10,409,574	10,934,570	-	-
Due from group companies	43	-	-	60,055	248,122
Investment in associates	26	3,956,460	3,916,975	332,593	-
Investment in subsidiaries*	27	-	-	70,608,568	66,135,064
Intangible assets	28	6,082,639	6,446,119	-	-
Property and equipment	29	2,482,004	3,172,657	-	-
Current income tax	15	390,080	761,439	36,212	39,318
Deferred income tax	30	11,832,708	9,630,045	24,491	23,466
Lease prepayments – leasehold land	31	522,250	522,375	-	-
Right of use asset	32	2,979,464	3,087,305	-	-
Goodwill	33	34,000	34,000	-	-
Total assets		**591,088,038**	**527,868,381**	**71,061,919**	**66,445,970**
LIABILITIES					
Customer deposits	34	469,890,083	421,504,454	-	-
Due to banking institutions	35	14,775,283	6,303,343	-	-
Due to group companies	43	-	-	10,297,692	8,030,783
Other liabilities*	36	15,958,357	10,350,971	160,508	99,642
Borrowings	37	6,096,755	13,319,474	-	-
Current income tax	15	2,761,211	8,653	-	-
Deferred income tax	30	-	21,010	-	-
Unclaimed dividends		19,639	33,392	19,639	33,392
Lease liability	38	3,599,681	3,778,787		-
Total liabilities		**513,101,009**	**455,320,084**	**10,477,839**	**8,163,817**
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	369,963	1,617,562	-	-
Retained earnings		44,201,725	39,038,741	27,215,242	26,148,954
Foreign currency translation reserve		(400,475)	(570,082)		-
Statutory loan loss reserve	42	323,044	129,098		-
Proposed dividend		3,706,918	2,471,279	3,706,918	2,471,279
Total capital and reserves attributable to equity holders of the Group		**77,863,095**	**72,348,518**	**60,584,080**	**58,282,153**
Non-controlling interests		123,934	199,779	-	-
Total shareholders' equity		**77,987,029**	**72,548,297**	**60,584,080**	**58,282,153**
Total liabilities and shareholders' equity		**591,088,038**	**527,868,381**	**71,061,919**	**66,445,970**

*Comparative figures are reclassified. Refer to note 2.27

The financial statements on pages 105 to 194 were approved and authorised for issue by the Board of Directors on 23 March 2022 and were signed on its behalf by:

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

Year ended 31 December 2021	Notes	Share capital Shs '000	Share premium Shs '000	Revaluation reserve Shs '000	Retained earnings Shs '000	Foreign currency translation reserve Shs '000	Statutory loan loss reserve Shs '000	Proposed dividend Shs '000	Capital and reserves attributable to equity holders of the Group Shs '000	Non-controlling interests Shs '000	Total equity Shs '000
At start of year		8,237,598	21,424,322	1,617,562	39,038,741	(570,082)	129,098	2,471,279	72,348,518	199,779	72,548,297
Total comprehensive income for the year											
Profit for the year		-	-	-	10,299,488	-	-	-	10,299,488	(75,845)	10,223,643
Gain on revaluation of financial instruments at FVOCI		-	-	(1,247,599)	-	-	-	-	(1,247,599)	-	(1,247,599)
Currency translation differences		-	-	-	-	169,607	-	-	169,607	-	169,607
Total comprehensive income		8,237,598	21,424,322	369,963	49,338,229	(400,475)	129,098	2,471,279	81,570,014	123,934	81,693,948
Appropriation from statutory loan reserve		-	-	-	(193,946)	-	193,946	-	-	-	-
Transaction with Equity Holders											
Dividends:											
- 2020 Proposed final dividend paid		-	-	-	-	-	-	(2,471,279)	(2,471,279)	-	(2,471,279)
- 2021 Interim dividend paid		-	-	-	(1,235,640)	-			(1,235,640)		(1,235,640)
- 2021 Proposed final dividend		-	-	-	(3,706,918)	-	-	3,706,918	-	-	-
Total transactions with owners		-	-	-	(5,136,504)	-	193,946	1,235,639	(3,706,919)	-	(3,706,919)
At end 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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the year ended 31 December 2021

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

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total equity Shs'000
At 1 January 2021	**8,237,598**	**21,424,322**	**26,148,954**	**2,471,279**	**58,282,153**
Profit and total comprehensive income for the year			6,008,845	-	6,008,845
Transactions with owners, recorded directly through equity					
- 2020 proposed final dividends paid	**-**	**-**	**-**	**(2,471,279)**	**(2,471,279)**
- 2021 Interim dividend paid	-	-	(1,235,639)	-	(1,235,639)
- 2021 final dividend proposed	-	-	(3,706,918)	3,706,918	-
At 31 December 2021	**8,237,598**	**21,424,322**	**27,215,242**	**3,706,918**	**60,584,080**
At 1 January 2020	**7,488,725**	**22,179,426**	**30,877,995**	**2,246,618**	**62,792,764**
Profit and total comprehensive income for the year	-	-	(4,504,380)	-	(4,504,380)
Transactions with owners, recorded directly through equity					
Bonus share issue	748,873	(748,873)	-	-	-
Bonus issue expenses	-	(6,231)	-	-	(6,231)
Dividends:					
- 2020 Proposed dividends rescinded	-	-	2,246,618	(2,246,618)	-
- 2020 Proposed final dividend	-	-	(2,471,279)	2,471,279	-
At 31 December 2020	**8,237,598**	**21,424,322**	**26,148,954**	**2,471,279**	**58,282,153**

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STATEMENT OF CASH FLOWS
for the year ended 31 December 2021

	Note	GROUP 2021 Shs'000	GROUP 2020* Shs'000	COMPANY 2021 Shs'000	COMPANY 2020* Shs'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax		15,034,989	4,981,921	6,056,657	(4,486,565)
Non-cash items		15,401,954	25,221,698	-	5,498,889
Cash flows from operating activities before changes in operating assets and liabilities		30,436,943	30,203,619	6,056,657	1,012,324
Changes in operating assets and liabilities		48,225,973	21,852,162	171,411	10,182,779
Cash generated from operations	45	78,662,916	52,055,781	6,228,068	11,195,103
Income tax paid	15	(3,375,651)	(3,669,689)	(45,730)	(70,238)
Net cash generated from operating activities		**75,287,265**	**48,386,092**	**6,182,338**	**11,124,865**
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in subsidiaries		-	-	(2,334,264)	(11,352,746)
Investment in associates		-	(63,536)	(332,593)	-
Dividends from associates		50,000	73,396	-	-
Purchase of government securities		(118,188,005)	(101,481,607)	-	-
Proceeds from disposal of government securities		72,680,720	81,050,717	-	-
Purchase of software		(1,567,494)	(739,792)	-	-
Purchase of property and equipment		(347,856)	(724,258)	-	-
Purchase of investment securities	23	(5,844,565)	-	-	-
Proceeds from sale of investments	23	204,203	2,543,902	-	-
Proceeds on sale of equipment	29	69,124	52,597	-	-
Net cash used in investing activities		**(52,943,873)**	**(19,288,581)**	**(2,66,857)**	**(11,352,746)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends received		-	-	-	-
Dividends paid		(3,706,919)	-	(3,706,919)	-
Repayment of long-term borrowings	37(b)	(7,936,076)	(11,141,530)	-	-
Principal payment towards lease liabilities		(1,073,995)	(1,480,477)	-	-
Bonus share issue expense		-	(6,231)	-	(6,231)
Net cash used in financing activities		**(12,716,990)**	**(12,628,238)**	**(3,706,918)**	**(6,231)**
Increase/(decrease) in cash and cash equivalents		**9,626,402**	**16,469,273**	**(191,438)**	**(234,112)**
Cash and cash equivalents at 1 January	44	57,845,362	41,376,089	201,088	435,200
Cash and cash equivalents at 31 December	44	**67,471,764**	**57,845,362**	**9,650**	**201,088**

*Comparative figures are reclassified. Refer to note 2.27

NOTES TO THE FINANCIAL STATEMENTS

1) General Information

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

The address of its registered office is as follows:

NCBA Centre

Mara and Ragati Road, Upper Hill P.O. Box 44599 – 00100

Nairobi, Kenya

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

2) Significant accounting policies

2.1 Basis of preparation

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

i) Compliance with IFRS

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

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

(ii) Use of estimates

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

(iii) Changes in accounting policies and disclosures

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

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

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

2) Significant accounting policies (continued)

2.1 Basis of preparation (continued)

iii) Changes in accounting policy and disclosures (continued)

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

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

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

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts - Cost of Fulfilling a Contract

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

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract. The change is not expected to have any material impact to the accounts..

Amendment to IFRS 3, 'Business combinations'

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

The Board has updated IFRS 3, 'Business combinations', to refer to the 2019 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.

In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2019 Conceptual Framework.

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

Annual improvements cycle 2018 -2020

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

These amendments include minor changes to:

- IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.

- IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

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

2) Significant accounting policies (continued)

2.1 Basis of preparation (continued)

iii) Changes in accounting policy and disclosures (continued)

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

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

This standard becomes effective for annual periods beginning on or after 1 June 2021.

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

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

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

Phase 1 The International Accounting Standards Board (IASB) issued amendments to the following standards as part of the Interest Rate (Interbank Offered Rates or IBOR) Benchmark Reform that has a direct impact on the bank's hedging relationships. These impacts are

- The highly probable requirement under IFRS 9 and IAS 39 – when a forecast transaction is designated as a hedged item, that transaction must be highly probable to occur. When determining whether a forecast transaction is highly probable, a company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.
- Prospective assessments – when performing prospective assessments for effectiveness, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument is based is not altered as a result of the interest rate benchmark reform.

Phase 2 The amendments provide temporary reliefs which address the financial reporting effects when an IBOR is replaced with an alternative nearly risk-free interest rate (RFR). These include:

- Practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Fundamental to allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred. Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed separately. If the other changes result in substantial modification, the instrument is derecognised. If derecognition is not achieved, the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognised in profit or loss.
- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Permitted changes include redefining the hedged risk to reference an RFR and redefining the description of the hedging instruments and/or the hedged items to reflect the RFR. Entities are allowed until the end of the reporting period, during which a modification required by IBOR reform is made, to complete the changes.

2) Significant accounting policies (continued)

2.1 Basis of preparation (continued)

iii) Changes in accounting policy and disclosures (continued)

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

The amendments provide entities temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. The relief allows entities upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months.

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

2.2 Consolidation

The consolidated financial statements comprise the financial statements of NCBA Group PLC (the "Company") and its subsidiaries (see note 27) and equity accounted stake in associates (see note 26) up to 31 December 2021 (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. The consolidated financial statements include the Group's share of net assets of the associate on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. At Company level, associates are recognised at cost less impairment.

iii) Changes in ownership interest

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

iv) Common control transactions

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

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

2) Significant accounting policies (continued)

2.3 Interest income and expense recognition

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.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit- impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

2.4. Fee and commission income

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

Other fee and commission revenue, including transactional fees, account servicing fees, investment management fees and sales commissions are recognised as the performance obligations under the related services' contracts are met. 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

2) Significant accounting policies (continued)

2.4 Fee and commission income (continued)

interest rate as the other participants.Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are 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.

ii) Transactions and balances

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

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

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

Foreign currency transactions that are transactions denominated, or that require settlement, in a foreign currency are translated into the respective functional currencies of the operations using the exchange rates prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

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

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

2) Significant accounting policies (continued)

2.7. Financial assets

a) Debt instruments

i) Recognition and subsequent measurement

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

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

The Group classifies its financial assets into the following categories:

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

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

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

FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are 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 amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is 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.

<u>Contractual characteristics of a financial asset / SPPI:</u> 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.

2) Significant accounting policies (continued)

2.7 Financial assets (continued)

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

Before renegotiation, the Group assesses whether the new financial asset 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.

2) Significant accounting policies (continued)

2.7 Financial assets (continued)

a) Debt instrument (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.

	2021	2020
	Kes '000	Kes '000
Financial assets (with loss allowance based on lifetime ECL) modified during the period	-	-
Gross carrying amount before modification	21,340,656	79,493,847
Loss allowance before modification	2,344,444	4,772,026
Net amortised cost before modification	**18,996,212**	**74,721,821**
Net modification gain/(loss)	**-**	**-**
Net amortised cost after modification	**18,996,212**	**74,721,821**
Financial assets modified since initial recognition at a time when loss allowance was based on lifetime ECL	-	-
Gross carrying amount of financial assets for which loss allowance has changed in the period from lifetime to 12-month ECL cost after modification	93,175	-

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.

2) Significant accounting policies (continued)

2.8 Financial assets (continued)

a) Debt instruments (continued)

iv) Impairment of financial assets

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

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

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

b) Equity Instruments

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

The Group measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income.

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.

i) Classification and subsequent measurement

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 recognizes any expense incurred on the financial liability; and

- Financial guarantee contracts and loan commitments

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

2) Significant accounting policies (continued)

2.8 Financial assets (continued)

b) Equity instruments (continued)

i) Classification and subsequent measurement (continued)

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.

ii) 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).

iii) Financial guarantee contracts and loan commitments

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

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

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

2.9 Offsetting financial instruments

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

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

2) Significant accounting policies (continued)

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, 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.

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

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

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

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

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

2) Significant 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 amortized over estimated useful lives of three to ten years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are 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 amortized from the point at which the asset is ready for use.

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

Acquired computer software licences 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 in flows from continuing use that is largely independent of the cash in flows 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.

2) Significant accounting policies (continued)

2.11 Intangible assets (continued)

iii) Other intangible assets

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

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

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

- Customer relationships - 3 years
- Core deposits - 1 years

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

2.12 Cash and cash equivalents

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

2.13 Provisions and contingent liabilities

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

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

2) Significant accounting policies (continued)

2.14 Employee benefits

i) Retirement benefit obligations

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

ii) Other entitlements

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

2.15 Income tax

i) Income tax charge

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also 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 enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

iii) Deferred income tax

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

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. 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 realized.

2) Significant accounting policies (continued)

2.15 Income tax (continued)

iii) Deferred income tax (continued)

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

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

2.16 Derivative financial instruments

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

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

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 recognizes 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

2) Significant accounting policies (continued)

2.17. Leases (continued)

borrowing rate is used. For leases that contain non-lease components, the company allocates the consideration payable to the lease and non-lease components based on their relative stand- alone components.

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

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

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

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset if of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period. The above policy has been applied from January 2020.

ii) With the Group as lessor

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

2.18 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) Significant accounting policies (continued)

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. Pending realization, repossessed assets are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date.

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 and disclosed as contingent liabilities.

2.23 Fiduciary activities

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

2.24 Statutory loan loss reserve

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

2) Significant accounting policies (continued)

2.25 Segment reporting

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

2.26 Earnings per share

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

2.27 Comparatives

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

i) Investment in subsidiary & other liabilities in NCBA Group's separate financial statements

The company determined that the cost of the investment included finance costs, with the corresponding line item impact being other liabilities. An interest free intercompany loan of Shs 10,170,023,000 was granted to the NCBA group, the fair value of the interest free component of the loan was calculated at Shs 8,030,783,000, the cost of the investment was recorded at the gross amount of Shs 10,170,023,000 while the intercompany loan was recorded at it fair value in line with IFRS 13 at Shs 8,030,783,000 while the difference of Shs 2,139,240,000 was recorded in other liabilities. IAS 27, Separate Financial Statements, requires an investment in subsidiary to be initially recognised at cost being Shs 8,030,783,000. As such the company's investment in subsidiaries and other liabilities have been adjusted to reflect this correction.

2) Significant accounting policies (continued)

2.27 Comparatives

The impact of the amendments on the investment in subsidiaries and other liabilities is detailed below.

	2020
	Shs '000
Investment in subsidiaries	
As previously reported	68,274,304
Impact of intercompany loan finance costs	(2,139,240)
As restated	66,135,064
Other liabilities	
As previously reported	2,238,882
Impact of intercompany loan finance costs	(2,139,240)
As restated	**99,642**

The key management assumptions applied were as follows:

a) Loan term: 3 years from the end of the reporting period

b) Discount rate: 8.15%

ii) Statement of financial position

During the current year, the group reviewed the order of presentation of the assets and liabilities in its statement of financial position. As a result of the review, the group changed the order of liquidity to accurately reflect the order of maturity of the assets and order of permanence of the liabilities.

iii) Statement of cash flows

In the prior year, the statement of cash flows was presented in accordance with the indirect method. However, the face of the statement of cash flows only included a gross total cash flow from operating activities with a note reference which outlined the detail. In order to enhance the current year's presentation and align the presentation with the requirements of IAS 7: 18(b), management decided to include additional line items to the face of the statement of cash flows to meet this requirement

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.

3) Financial risk management (continued)

3.2 Credit risk (continued)

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

a) Credit related commitments

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

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

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

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

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

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

- The Group exercises stringent controls over the granting of new loans.
- 70% (2020: 69%) of the loans and advances portfolio are neither past due nor impaired.
- 94% (2020: 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.

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

i) Expected credit loss measurement

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

- **Stage 1:**

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

- **Stage 2:**

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

- **Stage 3**:

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

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

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

  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:

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

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.

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

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

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

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

Qualitative Criteria

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

- Significant changes in the terms of the same instrument if it were issued at the reporting date that indicate a change in credit risk since initial recognition, e.g. increase in credit spread; more stringent covenants; increased amounts of collateral or guarantees; or higher income coverage.
- Significant changes in external market indicators of credit risk for the same financial instrument (or similar instrument of the borrower), e.g. credit spread; credit default swap prices; length of time or the extent to which the fair value of a financial asset has been less than its amortized cost; other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments; or external credit rating (actual or expected).
- Changes in the Group's credit management approach in relation to the financial instrument (e.g. based on emerging indicators of changes in the credit risk of the financial instrument, the Group's credit risk management practice is expected to become more active or focused on managing the instrument, including the instrument becoming more closely monitored or controlled, or the Group specifically intervening with the borrower).
- Actual or expected adverse changes in business, financial or economic conditions significantly affecting borrower's ability to meet its debt obligations (e.g. increase in interest rates or unemployment rates); operating results of the borrower e.g. declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organizational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations; or regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations (e.g. a decline in the demand for the borrower's sales product because of a shift in technology).
- Significant changes in the value of collateral or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to pay or otherwise affect the probability of default; or quality of a guarantee provided by a shareholder (or an individual's parents) if the shareholder (or parents) have an incentive and financial ability to prevent default by capital or cash infusion.
- Expected changes in the loan documentation (e.g. breach of contract leading to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees).
- Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group (e.g. increase in delayed contractual payments or number of credit card borrowers expected to approach or exceed their credit limit or who are expected to be paying the minimum monthly amount).

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

iii) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent or becoming probable that the borrower will enter bankruptcy
- The borrower is in breach of financial covenants
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses

The above criteria have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

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

"ECL" is defined as the amount on a probability-weighted basis as the difference between the cash flows that are due to the Group in accordance with the contractual terms of a financial instrument and the cash flows that the Group expects to receive.

ECL is formula driven, i.e. ECL= PD x LGD x EAD (discounted using the EIR)

ECLs are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

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

LGD represents the Group's expectations of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is calculated on a 12-month or lifetime basis, where 12month LGD is the percentage of loss expected to be made if the

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

default occurs over the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

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

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

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

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

- For amortizing products or bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayments/refinance assumptions are also incorporated.
- 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.

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

v) Grouping of instruments for losses measured on a collective basis

For expected credit losses provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogenous. In performing this grouping, there must be sufficient information for the group to be statistically credible. In concluding on how to group its exposures, the Group considered its approach to credit risk management and how aspects such as regulatory compliance and internal concentration limits are managed. As such, the Group grouped its loans and advances at amortized cost based on industries such as Agriculture, Business Services, Mining and Quarrying, Manufacturing, Individuals, Building and construction, Tourism, Transport and Communication among others. The appropriateness of groupings is monitored and reviewed on a periodic basis.

In the year, there were some exposures deemed to be individually significant to merit individual assessment, other than those in Stage 3. These were assessed individually.

vi) Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses, segmented by portfolio and country. These economic variables and their associated impact on PD, EAD and LGD vary by industry/portfolio segmentation and in different countries

Forecasts of the base economic scenario and the possible bearish and bullish scenarios along with scenario weightings are prepared by an expert economic team. The impact of these economic variables on the PD, EAD and LGD is determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to an inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearity's and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible outcomes.

The key macro-economic factors that were evaluated by the Group and deemed to be most correlated to the historical and forecasted default statistics include interest and foreign exchange rates, Inflation, GDP growth and population statistics for different countries.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness annually.

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2022 for the years 2021 to 2030.

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

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

	Base Forecast			Best Case			Worst Case		
Macro-Economic Factors	**2021**	**2022**	**Remaining Forecast Period**	**2021**	**2022**	**Remaining Forecast Period**	**2021**	**2022**	**Remaining Forecast Period**
GDP Growth (YoY%)	6.9%	9.3%	9.8%	7.5%	10.3%	10.8%	6.2%	8.4%	8.8%
GDP Per Capita (YoY%)	2.1%	2.9%	2.9%	2.3%	3.2%	3.2%	1.9%	2.6%	2.6%
FX Rate (YoY%)	4.2%	4.3%	4.4%	4.7%	4.7%	4.8%	3.8%	3.8%	3.9%
Lending Rate-Base Rate (%)	10.1%	11.2%	4.3%	11.1%	12.3%	4.7%	9.1%	10.1%	3.8%
Household Spending (YoY%)	3.3%	-1.8%	1.6%	3.7%	-2.0%	1.7%	3.0%	-1.6%	1.4%
Foreign Reserves (YoY%)	-5.7%	8.6%	7.7%	-6.3%	9.4%	8.5%	-5.2%	7.7%	6.9%
Consumer Price Index (YoY%)	6.3%	5.2%	6.0%	6.9%	5.7%	6.6%	5.7%	4.7%	5.4%

vii) Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery methods foreclosing on collateral and the value of the collateral are such that there is no reasonable expectations of recovering in full.

Although the Group may write-off financial assets that are still subject to enforcement activity, it still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of recovering in full.

viii) Restructured/renegotiated facilities

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

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

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

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

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

	2021	2020
Group	**Shs' 000**	**Shs' 000**
At 31 December		
Gross loans and advances		
Stage 1	187,490,137	189,817,528
Stage 2	44,907,700	51,513,060
Stage 3	35,650,015	32,109,411
Total gross loans advanced	**268,047,852**	**273,439,999**
Impairment allowances		
Stage 1	2,151,861	1,945,249
Stage 2	5,928,181	11,972,801
Stage 3	22,727,225	17,026,656
Impairment allowances	**30,807,267**	**30,944,706**
Fair-value		
Loan notes at FVTPL	4,223,436	5,011,663
Net loans and advances	**241,464,021**	**247,506,956**
Coverage ratio of the individually impaired	64%	53%

Included in loans and advances above are loan notes valued at Shs 4.2 billion (2020: Shs 5.0 billion) which were held at fair value through profit or loss. All other loans and advances are classified at amortized cost.

Staging of loans and advances

Portfolio management is an integral part of the credit risk management process that enables the Group to limit concentrations, reduce volatility, increase liquidity and achieve optimum earnings. The responsibility for portfolio management lies primarily with business units, with oversight and review by credit risk management while the Board Credit Committee is responsible for credit approvals. The Group's portfolio management plan entails:

- The setting up of portfolio targets and concentrations.
- Establishing target market risk acceptance criteria and key success factors. These are subject to regular review to ensure their continued appropriateness.
- Monitoring the portfolio risk profile, risk-adjusted returns, risk concentrations, economic market and competitive data.
- Identifying and analysing trends and concentrations that could affect the risk and performance of the portfolio.
- Stress testing of the portfolio for the purpose of measuring potential losses.

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (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 2021				
Loans and advances to banks at amortised cost	Stage 1 12-month ECL	Stage 2	Stage 3 Lifetime ECL	Year 2021 Total	Year 2020 Total
	Kes '000	Kes '000	Kes '000	Kes '000	Kes '000
Grade 1: Normal	187,490,137	-	-	187,490,137	189,817,528
Grade 2: Watch	-	44,907,700	-	44,907,700	51,513,060
Grade 3: Substandard	-	-	2,881,432	2,881,432	7,685,676
Grade 4: Doubtful	-	-	29,280,785	29,280,785	21,295,251
Grade 5: Loss	-	-	3,487,798	3,487,798	3,128,484
Total gross carrying amount	187,490,137	44,907,700	35,650,015	268,047,852	273,439,999
Loss allowance	2,151,861	5,928,181	22,727,225	30,807,267	30,944,706
Carrying amount	**185,338,276**	**38,979,519**	**12,922,790**	**237,240,585**	**242,495,293**

	Year ended 31st December 2021				
Letters of Credit, Guarantees & Acceptances	Stage 1 12-month ECL	Stage 2	Stage 3 Lifetime ECL	Year 2021 Total	Year 2020 Total
	Kes '000	Kes '000	Kes '000	Kes '000	Kes '000
Grade 1: Normal	51,309,169	-	-	51,309,169	62,279,752
Grade 2: Watch	-	5,636,636	-	5,636,636	5,332,683
Grade 3: Substandard	-	-	10,000	10,000	1,950
Grade 4: Doubtful	-	-	1,846,704	1,846,704	1,752,964
Grade 5: Loss	-	-	750	750	400
Total gross carrying amount	**51,309,169**	**5,636,636**	**1,857,454**	**58,803,259**	**69,367,749**
Loss allowance	35,812	57,017	435,954	528,783	818,453
Carrying amount	**51,273,357**	**5,579,619**	**1,421,500**	**58,274,476**	**68,549,296**

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.

3) **Financial risk management (continued)**

3.2 Credit risk (continued)

b) **Loans and advances (continued)**

Group

The summarized information on other financial instrument is tabulated below:

	2021				2020			
	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	33,067,407	1	11,212	33,056,195	26,046,711	1	14,748	26,031,963
Items in the course of collection	269,163	1	-	269,163	348,662	1	-	348,662
Due from banking institutions	45,137,154	1	17,768	45,119,386	41,690,235	1	12,938	41,677,297
Investment securities	11,932,377	1	-	11,932,377	6,297,440	1	-	6,297,440
Government securities	209,538,674	1	87,827	209,450,847	158,240,066	1	58,047	158,182,019
Other receivables-Performing	9,431,057	1	4,090	9,426,967	11,066,716	1	4,090	11,062,626
Gross maximum exposure	**309,375,832**		**120,897**	**309,254,935**	**243,689,830**		**89,823**	**243,600,007**

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.

	2021 Shs '000	2020 Shs '000
Balances with central banks	33,056,195	26,031,963
Due from banking institutions	45,119,386	41,677,297
Items in the course of collection	269,163	348,662
Government securities	209,450,847	158,182,019
Investment securities	11,932,377	6,297,440
Derivatives	96,879	88,835
Customer loans and advances	241,464,021	247,506,956
Other receivables (financial)	9,426,967	8,854,603
	550,815,835	**488,987,775**
Credit risk exposures relating to off-balance sheet items are as follows:		
Letters of credit	17,300,749	28,504,538
Acceptances	9,791,061	9,466,201
Guarantees	31,711,449	31,397,010
	58,803,259	**69,367,749**
Total credit risk exposure	**609,619,094**	**558,355,524**

3) Financial risk management (continued)

3.2 Credit risk (continued)

c) Other non-loan financial assets (continued)

Credit risk exposure for Company

The company's credit exposure relates to balances due from group companies and other assets. These are classified under stage 1 and no provisions for ECL have been made. The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

	2021			2020		
Credit exposure	**Balance Shs '000**	**Stage**	**ECL Shs '000**	**Balance Shs '000**	**Stage**	**ECL Shs '000**
Due to group companies	60,055	-	-	248,122	-	-

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	**2021**	**2020**
	%	**%**
Manufacturing	18	23
Private individuals	19	19
Government bodies and parastatals	8	6
Transport and communications	14	15
Wholesale, retail trade and hotels	17	17
Agricultural	4	1
Insurance and business services	8	7
Building, construction and real estate	8	10
Other	4	2
	100	**100**

3) Financial risk management (continued)

3.2 Credit risk (continued)

e) Collateral management

The Group uses a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The acceptability of collateral for credit risk mitigation is guided by the Group's procedures and policies. The main types of collateral taken are:

Type of lending	Common collateral type
Mortgage lending	First ranking legal charge over the property financed.
Commercial loans	Debentures over the Company's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and Company guarantees.
Personal loans	Checkoffs and cash backed
Asset finance	Secured by motor vehicles and chattel registrations
Other loans and advances	Debentures over the Company's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and Company guarantees.

The Bank 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 2021 and 2020. 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:

	2021			
	Stage 1	Stage 2	Stage 3	Total
	Kes '000	Kes '000	Kes '000	Kes '000
Outstanding loans & advances	189,561,712	38,979,519	12,922,790	241,464,020
Collateral Held (Forced Sale Value)				
Land & Property	139,639,311	31,125,087	19,223,874	189,988,272
Debentures	35,804,930	5,367,432	3,908,287	45,080,649
Motor Vehicles & Equipment	27,335,375	5,603,677	4,204,756	37,143,808
Others	6,601,919	2,727,719	23,371	9,353,009
Total Collateral Held	209,381,535	44,823,915	27,360,288	281,565,738
Net Exposure	(19,819,823)	(5,844,396)	(14,437,498)	(40,101,717)

3) Financial risk management (continued)

3.2 Credit risk (continued)

e) Collateral management (continued)

Repossession of collateral

In the normal credit management process, the Group may repossess collateral. The Group's policy is to dispose of repossessed collateral in the open market, at fair market value. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use. There were no material repossessed collateral held by the Group at year end.

Valuation of collateral

The Group has a panel of valuers who undertake valuation of property and other assets to be used as Collateral. The valuers in the panel are qualified professional valuers with adequate experience in the field of property and machinery valuation. Valuation of collateral are performed every 4 years.

Financial effect of collateral

As at 31 December 2021 the Group held collateral amounting to 53% (2020: 48%) of the value of impaired loans.

3.3 Currency risk

The group takes deposits and lend in currencies other than the local currency and are therefore exposed to effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows. The board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are both monitored daily. The company's currency position and exposure is managed within the exposure guidelines relating to core capital stipulated by regulation. The group's significant currency positions were:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2021

3) Financial risk management (continued)

3.3 Currency risk (continued)

e) Collateral management (continued)

Group	KES	USD	GBP	EUR	Other	Total
At 31 December 2021	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Assets						
Cash in hand	7,851,538	1,592,856	144,745	434,683	74,305	**10,098,127**
Central banks balances	22,197,507	2,665,885	622,142	3,401,327	4,169,335	**33,056,196**
Government securities	185,910,008	10,592,174	-	-	12,948,665	**209,450,847**
Due from banking institutions	557,432	30,307,190	4,903,018	6,214,445	3,137,301	**45,119,386**
Investment securities	11,183,800	1,660,440	-	-	-	**12,844,240**
Customer loans and advances	136,183,100	87,440,440	21,366	1,597,609	16,221,506	**241,464,021**
Item in the course of collection	268,718	-	-	-	445	**269,163**
Derivative assets	96,879	-	-	-	-	**96,879**
Other assets	7,990,661	-	-	-	2,418,913	**10,409,574**
Investment in associates	3,956,460	-	-	-	-	**3,956,460**
Right of use asset	2,019,378	203,996	-	-	756,090	**2,979,464**
Intangible assets	5,784,332	-	-	-	298,307	**6,082,639**
Operating lease prepayments	522,250	-	-	-	-	**522,250**
Property and equipment	1,861,093	-	-	-	620,911	**2,482,004**
Good will	34,000	-	-	-	-	**34,000**
Current Income Tax	390,080	-	-	-	-	**390,080**
Deferred income tax	10,949,018	-	-	-	883,690	**11,832,708**
Total assets	**397,756,254**	**134,462,981**	**5,691,271**	**11,648,064**	**41,529,468**	**591,088,038**
Liabilities						
Customer deposits	298,543,978	128,755,757	5,623,605	10,790,279	26,176,464	**469,890,083**
Due to banking institutions	8,544,981	2,647,702	13,492	697,495	2,871,613	**14,775,283**
Other liabilities	13,250,499	9,377	2	-	2,698,479	**15,598,357**
Unclaimed Dividends	19,639	-	-	-	-	**19,639**
Current income tax	2,467,993	-	-	-	293,218	**2,761,211**
Lease liability	2,851,971	231,143	-	-	516,567	**3,599,681**
Borrowings	-	5,246,248	-	850,507	-	**6,096,755**
Total liabilities	**325,679,061**	**136,890,227**	**5,637,099**	**12,338,281**	**32,556,341**	**513,101,009**
Net on-balance sheet position	**72,077,193**	**(2,427,246)**	**54,172**	**(690,217)**	**8,973,127**	**77,987,029**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2021

3) Financial risk management (continued)
3.3 Currency risk (continued)

The group takes deposits and lends 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	KES	USD	GBP	EUR	Other	Total
At 31 December 2020	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Assets						
Cash in hand	6,754,969	899,673	99,593	293,603	446,717	**8,494,555**
Central banks balances	20,680,201	2,315,744	751,982	716,010	1,553,278	**26,017,215**
Government securities	148,382,989	4,027,524	-	-	5,771,506	**158,182,019**
Due from banking institutions	434,685	27,681,131	5,475,162	6,735,248	1,338,133	**41,664,359**
Investment securities	6,017,970	1,004,127	-	-	38,198	**7,060,295**
Customer loans and advances	146,532,682	87,005,612	355,107	2,528,766	11,084,789	**247,506,956**
Item in the course of collection	348,662	-	-	-	-	**348,662**
Derivative assets	88,835	-	-	-	-	**88,835**
Other assets	10,934,570	-	-	-	-	**10,934,570**
Investment in associates	3,916,975	-	-	-	-	**3,916,975**
Intangible assets	6,446,119	-	-	-	-	**6,446,119**
Property and equipment	3,172,657	-	-	-	-	**3,172,657**
Current income tax	761,439	-	-	-	-	**761,439**
Deferred income tax	9,630,045	-	-	-	-	**9,630,045**
Operating lease prepayments	522,375	-	-	-	-	**522,375**
Right of use asset	3,087,305	-	-	-	-	**3,087,305**
Goodwill	34,000	-	-	-	-	**34,000**
Total assets	**367,746,478**	**122,933,811**	**6,681,844**	**10,273,627**	**20,232,621**	**527,868,381**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2021

3) Financial risk management (continued)
3.3 Currency risk (continued)

Group (continued)	KES	USD	GBP	EUR	Other	Total
At 31 December 2020	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
Liabilities						
Customer deposits	282,948,905	104,815,661	6,477,996	13,647,633	13,614,259	**421,504,454**
Due to banking institutions	1,959,074	3,370,325	29,069	242,574	702,301	**6,303,343**
Borrowings	-	12,282,176	-	-	1,037,298	**13,319,474**
Other liabilities	10,350,971	-	-	-	-	**10,350,971**
Current income tax	8,653	-	-	-	-	**8,653**
Deferred income tax	21,010	-	-	-	-	**21,010**
Unclaimed dividends	33,392	-	-	-	-	**33,392**
Lease liability	3,778,787	-	-	-	-	**3,778,787**
Total liabilities	**299,100,792**	**120,468,162**	**6,507,065**	**13,890,207**	**15,353,858**	**455,320,084**
Net on-balance sheet position	**68,645,686**	**2,465,649**	**174,779**	**(3,616,580)**	**4,878,763**	**72,548,297**

** The local currency position presented above has no foreign currency exposure implications on the group.

Company: Currency risk arises on financial instruments denominated in foreign currency. The Company assets and liabilities are denominated in local currency hence no foreign currency exposure.

3.4 Interest rate risk

The Group is exposed to various risks associated with the effects of fluctuations in prevailing levels of market interest rates on both fair values and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Assets and Liabilities Committee closely monitors interest rate trends to minimize the potential adverse impact of rate changes. The table below summarizes the Group's exposure to interest rate risks. Included in the table are assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The Group does not bear any interest rate risk on off-balance sheet items. Customer loans and advances and floating rate financial instruments reprice in response to changes in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2021

3) Financial risk management (continued)
3.4 Interest rate risk (continued)

Group As At 31 December 2021	Up to 1 month Shs '000	1 to 3 months Shs '000	3 to 12 months Shs '000	1 to 5 years Shs '000	Over 5 years Shs '000	Non - interest bearing Shs '000	Total Shs '000
Assets							
Cash in hand	-	-	-	-	-	10,098,127	**10,098,127**
Central bank balances	-	-	-	-	-	33,056,196	**33,056,196**
Government securities	1,092,914	12,989,894	21,011,085	32,486,252	141,870,702	-	**209,450,847**
Due from banking institutions	23,786,773	18,639,784	-	-	-	2,692,829	**45,119,386**
Investment securities	11,039,947	-	-	-	-	1,804,293	**12,844,240**
Customer loans and advances	241,464,021	-	-	-	-	-	**241,464,021**
Item in the course of collection	-	-	-	-	-	269,163	**269,163**
Derivative assets	-	-	-	-	-	96,879	**96,879**
Other assets	-	-	-	-	-	10,409,574	**10,409,574**
Investment in associates	-	-	-	-	-	3,956,460	**3,956,460**
Right of use asset	-	-	-	-	-	2,979,464	**2,979,464**
Intangible assets	-	-	-	-	-	6,082,639	**6,082,639**
Operating lease prepayments	-	-	-	-	-	522,250	**522,250**
Property and equipment	-	-	-	-	-	2,482,004	**2,482,004**
Goodwill	-	-	-	-	-	34,000	**34,000**
Current Income Tax	-	-	-	-	-	390,080	**390,080**
Deferred income tax	-	-	-	-	-	11,832,708	**11,832,708**
Total assets	**277,383,655**	**31,629,678**	**21,011,085**	**32,486,252**	**141,870,702**	**86,706,666**	**591,088,038**
Liabilities							
Customer deposits	57,248,481	81,396,093	107,881,126	1,786,905	9,161,529	212,415,949	**469,890,083**
Due to banking institutions	14,305,114	5,017	446,718	-	-	18,434	**14,775,283**
Other liabilities	-	-	-	-	-	15,958,357	**15,958,357**
Unclaimed Dividends	-	-	-	-	-	19,639	**19,639**
Current income tax	-	-	-	-	-	2,761,211	**2,761,211**
Lease liability	-	-	-	-	-	3,599,681	**3,599,681**
Borrowings	-	1,721,795	4,374,960	-	-	-	**6,096,755**
Total liabilities	**71,553,595**	**83,122,905**	**112,702,804**	**1,786,905**	**9,161,529**	**234,773,271**	**513,101,009**
Interest sensitivity gap	**205,830,060**	**(51,493,227)**	**(91,691,719)**	**30,699,347**	**132,709,173**	**(148,066,605)**	**77,987,029**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2021

3) Financial risk management (continued)

3.4 Interest rate risk (Continued)

Group As At 31 December 2020	Up to 1 month Shs '000	1 to 3 months Shs '000	3 to 12 months Shs '000	1 to 5 years Shs '000	Over 5 years Shs '000	Non - interest bearing Shs '000	Total Shs '000
Assets							
Cash in hand	-	-	-	-	-	8,494,555	**8,494,555**
Central bank balances	-	-	-	-	-	26,017,215	**26,017,215**
Government securities	3,617,953	14,925,365	39,129,907	20,077,123	80,431,671	-	**158,182,019**
Due from banking institutions	40,765,279	899,080	-	-	-	-	**41,664,359**
Investment securities	5,585,708	-	-	-	-	1,474,587	**7,060,295**
Customer loans and advances	247,506,956	-	-	-	-	-	**247,506,956**
Item in the course of collection	-	-	-	-	-	348,662	**348,662**
Derivative assets	-	-	-	-	-	88,835	**88,835**
Other assets	-	-	-	-	-	10,934,570	**10,934,570**
Investment in associates	-	-	-	-	-	3,916,975	**3,916,975**
Intangible assets	-	-	-	-	-	6,446,119	**6,446,119**
Property and equipment	-	-	-	-	-	3,172,657	**3,172,657**
Current income tax	-	-	-	-	-	761,439	**761,439**
Deferred income tax	-	-	-	-	-	9,630,045	**9,630,045**
Operating lease prepayments	-	-	-	-	-	522,375	**522,375**
Right of use asset	-	-	-	-	-	3,087,305	**3,087,305**
Goodwill	-	-	-	-	-	34,000	**34,000**
Total assets	**297,475,896**	**15,824,445**	**39,129,907**	**20,077,123**	**80,431,671**	**74,929,339**	**527,868,381**
Liabilities							
Customer deposits	74,404,049	75,585,576	111,496,498	4,364,070	1,214,166	154,440,095	**421,504,454**
Due to banking institutions	1,536,923	4,758,216	8,204	-	-	-	**6,303,343**
Other liabilities	-	-	3,778,787	-	-	6,572,184	**10,350,971**
Borrowings	-	6,652,702	6,666,772	-	-	-	**13,319,474**
Current income tax	-					8653	**8653**
Deferred income tax	-					21,010	**21,010**
Unclaimed dividends	-					33,392	**33,392**
Lease liability	-					3,778,787	**3,778,787**
Total liabilities	**75,940,972**	**86,996,494**	**121,950,261**	**4,364,070**	**1,214,166**	**164,854,121**	**455,320,084**
Interest sensitivity gap	**221,534,924**	**(71,172,049)**	**(82,820,354)**	**15,713,053**	**79,217,505**	**(89,924,782)**	**72,548,297**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2021

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 2021	Up to 1 month Shs '000	1 to 3 months Shs '000	3 to 12 months Shs '000	1 to 5 years Shs '000	Over 5 years Shs '000	Total Shs '000
Assets						
Cash in hand	10,205,486	-	-	-	-	10,205,486
Central banks balances	32,673,730	-	38,904	-	-	32,712,634
Government securities	3,801,089	12,472,468	19,643,393	43,982,710	213,506,325	293,405,985
Due from banking institutions	23,134,891	20,243,900	2,850,374	1,599,747	2,180,907	50,009,819
Investment securities	12,318,405	-	-	-	39,820	12,358,225
Customer loans and advances	54,859,115	12,821,922	31,965,518	92,758,059	102,863,504	295,268,118
Due from group companies	11,256,809	2,730,129	-	-	-	13,986,938
Other financial assets	32,721,657	31,018	72,665	-	-	32,825,340
Total financial assets	**180,971,182**	**48,299,437**	**54,570,854**	**138,340,516**	**318,590,556**	**740,772,545**
Liabilities						
Customer deposits	258,411,353	81,960,116	111,261,662	15,537,819	11,124,348	478,295,298
Due to banking institutions	16,474,750	5,039	446,718	-	-	16,926,507
Due to group companies	2,332,282	195,335	-	-	23,000	2,550,617
Other financial liabilities	16,539,488	397,908	-	-	-	16,937,396
Borrowings	-	-	856,377	6,696,525	-	7,552,902
Total financial liabilities	**293,757,873**	**82,558,398**	**112,564,757**	**22,234,344**	**11,147,348**	**522,262,720**
Net on- balance sheet liquidity gap	**(112,786,691)**	**(34,258,961)**	**(57,993,903)**	**116,106,172**	**307,443,208**	**218,509,825**
Un-recognised financial instruments						
Letters of credit and bankers' acceptances	(9,515,940)	(11,781,412)	(21,001,911)	(5,303,194)	(7,318,032)	(54,920,489)
Irrevocable un-utilised facilities	(7,808,570)	(178,783)	(155,117)	-	-	(8,142,470)
Total off-balance sheet notional position	**(17,324,510)**	**(11,960,195)**	**(21,157,028)**	**(5,303,194)**	**(7,318,032)**	**(63,062,959)**
Total on and off-balance sheet net liquidity gap	**(130,111,201)**	**(46,219,156)**	**(79,150,931)**	**110,802,978**	**300,125,176**	**155,446,866**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2021

3) Financial risk management (continued)

3.5 Liquidity risk (continued)

Group

As At 31 December 2020	Up to 1 month Shs '000	1 to 3 months Shs '000	3 to 12 months Shs '000	1 to 5 years Shs '000	Over 5 years Shs '000	Total Shs '000
Assets						
Cash in hand	8,494,555	-	-	-	-	8,494,555
Central banks balances	25,986,250	-	30,965	-	-	26,017,215
Government securities	3,647,759	15,153,690	42,846,595	25,082,901	123,473,260	210,204,205
Due from banking institutions	41,680,135	902,140	-	-	-	42,582,275
Investment securities	5,792,384	1,114,078	115,635	-	38,198	7,060,295
Customer loans and advances	50,864,084	11,188,006	36,739,713	109,986,556	104,596,703	313,375,062
Other financial assets	9,122,902	-	-	-	-	9,122,902
Total financial assets	**145,588,069**	**28,357,914**	**79,732,908**	**135,069,457**	**228,108,161**	**616,856,509**
Liabilities						
Customer deposits	226,521,662	76,151,894	114,755,096	7,690,087	1,462,732	426,581,471
Due to banking institutions	3,555,935	4,742,707	243,839	-	-	8,542,481
Other financial liabilities	10,453,388	78,725	4,133,048	-	-	14,665,161
Borrowings	2,489,548	323,631	5,519,726	5,273,670	231,026	13,837,601
Total financial liabilities	**243,020,533**	**81,296,957**	**124,651,709**	**12,963,757**	**1,693,758**	**463,626,714**
Net on- balance sheet liquidity gap	**(97,432,464)**	**(52,939,043)**	**(44,918,801)**	**122,105,700**	**226,414,403**	**153,229,795**
Un-recognised financial instruments						
Letters of credit and bankers' acceptances	(7,406,557)	(16,063,304)	(20,838,922)	(12,001,899)	(1,667,585)	(57,978,267)
Irrevocable un-utilised facilities	(6,872,519)	-	-	-	-	(6,872,519)
Total off-balance sheet notional position	**(14,279,076)**	**(16,063,304)**	**(20,838,922)**	**(12,001,899)**	**(1,667,585)**	**(64,850,786)**
Total on and off-balance sheet net liquidity gap	**(111,711,540)**	**(69,002,347)**	**(65,757,723)**	**110,103,801**	**224,746,818**	**88,379,009**

3) Financial risk management (continued)

3.5 Liquidity risk (continued)

Company

At 31 December 2021	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	-	60,055	-	60,055
Current income tax	-	36,212	-	36,212
Total financial assets	-	96,267	-	96,267
Liabilities				
Due to Group companies	10,211,747	85,945	-	10,297,692
Other liabilities	155,055	5,453	-	160,508
Unclaimed dividends	19,639	-	-	19,639
Total financial liabilities	10,386,441	91,398	-	10,477,839
Net on- balance sheet liquidity gap	(10,386,441)	4,869	-	(10,381,572)
At 31 December 2020				
Assets				
Due from group companies	-	248,122	-	248,122
Total financial assets	-	248,122	-	248,122
Liabilities				
Other liabilities	10,170,023	-	-	10,170,023
Current income tax	78,379	21,264	-	99,643
Unclaimed dividends	33,392	-	-	33,392
Total financial liabilities	10,281,794	21,264	-	10,303,058
Net on- balance sheet liquidity gap	(10,281,794)	(226,858)	-	(10,054,936)

3.5 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 2021, the effect of a 100 basis points change in net interest margin would have resulted in an increase or decrease of Shs 6,012 million (2020 - Shs 5,279 million) on the profit after income tax expense.

3) Financial risk management (continued)

3.5 Market risk sensitivity analysis (continued)

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 2021, 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.

	2021 Shs '000	2020 Shs '000
10% depreciation/appreciation		
USD	242,724	246,564
GBP	5,417	17,477
EUR	69,021	361,658
Total	**317,162**	**625,699**

3.6 Financial instruments subject to offsetting, enforceable master netting arrangements or similar agreements

IAS 32 Financial Instruments: Presentation (IAS 32) requires financial assets and financial liabilities to be offset and the net amount presented in the statement of financial position when, and only when, the Group has a current legally enforceable right to set off 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 2021 were below 1% (2020: <1%) of Group total assets and have been measured at fair value in the statement of financial position. No netting has been applied.

3.7 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.

3) Financial risk management (continued)

3.7 Fair value hierarchy (continued)

Financial instruments measured at fair value (continued)

IIFRS 7 requires the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation technique based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: Valuation technique based on inputs for the asset or liability that are not observable market data (that is, unobservable inputs)

The following tables present assets that are measured at fair value at year end.

Group	Level 1	Level 2	Level 3	Total
At 31 December 2021	Shs '000	Shs '000	Shs '000	Shs000
Financial assets at fair value through profit or loss				
Equity securities – listed (note 23)	911,863	-	-	911,863
Loan notes	-	4,223,436	-	4,223,436
Derivative assets	-	-	96,879	96,879
Unit trusts and other investment securities (note 23)	120,794	-	-	120,794
Financial assets at FVOCI				
Fixed rate Treasury bills - FVOCI – (note 22)	-	614,821	-	614,821
Fixed rate treasury bonds – FVOCI (note 22)	-	77,002,082	-	77,002,082
Total assets	**1,032,657**	**81,840,339**	**96,879**	**82,969,875**
At 31 December 2020				
Financial assets at fair value through profit or loss				
Equity securities – listed (note 23)	762,855	-	-	762,855
Loan notes	-	5,011,663	-	5,011,663
Derivative assets	-		88,835	88,835
Unit trusts and other investment securities (note 23)	126,219	-	-	126,219
Financial assets at FVOCI				
Fixed rate Treasury bills FVOCI – (note 22)	-	1,193,236	-	1,193,236
Fixed rate Treasury bonds FVOCI – (note 22)	-	63,164,055	-	63,164,055
Total assets	**889,074**	**69,368,954**	**88,835**	**70,346,863**

The Company does not have other assets measured at fair value.

3) Financial risk management (continued)

3.7 Fair value hierarchy (continued)

Financial instruments not measured at fair value

i) Cash and balances with central banks

The carrying amount of cash and balances with central banks are reasonable approximation of fair value.

ii) Government securities

Government securities at amortized costs are non-derivative financial assets with fixed or determinable payments and fixed maturities that the directors have the positive intention and ability to hold to maturity. They are initially recognised at fair value and measured subsequently at amortized cost, using the effective interest met

iii) Due to banking institutions

Balances due from banking institutions include inter-bank placements and items in the course of collection. The carrying amount of floating rate placements and overnight advances is a reasonable approximation of fair value.

iv) Customer loans and advances

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

The fair value hierarchy for financial assets not measured at fair value is as shown in the table below:

Group	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Fair value Shs'000	Carrying value Shs'000
At 31 December 2021					
Assets					
Cash and balances with CBK	-	-	43,154,323	43,154,323	43,154,323
Items in course of collection	-	-	269,163	269,163	269,163
Loans and advances to Customers	-	-	241,464,021	241,464,021	241,464,021
Balances due from banking institutions	-	-	45,119,386	45,119,386	45,119,386
Government securities – Amortised cost		132,227,871		132,227,871	131,833,944
Investment securities	-	-	12,844,240	12,844,240	12,844,240
Other assets	-	-	10,409,574	10,409,574	10,409,574
Total	**-**	**132,227,871**	**353,260,707**	**485,488,578**	**485,094,651**
Liabilities					
Customer deposits	-	-	469,890,083	469,890,083	469,890,083
Due to banking institutions	-	-	14,775,283	14,775,283	14,775,283
Borrowings	-	-	6,096,755	6,096,755	6,096,755
Other Liabilities	-	-	15,958,357	15,958,357	15,958,357
Total	**-**	**-**	**506,720,478**	**506,720,478**	**506,720,478**

3) Financial risk management (continued)

3.7 Fair value hierarchy (continued)

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Fair value Shs'000	Carrying value Shs'000
At 31 December 2020					
Assets					
Cash and balances with CBK	-	-	34,511,770	34,511,770	34,511,770
Items in course of collection	-	-	348,662	348,662	348,662
Loans and advances to Customers	-	-	247,506,956	247,506,956	247,506,956
Balances due from banking institutions	-	-	41,664,359	41,664,359	41,664,359
Government securities – Amortised cost		94,971,267	-	94,971,267	93,459,504
Investment securities	-	-	7,060,295	7,060,295	7,060,295
Other assets	-	-	10,934,570	10,934,570	10,934,570
Total	**-**	**94,971,267**	**342,026,612**	**436,997,879**	**435,486,116**
Liabilities					
Customer deposits	-	-	421,504,454	421,504,454	421,504,454
Due to banking institutions	-	-	6,303,343	6,303,343	6,303,343
Borrowings	-	-	13,319,474	13,319,474	13,319,474
Other Liabilities	-	-	10,350,971	10,350,971	10,350,971
Total	**-**	**-**	**451,478,242**	**451,478,242**	**451,478,242**

Company	Level 3 Shs' 000	Fair Value Shs'000	Carrying value Shs'000
At 31 December 2021			
Assets			
Due from group companies	60,055	60,055	60,055
Liabilities			
Due to group companies	10,297,692	10,297,692	10,297,692
Other liabilities	160,508	160,508	160,508
Unclaimed dividends	19,639	19,639	19,639
Total	**10,477,839**	**10,477,839**	**10,477,839**
At 31 December 2020			
Assets			
Due from group companies	248,122	248,122	248,122
Liabilities			
Due to group companies	10,170,023	10,170,023	10,170,023
Other liabilities	99,642	99,642	99,642
Unclaimed dividends	33,392	33,392	33,392
Total	**10,303,057**	**10,303,057**	**10,303,057**

4. Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are to comply with the capital requirements set by the regulators and safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders as well as maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital for the banking subsidiaries are monitored regularly by the directors, employing techniques based on guidelines developed by the Basel Committee, as implemented by the regulatory authorities for supervisory purposes. Returns on capital adequacy are filed with the regulators on a regular basis.

The level of capital is reviewed on an annual basis and is determined principally by the level of business growth realised during the period. This informs the directors' decision on dividend payout while ensuring stability and sustainability of business.

In Kenya, the Central Bank (CBK) requires each banking institution to.

- hold a minimum level of regulatory capital of Shs 1 billion;
- maintain a ratio of core capital to the risk-weighted assets at a minimum of 10.5%;
- maintain a ratio of core capital to total deposit liabilities at a minimum of 8%; and
- maintain a ratio of total capital to risk-weighted assets at a minimum of 14.5%.

During the year under review, the Group maintained capital adequacy ratios at levels above the stipulated minimum regulatory benchmarks. In line with Basel and local regulatory guidelines, total capital is divided into two tiers as follows:

- Tier 1 capital (core capital): comprises share capital, share premium and retained earnings.
- Tier 2 capital (supplementary capital): comprises 25% (subject to regulatory approval) of property revaluation reserves, statutory credit risk reserve, subordinated debt not exceeding 50% of tier I capital and hybrid capital instruments. Qualifying tier II capital is limited to 100% of tier I capital.
- Statutory credit risk reserve qualifying as tier II capital cannot exceed 1.25% of risk weighted assets total value.

Risk weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of (and reflecting an estimate of the credit risk associated with) each asset and counterparty. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarizes the composition of regulatory capital and capital adequacy ratios of the Group's Banking subsidiaries as at 31 December 2021.

4. Capital management (continued)

As at 31 Dec 2021	Kenya Shs '000	Tanzania Shs '000	Uganda Shs '000	Rwanda Shs '000
Tier I capital	64,567	1,817	2,584	1,806
Tier II capital	91	-	72	83
Total capital	**64,658**	**1,817**	**2,656**	**1,889**
Risk-weighted assets				
Credit risk weighted assets	259,371	11,203	14,235	5,825
Market risk weighted assets equivalent	39,334	387	764	36
Operational risk equivalent assets	53,082	699	-	757
Total risk-weighted assets (TRWA)	**351,787**	**12,289**	**14,999**	**6,618**
Core capital / TRWA	18.35%	14.78%	17.23%	27.29%
Regulator minimum requirement	10.50%	10.00%	10.00%	10.00%
Total capital / TRWA	18.38%	14.78%	17.71%	28.54%
Regulator minimum requirement	14.50%	12.00%	12.00%	12.00%

As at 31 Dec 2020	Shs '000	Shs '000	Shs '000	Shs '000
Tier I capital	60,707	2,164	2,331	1,248
Tier II capital	526	-	82	31
Total capital	**61,233**	**2,164**	**2,413**	**1,279**
Risk-weighted assets				
Credit risk weighted assets	260,659	12,851	13,917	4,136
Market risk weighted assets equivalent	24,969	424	360	339
Operational risk equivalent assets	56,114	487	-	286
Total risk-weighted assets (TRWA)	**341,742**	**13,762**	**14,277**	**4,761**
Core capital / TRWA	17.76%	15.72%	16.32%	26.20%
Regulator minimum requirement	10.50%	10.00%	10.00%	10.00%
Total capital / TRWA	17.92%	15.72%	16.90%	26.86%
Regulator minimum requirement	14.50%	12.00%	12.00%	12.00%

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 amortized cost and FVOCI is an area where the Group requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirement for measuring ECL, such as.

- Determining the qualitative and quantitative criteria for identifying financial instruments that experience significant increase in credit risk and/or default;
- Choosing the appropriate models and assumptions for the measurement of ECL;
- Establishing groups of similar financial assets (credit segmentation) for the purposes of measuring ECL;
- Establishing the number and relative weightings of forward-looking scenarios for various financial assets' segmentation and the associated ECL;
- Determining the relevant period of exposure to credit risk when measuring ECL for credit cards and revolving credit facilities; and
- For instrument in default, the methodology and assumptions used for estimating both the amount and timing of future cash flows.

The above assumptions are reviewed regularly to reduce any differences between loss estimates and actual loss experience. As at 31 December 2021, where the net present value of estimated cash flows to differ by +/-1%, the impairment loss is estimated to be Shs 199.5 million higher or lower (2020: Shs 209 million).

The most significant period-end assumptions used for the ECL estimate as at 31 December 2021 was cost of recovery.

b) Amortised cost investments

The Group follows the guidance of IFRS 9 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturities as financial investments at amortized cost. This classification requires significant judgment. In making this judgement, the Group evaluates its business model and the cashflow characteristics of the instruments, including its intention and ability to hold such investments to collect contractual cashflows. If the Group fails to keep these investments to collect contractual cashflows other than for the specific circumstances - for example, selling insignificant portions thereof, infrequently - it is required to classify the entire class as FVOCI.

The investments would therefore be measured at fair value and not at amortized cost. If all financial investments at amortized cost were to be so reclassified, the carrying value would increase by Shs 1,318 million (2020: increase by Shs 1,572 million), with a corresponding entry in the fair value reserves in shareholders' equity.

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

c) Income taxes

The Group is subject to taxation laws and regulations. Significant estimates are required in determining the provision for income taxes. There may be transactions and calculations, during the normal course of business, whose ultimate tax impact determination has an element of uncertainty. In determining the interpretation and/or application of the various tax rules, disputes may arise with the relevant tax authorities, of which the outcome may not be favourable to the Group. In such cases, the Group relies on internal management expertise and where relevant, seeks expert advice to determine whether the unfavourable outcome is probable or possible.

Where objective estimates of the potential tax liabilities that may crystallise from such tax disputes are determinable, the Group recognises provision in line with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets principles. In such cases, if the final tax determination is different from the amounts that were initially recorded, the difference will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

Where payment is determined to be possible but not probable, the tax exposure is disclosed as a contingent liability..

d) Valuation of loan notes held at fair value

As per IFRS 13, where the Group measures a financial instrument at fair value, the fair value should represent the price that would be received to sell an asset in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Fair value is a market-based measurement, which uses the assumptions that market participants would use when pricing an asset or liability under current market conditions

The Group holds loan notes that are measured at fair value through profit or loss. For these, fair value is composed of two key cashflow components, being the interest receivable on the loan notes and valuation of the shares upon whose sale the principal debt amount will be realised. Any shortfall from the above cashflow streams is covered, albeit partially, by a government guarantee.

To determine the value of the shares, the Group utilises valuation models that incorporate both observable and unobservable inputs such as quoted prices and/or suitable proxies. These prices are then subjected to different sensitivity assessments. The selection and application of these models and the related inputs is judgmental.

Changes in assumptions about these factors could affect the reported fair value of loan notes. As at 31 December 2021, the fair value of the loan notes would have been estimated at:

- Shs 257 million higher / lower if the determined share price was assumed to be 25% higher /lower (2020 – Shs 330).

6. Interest and credit related income

	GROUP		COMPANY	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Government securities:				
- Amortised cost	12,028,379	9,590,907	-	
- Fair value through OCI	7,963,358	6,896,289	-	
Customer loans and advances	23,455,608	25,271,003	-	
Credit related fees	12,769,886	12,157,870	-	
Due from banking institutions	616,442	711,157	36,707	33,474
Investment securities	468,852	456,980	-	-
	57,302,525	**55,084,206**	**36,707**	**33,474**

7. Interest expense - Group

Customer deposits	17,696,004	17,157,248	-	-
Deposit from other banking institutions	1,084,141	302,548	-	-
Long term debt	284,999	1,256,533	-	-
Lease Liability – note 38	412,311	358,785	-	-
	19,477,455	**19,075,114**	**-**	**-**

8. Credit impairment charge

Stage 1	332,176	(202,150)	-	-
Stage 2	(5,555,072)	4,064,874	-	-
Stage 3	18,838,258	17,927,949	-	-
Sub total (note 24)	**13,615,362**	**21,790,673**	**-**	**-**
Other assets	46,113	-	-	-
Bad debts Recoveries	(2,450,761)	(1,696,302)	-	-
Total Impairment charges	**11,210,714**	**20,094,371**	**-**	**-**
Total impairment charges, may be analysed as follows:				
Loans and advances to customers	11,210,714	20,094,371	-	-
	11,210,714	**20,094,371**	**-**	**-**

9. Net Fees and Commission Income

Fees and commission income			-	-
Service and transaction fees	2,942,927	2,579,376	-	-
Fees and commission on bills, letters of credit and guarantees	803,884	758,748	-	-
	3,746,811	**3,338,124**	**-**	**-**

10. Foreign exchange income

	GROUP		COMPANY	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Realised gains	5,053,727	4,644,303	-	-
Unrealised gains	2,790	91,100	-	-
	5,056,517	**4,735,403**	**-**	**-**

11. Net gains on disposal of financial asset - Group

Net gain on disposal of financial instruments	**694,047**	**745,509**	**-**	**-**

12. Other income

(a) Fair value loss of financial assets				
Fair value loss of loan note through profit and loss	(1,002,185)	(300,000)	-	-
(b) Other income				
Dividends from subsidiaries	-	-	6,115,000	1,078,536
Wealth management commissions	439,719	463,564	-	-
Insurance commissions	262,539	349,035	-	-
Fair value gain on equity securities at fair value through profit or loss (note 23)	149,008	54,733	-	-
Management fees (Group recharges)	-	-	225,793	202,316
Gain/(loss) on disposal of fixed assets	1,630	(19,910)	-	-
Other	472,292	390,429	-	-
	1,325,188	**1,237,851**	**6,340,793**	**1,280,852**

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

13. Expenses by Nature

	GROUP		COMPANY	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Employee benefits (Note 14)	8,152,465	7,391,119	241,152	201,760
Premises expenses	1,267,660	1,166,958	-	-
Equipment and Motor Vehicle expenses	1,523,567	1,070,852	-	-
Marketing and business development expenses	771,493	906,841	-	-
Security and insurance expenses	818,814	830,131	-	-
Amortisation of intangibles (other)	807,888	901,151	-	-
Staff Restructure Costs	(39,886)	682,000	-	-
Merger transaction related costs	-	219,690	-	-
Information Technology expenses	2,081,232	2,037,636	-	
Communication and Stationery	416,957	439,758	-	-
Professional fees	964,517	953,369	-	-
Depreciation	763,683	786,759	-	-
Amortisation of intangible assets (software)	1,990,760	1,943,870	-	-
Amortisation of operating lease	125	125	-	-
Auditors' remuneration (inclusive of VAT)	36,519	37,947	-	-
Other expenses	1,933,436	1,479,361	79,691	100,242
	21,489,230	**20,847,567**	**320,843**	**302,002**

14. Employee benefits

	GROUP		COMPANY	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Salaries and allowances	6,720,570	6,068,595	201,111	165,702
Contribution to defined contribution scheme	521,982	535,612	19,161	15,178
Medical expenses	367,354	359,821	20,880	20,880
Training expenses	36,082	65,365	-	-
Other Staff Costs	506,477	361,726	-	-
	8,152,465	**7,391,119**	**241,152**	**201,760**

15. Income tax expense

	GROUP		COMPANY	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Current tax				
Income tax based on taxable profit for the year	6,428,666	3,164,966	48,207	25,297
Prior year under/(over) provision of current tax	78,523	4,602	630	-
Deferred tax:				
Deferred income tax charge/(credit) (note 30)	(1,701,928)	(2,662,027)	(1,025)	(7,482)
Under provision of deferred tax in prior year	6,085	(96,487)	-	-
	4,811,346	**411,054**	**47,812**	**17,815**
Profit before tax	15,034,989	4,981,921	6,056,657	(4,486,565)
Income tax - at the statutory rate of 30 %	4,510,497	1,245,480	1,816,997	(1,121,641)
Expenses not deductible for tax purposes	2,315,628	1,046,110	64,685	1,410,337
Income not assessable for tax purposes	(2,328,847)	(1,400,425)	(1,834,500)	(269,634)
Effect of different tax rates on deferred and current tax	78,523	(424,087)	630	(1,247)
Under/(over) provision of current tax in prior year	6,085	4,602	-	-
(Over)/under provision of deferred tax in prior year	229,460	(96,487)	-	-
Deferred income tax not recognised	-	35,861	-	-
	4,811,346	**411,054**	**47,812**	**17,815**
At 1 January	(752,786)	(255,053)	(39,318)	5,623
Exchange difference on translation	(7,621)	2,388	-	-
Tax charge - current year	6,428,666	3,164,966	48,206	25,297
Tax charge – prior year	78,523	4,602	630	-
Income taxation paid	(3,375,651)	(3,669,689)	(45,730)	(70,238)
At 31 December	**2,371,131**	**(752,786)**	**(36,212)**	**(39,318)**
Comprising:				
Current income tax recoverable	(390,080)	(761,439)	(36,212)	(39,318)
Current income tax payable	2,761,211	8,653	-	-
At 31 December	**2,371,131**	**(752,786)**	**(36,212)**	**(39,318)**

16. Dividends per share

Dividend per share is based on the dividends paid and proposed for the year and the number of ordinary shares at year end. Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting.

At the Annual General Meeting to be held in 2022, a final dividend in respect of the year ended 31 December 2021 of Shs 2.25 is to be proposed (2020: Shs 1.50 per share). During the year, interim dividend paid for 2021 was Shs 0.75 (2020: nil).

Dividends paid are subject to withholding tax at the rate of 5% and 15% for residents and non-residents respectively where applicable:

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for the year ended 31 December 2021

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 2021 or 2020. Diluted earnings per share are therefore equal to basic earnings per share.

	GROUP		COMPANY	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Group net profit	10,223,643	4,570,867	6,008,845	(4,504,380)
Weighted average number of ordinary shares				
Number of shares issued/deemed to be outstanding 1 Jan ('000)	1,647,519	1,497,745	1,647,519	1,497,745
Bonus shares	-	149,774	-	149,774
Weighted average number of shares ('000) 31 December	1,647,519	1,647,519	1,647,519	1,647,519
Basic EPS (Shs)	6.21	2.77	3.65	(2.73)

In July 2020, the Group issued Bonus shares at a rate of one (1) new fully paid up bonus share of par value Shs 5 for every (10) ten shares of par value Shs 5.

18. Cash and balances with Central Bank

	GROUP		COMPANY	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Cash in hand	10,098,128	8,494,555	-	-
Balances with central banks	12,993,878	7,828,117	-	-
Included in cash and cash equivalent	23,092,006	16,322,672	-	-
Mandatory reserve deposits	20,073,529	18,203,846	-	-
Less: Impairment loss allowance	(11,212)	(14,748)	-	-
	43,154,323	**34,511,770**	**-**	**-**

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

19. Items in the course of collection

	GROUP		COMPANY	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Clearing account balances	269,163	348,662	-	-

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

20. Due from Banking Institutions

	GROUP		COMPANY	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Current accounts, overnight and call deposits	35,249,860	33,671,736	-	-
Time deposits	9,887,294	8,005,561	-	-
Impairment	(17,768)	(12,938)	-	-
	45,119,386	**41,664,359**	**-**	**-**

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	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Derivative assets	96,879	88,835	-	-

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	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Treasury bills – amortised cost	22,977,583	29,115,532	-	-
Treasury bills – FVOCI	614,821	1,193,236	-	-
Fixed rate Treasury bonds - FVOCI	77,002,082	63,164,055	-	-
Fixed rate Treasury bonds – amortised cost	108,856,361	64,709,196	-	-
	209,450,847	**158,182,019**	**-**	**-**
Treasury bills and bonds maturing within 91 days from date of acquisition	14,046,867	6,541,646	-	-
Treasury bills and bonds maturing after 91 days but within 360 days from date of acquisition	22,654,612	11,912,827	-	-
Treasury bills and bonds maturing after 360 days from date of acquisition	172,749,368	139,727,546	-	-
	209,450,847	**158,182,019**	**-**	**-**

22. Government securities (continued)

The movement in Treasury bonds at amortised cost was as follows:	GROUP 2021 Shs'000	GROUP 2020 Shs'000	COMPANY 2021 Shs'000	COMPANY 2020 Shs'000
At start of year	64,709,196	59,296,179	-	-
Additions during the year	48,672,795	10,287,990	-	-
Maturities and disposals	(4,525,630)	(4,874,973)	-	-
At end of year	**108,856,361**	**64,709,196**	**-**	**-**

The movement in Treasury bonds – FVOCI was as follows:	GROUP 2021 Shs'000	GROUP 2020 Shs'000	COMPANY 2021 Shs'000	COMPANY 2020 Shs'000
At start of year	63,164,055	50,608,124	-	-
Additions during the year	37,511,731	35,911,416	-	-
Maturities	(21,886,760)	(24,062,363)	-	-
Changes in fair value	(1,786,944)	706,878	-	-
At end of year	**77,002,082**	**63,164,055**	**-**	**-**

The movement in Treasury bills at FVOCI was as follows:	GROUP 2021 Shs'000	GROUP 2020 Shs'000	COMPANY 2021 Shs'000	COMPANY 2020 Shs'000
At start of year	1,193,236	1,082,155	-	-
Additions during the year	2,298,073	1,678,899	-	-
Maturities	(2,881,148)	(1,572,639)	-	-
Changes in Fair Value	4,660	4,821	-	-
At end of year	**614,821**	**1,193,236**	-	-

The movement in Treasury bills at amortised cost was as follows:	GROUP 2021 Shs'000	GROUP 2020 Shs'000	COMPANY 2021 Shs'000	COMPANY 2020 Shs'000
	762,855	708,122		
At start of year	29,115,532	26,021,013	-	-
Additions during the year	37,249,233	53,635,261	-	-
Maturities	(43,387,182)	(50,540,742)	-	-
At end of year	**22,977,583**	**29,115,532**	**-**	**-**

23. Investment Securities

	GROUP		COMPANY	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Equity securities – FVTPL	911,863	762,855	-	-
Unit trusts – FVOCI	49,526	54,951	-	-
Other investment securities - FVTPL	71,268	71,268	-	-
Financial assets – amortized cost	11,811,583	6,171,221	-	-
	12,844,240	**7,060,295**	-	-
The movement in financial assets held at amortized cost was as follows:				
At start of year	6,171,221	8,715,123	-	-
Additions	5,844,565	-	-	-
Maturities	(204,203)	(2,543,902)	-	-
At end of year	**11,811,583**	**6,171,221**	-	-
The movement in equity securities was as follows:				
At start of year	762,855	708,122	-	-
Fair value gain on equity securities at fair value through profit or loss	149,008	54,733	-	-
At end of year	**911,863**	**762,855**	-	-

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 2021, 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 45.6 million higher or lower (2020: Shs 38.1 million).

24. Customer loans and advances - Group

i) Summary of customer loans and advances

	2021 Shs'000	2020 Shs'000
Loans and advances classified as:		
a) Loans and receivables (amortised cost)	237,240,585	242,495,293
b) Loan notes at FVTPL	4,223,436	5,011,663
	241,464,021	**247,506,956**
(a) Loans and advances at amortised cost		
Overdrafts	42,599,856	47,382,206
Term loans	221,151,298	218,866,753
Credit cards	1,433,234	903,565
Bills discounted	2,863,464	6,287,475
	268,047,852	**273,439,999**
Provisions for impairment		
Stage 1	(2,151,861)	(1,945,249)
Stage 2	(5,928,181)	(11,972,801)
Stage 3	(22,727,225)	(17,026,656)
Net loans and advances at amortised cost	**237,240,585**	**242,495,293**

	2021 Shs'000	2020 Shs'000
(b) Loan notes at fair value through profit or loss		
Loans notes	4,223,436	5,011,663
At start of year	5,011,663	4,875,258
Fair value loss	(1,002,185)	(300,000)
Foreign currency exchange rate movements	213,958	436,405
At end of year	**4,223,436**	**5,011,663**
(c) Current and non-current analysis		
Current	54,859,115	77,991,893
Non-current	186,604,906	169,515,063
	241,464,021	**247,506,956**

Significant changes in the gross carrying amounts of loans and advances to customers that contributed to movements in loss allowances were new loans advanced in the year, as well as write off of impaired loans.

The table below shows the movement in gross loans and advances between the various credit quality stages in the year.

24. Customer loans and advances – Group (continued)

	Stage 1 12-month ECL Shs 000	Stage 2 Lifetime ECL Shs 000	Stage 3 Lifetime ECL Shs 000	Total Shs 000
Gross carrying amount as at 01 January 2021	189,706,749	51,513,060	32,109,411	273,329,220
Changes in the gross carrying amount				
Transfer to stage 1	8,240,510	(7,438,133)	(802,377)	-
Transfer to stage 2	(13,733,593)	14,734,345	(1,000,752)	-
Transfer to stage 3	(2,293,041)	(11,585,647)	13,878,688	-
Net new financial assets originated or purchased	19,227,321	6,657,340	2,149,561	28,034,222
Foreign exchange and other changes	(12,701,560)	(6,457,195)	1,759,364	(17,399,391)
Write-offs	(956,249)	(2,516,070)	(12,443,880)	(15,916,199)
Gross carrying amounts as at 31 December 2021	**187,490,137**	**44,907,700**	**35,650,015**	**268,047,852**
Gross carrying amount as at 01 January 2020	**200,817,720**	**38,687,882**	**26,961,516**	**266,467,118**
Changes in the gross carrying amount				
Transfer to stage 1	3,724,178	(3,540,121)	(184,057)	-
Transfer to stage 2	(18,937,119)	19,864,208	(927,089)	-
Transfer to stage 3	(3,971,263)	(6,674,200)	10,645,463	-
Net new financial assets originated or purchased	8,193,266	3,342,229	8,629,632	20,165,127
Write-offs	(120,033)	(166,938)	(13,016,054)	(13,303,025)
Gross carrying amounts as at 31 December 2020	**189,706,749**	**51,513,060**	**32,109,411**	**273,329,220**

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.

The following tables provide details of the changes in the loss allowance in the year due to these factors:

24. Customer loans and advances – Group (continued)

	12-month ECL Shs 000	Lifetime ECL Shs 000	Lifetime ECL Shs 000	Total Shs 000
At start of year	**1,945,249**	**11,972,801**	**17,026,656**	**30,944,706**
Changes in the loss allowance				
Transfer to stage 1	482,331	(278,983)	(203,348)	-
Transfer to stage 2	(107,574)	182,656	(75,082)	-
Transfer to stage 3	(300,578)	(7,369,838)	7,670,416	-
Net new impairments created/(released)	(348,824)	3,615,107	14,221,490	17,487,773
Changes in models/risk parameters	573,981	(2,137,700)	(812,051)	(2,375,770)
Foreign exchange and other movements	32,840	433,686	(1,963,167)	(1,496,641)
Total charge to profit or loss	332,176	(5,555,072)	18,838,258	13,615,362
Write-offs	(125,564)	(489,548)	(13,137,689)	(13,752,801)
At 31 December 2021	**2,151,861**	**5,928,181**	**22,727,225**	**30,807,267**
At start of year	**2,267,432**	**8,074,864**	**12,114,762**	**22,457,058**
Changes in the loss allowance				
Transfer to stage 1	294,418	(277,813)	(16,605)	-
Transfer to stage 2	(218,439)	282,949	(64,510)	-
Transfer to stage 3	(153,332)	(2,039,352)	2,192,684	-
Net new impairments created/(released)	539,136	6,248,186	3,076,835	9,864,157
Changes in models/risk parameters	(663,933)	(149,096)	12,739,545	11,926,516
Total charge to profit or loss	**(202,150)**	**4,064,874**	**17,927,949**	**21,790,673**
Write-offs	(120,033)	(166,937)	(13,016,055)	(13,303,025)
At 31 December 2020	**1,945,249**	**11,972,801**	**17,026,656**	**30,944,706**

25. Other assets

	GROUP		COMPANY	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Deposits, prepayments and other deferred charges	982,607	1,428,265	-	-
Receivables from mobile banking operators	5,202,102	6,387,838	-	-
Other receivables	4,228,955	3,122,557	-	-
	10,413,664	**10,938,660**	-	-
Credit loss allowances	(4,090)	(4,090)	-	-
	10,409,574	**10,934,570**	-	-

Other assets are classified as current assets

26. Investment in associates - Group and Company

	Effective interest	2021 Shs 000	2020 Shs 000
CBA Mutuya Property Group Limited	**23.34%**		
As start of the year		2,896,394	2,838,529
Share of associate's profits		67,933	81,261
Dividend received		-	(23,396)
At end of year		**2,964,327**	**2,896,394**
AIG Kenya Insurance Company Limited	**33.33%**		
At start of the year		**1,004,351**	**930,426**
Share of associate's profits		32,939	123,925
Dividends received		(50,000)	(50,000)
At end of year		**987,290**	**1,004,351**
Bridge MicroFinance	**35.00%**		
As start of the year		16,230	-
Investment		-	63,536
Share of associate's profits		(11,387)	(47,306)
At end of year		**4,843**	**16,230**
Total investment in associates		**3,956,460**	**3,916,975**

	CBA Mutuya Property Group Limited		AIG Kenya Insurance Limited		Bridge MicroFinance	
Summarised statement of financial position	2021 Shs 000	2020 Shs 000	2021 Shs 000	2020 Shs 000	2021 Shs 000	2020 Shs 000
Current						
Assets	1,808,136	1,551,109	1,176,176	1,675,981	112,844	72,985
Liabilities	(207,433)	(168,657)	(894,489)	(1,109,895)	(57,838)	(62,941)
Net current assets	**1,600,703**	**1,382,452**	**281,687**	**566,086**	**55,006**	**10,044**
Non-current						
Assets	12,955,398	12,890,558	4,791,374	4,937,430	372,836	309,949
Liabilities	(281,849)	(306,051)	(2,784,480)	(3,183,822)	(408,614)	(298,116)
Net non-current liabilities	12,673,549	12,584,507	2,006,894	1,753,608	(35,778)	11,833
Net assets	**14,274,252**	**13,966,959**	**2,288,581**	**2,319,694**	**19,228**	**21,877**
Summarised statement of comprehensive income						
Revenue	**416,832**	**408,715**	**1,994,889**	**2,093,595**	**102,794**	**454,733**
Profit for the period (PAT)	292,734	276,852	283,183	373,824	(32,532)	(57,525)
Total share of associate's profit for the period	**67,933**	**81,261**	**32,938**	**123,925**	**(11,386)**	**(47,306)**

	2021 Shs 000	2020 Shs 000
CBA Mutuya Property Group Limited	67,933	81,261
AIG Kenya Insurance Limited	**32,939**	**123,925**
Bridge MicroFinance	**(11,387)**	**(47,306)**
	89,485	**157,880**

26. Investment in associates (continued) - Group and Company

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. During the year, NCBA Bank Kenya PLC transferred this investment to NCBA Group PLC at cost.
- CBA Mutuya Property Group Limited is a property holding company which invests in investment property for rental income.
- Bridge Microfinance, a company registered in the Republic of Cote d'Ivoire. The company is mainly involved in collection of savings and the financing of micro, small and medium enterprises; and provision of financial services to micro-entrepreneurs or small and medium-sized enterprises.

Investment in associates are classified as non-current assets

There are no material contingent liabilities that may affect the financial position of the associate investments companies.

27. Investment in subsidiaries - Company

NCBA Group PLC, is the parent to the subsidiaries listed below:

Company name	Country of incorporation	Principal activity	Percentage of ownership interest (%)	2021 Shs '000	2020 Shs '000
NCBA Bank Kenya PLC	Kenya	Banking	100	57,247,745	57,247,745
NCBA Bank Tanzania Limited	Tanzania	Banking	93.44	5,083,890	4,105,890
NCBA Bank Uganda Limited	Uganda	Banking	100	4,132,587	3,355,173
NCBA Bank Rwanda PLC	Rwanda	Banking	100	2,842,845	2,263,995
NIC Properties Limited	Kenya	Property	100	550,000	550,000
NCBA Investment Bank Limited	Kenya	Financial advisory	100	500,000	500,000
NCBA Leasing LLP	Kenya	Leasing	100	200,000	200,000
Mercantile Finance Company Limited	Kenya	Dormant	100	50,000	50,000
NCBA Bancassurance Intermediary Limited	Kenya	Insurance Agency	100	1,000	1,000
National Industrial Credit Trustees	Kenya	Dormant	100	500	500
Banqtech Ltd	Kenya	Financial Innovation	100	1	1
Commercial Bank of Africa (Tanzania) Limited	Tanzania	Banking	100	-	-
Commercial Bank of Africa (Uganda) Limited	Uganda	Banking	100	-	-
NCBA Bank Rwanda PLC	Rwanda	Banking	100	-	-
				70,608,568	**68,274,304**

Commercial Bank of Africa (Tanzania) Limited , Commercial Bank of Africa (Uganda) Limited and NCBA Bank Rwanda PLC were transferred from NCBA Bank Kenya PLC to NCBA Group PLC in 2020. Other Movements in the investments with changes in the year are further explained below

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for the year ended 31 December 2021

27) Investment in subsidiaries - Company(continued)

Year ended 31 December 2021	NCBA Bank Kenya Shs'000	NIC Bank Kenya Shs'000	NCBA Bank Tanzania Shs'000	NCBA Bank Uganda Shs'000	NCBA Bank Rwanda Shs'000	NCBA Bank Leasing Shs'000	Others	Total Shs'000
Balance as at 01/01/2021	55,108,505	-	4,105,890	3,355,173	2,263,995	200,000	1,101,501	66,135,064
Additional capital injection during the year	-	-	978,000	777,414	578,850	-	2,334,264	2,334,264
Impact of intercompany loan finance costs (Note 2.27)	2,139,240	-	-	-	-	-	-	2,139,240
Balance at end of year	57,247,745	-	5,083,890	4,132,587	2,842,845	200,000	1,101,501	70,608,568
Year 2020								
Balance as at 01/01/2020	23,774,456	33,473,289	2,042,462	1,828,738	-	200,000	1,101,501	62,420,446
Transfer from NCBA Bank Kenya PLC	-	-	5,837,733	2,501,019	1,873,995	-	-	10,212,747
Transfer from NIC Bank Kenya	33,473,289	(33,473,289)	-	-	-	-	-	-
Loss on Re-measurement of Investment in Subsidiaries	-	-	(4,074,305)	(1,424,584)	-	-	-	(5,498,889)
Additional capital injection during the year	-	-	300,000	450,000	390,000	-	-	1,140,000
Impact of intercompany loan finance costs (Note 2.27)	(2,139,240)	-	-	-	-	-	-	(2,139,240)
Balance at end of year	**55,108,505**	**-**	**4,105,890**	**3,355,173**	**2,263,995**	**200,000**	**1,101,501**	**66,135,064**

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27) Investment in subsidiaries - Company(continued)

The list of subsidiaries owned indirectly by NCBA Group PLC through NCBA Bank Kenya PLC are listed below:

Company name	Country of incorporation	Principal activity	Percentage of ownership interest (%)	2021 Shs '000	2020 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**

As part of Group reorganization, NCBA Bank Kenya PLC transferred its investments in CBA Uganda, CBA Tanzania, NCBA Bank Rwanda PLC to NCBA Group PLC in 2020. These transfers were effected at net asset value and through intercompany balances between the NCBA Bank Kenya PLC and NCBA Group PLC.

In 2020, CBA Capital Limited, a subsidiary of NCBA Bank Kenya PLC sold all its assets to NCBA Group PLC and repatriated the intercompany receivable to NCBA Bank Kenya.

In addition, post-merger, CBA Insurance Agency Limited is being wound down with new banc assurance business undertaken under NCBA Insurance Agents Limited. Hence CBA Insurance Agency Limited was largely dormant during the year.

Investment in subsidiaries is classified as non-current asset.

28. Intangible assets - Group

	2021 Shs'000	2020 Shs'000
Software	5,551,514	5,119,244
Other intangible assets	531,125	1,326,875
	6,082,639	**6,446,119**

Intangible assets are classified as non-current

28. Intangible assets - Group(continued)

a) Software

	2021 Shs'000	2020 Shs'000
At start of year	5,119,244	4,865,527
Additions during the year	1,567,494	739,792
Capitalisation of work in progress	66,264	585,332
Work in progress	-	8,847
Amortisation charge for the year	(1,195,010)	(1,056,828)
Disposals	(14,919)	(46,450)
Foreign exchange movement on consolidation	8,441	23,024
At end of year	**5,551,514**	**5,119,244**
Cost	13,409,248	10,463,131
Accumulated amortisation	(7,843,511)	(5,300,851)
Foreign currency exchange rate movement on consolidation	(14,223)	(43,036)
	5,551,514	**5,119,244**

b) Other Intangible assets

	Customer relationships Shs' 000	Core deposits Shs' 000	Total Shs' 000
Year ended 31 December 2021			
At start of year	1,326,875	-	1,326,875
Amortisation charge for the year	(795,750)	-	(795,750)
At end of year	**531,125**	**-**	**531,125**
Year ended 31 December 2020			
At start of year	-	-	-
Amortisation charge for the year	1,809,375	300,000	2,109,375
At end of year	**(482,500)**	**(300,000)**	**(782,500)**
	1,326,875	**-**	**1,326,875**

Software comprises capitalised computer software costs, mainly relating to business software developments, generated internally with the support of external vendors. The capitalised costs are amortized over the estimated useful lives of three to ten years. Remaining useful lives of these intangible assets vary but do not exceed ten years.

The other intangibles assets arose in the merger transaction between NIC Group PLC and Commercial Bank of Africa Limited.

29. Property and Equipment - Group

At 1 January 2021	Improvements on leased properties Shs'000	Equipment, furniture and fittings Shs'000	Motor vehicles Shs'000	Work in progress Shs'000	Total Shs'000
Cost	2,286,824	5,772,170	174,054	891,703	9,124,751
Accumulated depreciation	(1,300,794)	(4,541,466)	(109,834)	-	(5,952,094)
Net book amount	**986,030**	**1,230,704**	**64,220**	**891,703**	**3,172,657**
Year ended 31 December 2021					
Opening net book amount	**986,030**	**1,230,704**	**64,220**	**891,703**	**3,172,657**
Asset additions - at cost	883	181,282	-	165,691	347,856
Exchange movements	2,764	8,818	(388)	2,719	13,913
Capitalization of work in progress	189,717	140,936	-	(330,653)	-
Transfers to prepayments	-	-	-	(221,066)	(221,066)
Asset disposals	-	(7,829)	-	(66,264)	(74,093)
Depreciation eliminated on disposals	-	6,420	-	-	6,420
Depreciation charge	(220,441)	(515,528)	(27,714)	-	(763,683)
	958,953	**1,044,803**	**36,118**	**442,130**	**2,482,004**
At 31 December 2021					
Cost	2,641,312	6,395,145	186,129	442,130	9,664,716
Accumulated depreciation	(1,682,359)	(5,350,342)	(150,011)	-	(7,182,712)
Net book amount	**958,953**	**1,044,803**	**36,118**	**442,130**	**2,482,004**
At 1 January 2020					
Cost	2,430,286	5,418,441	162,522	1,303,828	9,315,077
Accumulated depreciation	(1,366,068)	(4,003,917)	(101,021)	-	(5,471,006)
Net book amount	**1,064,218**	**1,414,524**	**61,501**	**1,303,828**	**3,844,071**
Year ended 31 Dec 2020					
Opening net book amount	1,064,614	1,414,132	61,501	1,303,828	3,844,075
Asset additions - at cost	12,014	185,334	36,182	490,728	724,258
Exchange movements	2,787	5,757	557	1	9,102
Capitalization of work in progress	97,472	220,050	-	(317,522)	-
Transfers to intangible assets	-	-	-	(585,332)	(585,332)
Asset disposals	(270,957)	(56,911)	(25,207)	-	(353,075)
Depreciation eliminated on disposals	242,480	52,701	25,207	-	320,388
Depreciation charge	(162,380)	(590,359)	(34,020)	-	(786,759)
Closing net book amount	**986,030**	**1,230,704**	**64,220**	**891,703**	**3,172,657**
At 31 December 2020					
Cost	2,286,824	5,772,170	174,054	891,703	9,124,751
Accumulated depreciation	(1,300,794)	(4,541,466)	(109,834)	-	(5,952,094)
Net book amount	**986,030**	**1,230,704**	**64,220**	**891,703**	**3,172,657**

Work in progress comprise improvements on leased properties, equipment, fittings and software which are to be capitalised upon completion and commissioning of respective projects, they are to be depreciated over estimated useful lives of three to eight years.

Property and equipment with a gross carrying amount of Shs 6.2 billion were fully depreciated as at 31 December 2021 (2020 - Shs 4.9 billion). All property plant and equipment are classified as noncurrent assets.

30. Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2020 - 30%). The movements in the deferred income tax account were as follows:

	GROUP		COMPANY	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
At start of year	9,609,035	7,064,033	-	-
Profit or loss credit (note 15)	1,701,928	2,662,027	23,466	15,984
Prior year under provision	(6,085)	96,485	1,025	7,482
Income tax on changes in value of FVOCI financial instruments	527,830	(213,510)		-
At end of year	**11,832,708**	**9,609,035**	**24,491**	**23,466**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2021

30. Deferred income tax

Group

Year ended 31 December 2021	At start of year Shs'000	Effect of business cobination business Shs'000	Debited to profit or loss account profit and Shs'000	Credited to revaluation reserves revaluation Shs'000	At end of year At end of Shs'000
Property and equipment	638,231	(89,442)	115,560	-	664,349
Intangible assets recognised on merger	(398,063)	-	238,725	-	(159,338)
Accelerated depreciation	3,610	-	-	-	3,610
Exchange rate difference on consolidation	(95,290)	-	(15,520)	(6,855)	(117,665)
IFRS 16 right of use and lease liability	466,282	-	(33,672)	-	432,610
Leave pay provision	(390,675)	-	4,711	-	(385,964)
Loan loss Provision	8,016,421	83,357	889,154	-	8,988,932
Changes in fair value of FVOCI financial instruments (note 41)	539,134	-	-	534,685	1,073,819
Changes in fair value of assets carried at FVTPL	11,507	-	-	-	11,507
Tax losses	2,160,327	-	502,970	-	2,663,297
Deferred income tax de-recognised	(1,342,449)	-	-	-	(1,342,449)
Net deferred income tax asset	**9,609,035**	**(6,085)**	**1,701,928**	**527,830**	**11,832,708**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2021

30. Deferred income tax (Continued)

Year ended 31 December 2020	At start of year Shs'000	Effect of business combination Shs'000	Debited to profit or loss account Shs'000	Impact of initial application of IFRS 16 Shs'000	Credited to revaluation reserves revaluation Shs'000	At end of year At end of Shs'000
Property and equipment	607,827	-	30,404	-	-	638,231
Intangible assets recognised on merger	(699,000)	-	300,937	-	-	(398,063)
Accelerated depreciation	3,610	-	-	-	-	3,610
Exchange rate difference on consolidation	(168,402)	-	73,112	-	-	(95,290)
Provisions for staff leave and unidentified impairment losses	6,433,222	(603,263)	2,262,069	-	-	8,092,028
Changes in fair value of FVOCI financial instruments (note 41)	149,381	603,263	-	-	(213,510)	539,134
Changes in fair value of assets carried at FVTPL	11,507	-	-	-	-	11,507
Tax losses	2,068,337	-	91,990	-	-	2,160,327
Deferred income tax de-recognised	(1,342,449)	-	-	-	-	(1,342,449)
	7,064,033	**-**	**2,758,512**	**-**	**(213,510)**	**9,609,035**

Comprised of:	
Deferred tax asset	9,630,045
Deferred tax liability	(21,010)
Net deferred income tax asset	**9,609,035**

30. Deferred income tax (Continued)

Company

Year ended 31 December 2021	At start of year Shs'000	(Debited) Credited to profit and loss account Shs'000	Debited to revaluation reserves Shs'000	At end of year Shs'000
Deferred income tax asset				
Provisions for staff leave and unidentified impairment losses	23,466	1,025	-	24,491
Year ended 31 December 2020				
Deferred income tax asset				
Provisions for staff leave and impairment losses	15,984	7,482	-	23,466

31) Lease Prepayments – Leasehold Land - Group

	2021 Shs'000	2020 Shs'000
Cost		
At 1 January	526,000	526,000
Amortization		
At start of year	3,625	3,500
Charge for the year	125	125
At end of year	3,750	3,625
Net book value	**522,250**	**522,375**

Operating lease prepayments - leasehold land is classified as non-current assets

32) Right of use asset – Group

	2021 Shs'000	2020 Shs'000
At 1 January	3,087,305	3,851,729
Additions during the year	603,198	559,596
Derecognition of Right of use on Terminated Leases	(17,044)	(461,775)
Depreciation charge for the year	(727,583)	(940,833)
Forex variations	33,588	78,588
Net book value	**2,979,464**	**3,087,305**

Right of use assets is classified as non-current assets

33) Goodwill - Group

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquirer. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Ordinarily goodwill is recognised upon consolidation of interest in subsidiaries.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposals. Any impairment is recognised immediately as an expense and is not subsequently reversed. The assessment of goodwill for impairment has been carried out in respect of the respective entities considered to be the cash generating units by computing the value in use based on projected cash flows discounted using a weighted average rate. On completion of the business combination in 2020, the Group reassessed the carrying amounts of pre-combination goodwill values existing in both former Groups. These were impaired accordingly.

34) Customer deposits – Group

	2021 Shs'000	2020 Shs'000
Current accounts	223,441,882	200,176,645
Call deposits	17,031,643	10,119,898
Time deposits	210,667,357	194,810,844
Savings accounts	17,325,709	14,933,137
Others	1,423,492	1,463,930
	469,890,083	**421,504,454**
Current and non-current analysis		
Current	460,104,486	417,340,197
Non-current	9,785,597	4,164,257
	469,890,083	**421,504,454**

The maturity analysis is based on the remaining periods to contractual maturity from year end.

35. Due to banking institutions – Group

	2021 Shs'000	2020 Shs'000
Maturing within 3 months		
Time deposits	7,006,859	6,223,368
Current account balances	7,768,424	79,975
Total due to banking institutions	**14,775,283**	**6,303,343**

36. Other liabilities

	GROUP		COMPANY	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Accrued expenses	7,995,304	3,450,159	160,508	99,642
Other settlement items	4,467,887	4,928,731	-	-
Other liabilities	3,495,168	1,972,081	-	-
	15,958,357	**10,350,971**	**160,508**	**99,642**

The other liabilities are classified as current liabilities

37) Borrowings – Group

	2021 Shs'000	2020 Shs'000
Medium term note		
Principal amount	-	7,000,000
Accrued interest at redemption / year end	-	223,162
Repayments	-	(7,223,162)
	-	-
African Development Bank		
Principal amount	1,697,400	6,612,000
Accrued interest	24,395	40,702
	1,721,795	**6,652,702**
Agence Francaise de Developpement (AFD)		
Principal amount	850,211	1,021,014
Accrued interest	296	16,284
	850,507	**1,037,298**
International Finance Corporation (IFC)		
Principal amount	812,695	2,353,841
Accrued interest	1,884	5,405
	814,579	**2,359,246**
European Investment Bank (EIB)		
Principal amount	2,707,040	3,266,878
Accrued interest	2,834	3,350
	2,709,874	**3,270,228**
	6,096,755	**13,319,744**
Maturity Profile:		
Current	2,198,664	7,200,390
Non-current	3,898,091	6,052,804
	6,096,755	**13,319,474**
b) Net borrowings reconciliation		
Opening balance	13,319,474	22,081,244
Accrued interest	318,590	1,256,533
Repayments (cash flow movement)	(7,936,076)	(11,141,530)
Foreign exchange movements	394,767	1,123,227
Closing balance	**6,096,755**	**13,319,474**

37. Borrowings – Group (continued)

Borrowings are financial instruments classified as a liability at amortised cost. The terms of the borrowings are as follows:

i) Subordinated debts

NCBA Bank Kenya PLC has a long-term subordinated debts facilitity obtained to enhance the Bank's capital base:

- US$ 20 million unsecured facility raised from IFC in December 2014, with a tenure of 7 years. Outstanding principal balance at 31 December 2021 was US$ 4 million (2020: US$ 12 million). This facility bears interest at rates referenced to the six months Libor.
- Shs 7.0 billion raised from the Medium-Term Note issued in December 2014 at an interest rate of 12.75%, with a tenure of 6 years. This note was repaid in September 2020.

ii) Other borrowings

NCBA Bank Kenya PLC has four long-term senior loans as below:

- US$ 35 million unsecured facility raised from Internationa finance Cooperation (IFC) in December 2014, with a tenure of 7 years. Outstanding principal balance at 31 December 2021 was US$ 3 million (2020: US$ 10 million);
- 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 2021 was US$ 24 million (2020: US$ 30 million);
- EUR 7.8 million unsecured raised from Agence Francaise de Developement (AFD), with a tenor of 8 years. Outstanding principal balance as at 31 December 2021 was EUR 6.6 million (2020: EUR 7.8 million);
- US$ 65 million unsecured facility raised from African Development Bank in 2020. The facility is payable over a period of 7 years, including a two (2) year moratorium. Outstanding principal balance as at 31 December 2021 was US$ 15 million (2020: US$ 60 million)

The borrowings from above lenders requires compliance with various specified financial ratios / covenants as per respective contractual agreements. The Group was compliant with all covenants 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). This ratio was above minimum requirement mainly due to the regulatory guidance on loan restructures occasioned by the COVID 19 pandemic.

On a regular basis, the Group reports the status of its compliance with these covenants to EIB. EIB is in the process of amending the terms of the loan agreement as relates to the covenant with the bank and it is expected that a revised loan agreement will be in place in the second quarter of 2022.

These facilities bear interest at rates referenced to six months Libor.

38) Lease liability - Group

	2021 Shs'000	2020 Shs'000
At start of year 2021	3,778,787	4,665,429
Additions during the year	603,199	559,596
Derecognition on Lease Termination	(167,949)	(527,280)
Interest expense accruals (lease liability) during the year	412,311	481,539
Lease Liability debits (rent paid) in the year	(1,073,995)	(1,480,477)
Foreign Translation movements	47,328	79,980
At end of year	**3,599,681**	**3,778,787**

39) Share capital – Group and Company

	2021 Number of shares (thousands)	2021 Value Shs '000	2020 Number of shares (thousands)	2020 Value Shs '000
Issued and fully paid				
At start of year	1,647,519	8,237,598	1,497,745	7,488,725
Bonus issue of shares in the year	-	-	149,774	748,873
At close of year	**1,647,519**	**8,237,598**	**1,647,519**	**8,237,598**

40) Share premium – Group and Company

	2021 Shs'000	2020 Shs'000
At start of year	21,424,322	22,179,426
Bonus share issue	-	(748,873)
Bonus share issue expenses	-	(6,231)
At end of year	**21,424,322**	**21,424,322**

41. Revaluation reserve - Group

Changes in fair value of financial Instruments at FVOCI	2021 Shs'000	2020 Shs'000
At start of year	1,617,562	(288,240)
Changes in fair value of FVOCI financial instruments	(1,782,284)	711,699
Deferred income tax on changes in fair value of FVOCI financial instruments	534,685	(213,510)
Transfer from retained earnings	-	1,407,613
At end of year	**369,963**	**1,617,562**

The revaluation reserves, which is non-distributable, arises from changes to fair value of Government securities held at FVOCI. The transfer from retained earnings relates to FVOCI reserve element that was taken to retained earnings as part of the common control reserve on business amalgamation in 2019.

42. Statutory loan loss reserve

The reserve represents an appropriation from retained earnings to comply with regional Central Banks' prudential guidelines on loan loss provisions. The balance represents excess of impairment provisions determined in accordance with the prudential guidelines over the impairment provisions recognised in accordance with the International Financial Reporting Standards. The reserve is non- distributable.

43. Related parties

Parties are considered related if one party has the ability to control the other party or exercise significant influence over that party's financial or operational decisions. In the normal course of business, current accounts are operated, and placements made between the Group companies at interest rates in line with the market. Included in customer loans and advances are amounts advanced to directors, companies controlled by directors or their associates and loans to key management personnel as follows:

43. Related parties (continued)

Due to group companies - Company	2021 Shs'000	2020 Shs'000
Deposits with NCBA Bank Kenya PLC	9,649	201,088
Receivable from NCBA Bank Kenya PLC	50,406	47,034
	60,055	**248,122**
Due to group companies - Company		
Due to NCBA Bank Kenya	10,297,692	8,030,783

The balance due to NCBA Bank Kenya PLC includes KES 10,211,747,000 (2020 - KES 8,072,506,961) on transfer of investments in regional subsidiaries from NCBA Bank Kenya PLC to NCBA Group PLC

	2021	2020
Loans and advances to directors - Group		
At start of year	232,483	189,252
Advanced during the year	63,414	63,456
Repaid during the year	(28,475)	(20,225)
At end of year	**267,422**	**232,483**
Loans and advances to other key management personnel - Group		
Loans and advances to other key management personnel	419,523	453,595
Loans and advances / facilities to companies controlled by directors, common shareholders or their associates - Group		
On-balance sheet	19,108,228	16,937,615
Off-balance sheet	1,549,280	2,788,671
Income earned on related party loans and advances - Group		
Interest income earned on related party loans and advances during the year	1,480,327	935,702
Commissions earned on related party loans and advances during the year	**100,960**	**80,389**

All facilities and arrangements relating to the above loans and advances have been made in the normal course of business and on terms similar to those applicable to third parties. The loans and advances are to companies on whose boards the directors serve and to companies with common shareholders as those of the Group:

Related party deposits - Group

	2021 Shs'000	2020 Shs'000
Related party deposits	19,573,770	10,992,516
Interest expense incurred on related party deposits during the year	**810,553**	**344,052**

The above deposits are from directors, companies on whose boards the directors serve and from companies with common shareholders as the Group.

43. Related parties (continued)

Key management personnel compensation

	GROUP		COMPANY	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Salaries and other short term employment benefits	745,443	721,551	201,111	197,447
Post-employment benefits	60,472	65,495	15,746	10,738
	805,915	**787,046**	**216,857**	**208,185**

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	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Fees for services as directors	53,473	49,746	42,500	6,000
Other emoluments (included in key management compensation above)	165,478	255,760	216,216	144,537
	218,951	**305,506**	**258,716**	**150,537**

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	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Cash and balances with Central Banks (note 18)	43,154,323	34,511,770	-	-
Less: Cash reserve requirement (see comment below)	(20,073,529)	(18,203,846)	-	-
	23,080,794	**16,307,924**	**-**	**-**
Due from banking institutions (note 20)	55,310,389	41,664,359	9,650	201,088
Due to banking institutions (note 35)	(24,966,286)	(6,303,343)	-	-
Government securities	14,046,867	6,176,422	-	-
	67,471,764	**57,845,362**	**9,650**	**201,088**

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

45. Cash generated from operations

	GROUP		COMPANY	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Reconciliation of profit before taxation to cash generated from operations				
Profit before income tax	**15,034,989**	**4,981,921**	**6,056,657**	**(4,486,565)**
Share of profit from subsidiaries	(89,485)	(157,880)		-
Loss on re-measurement of investment in subsidiary	-	-	-	5,498,889
Loss / gain on disposal property & equipment	67,673	(19,910)		-
Depreciation charge on property & equipment	763,683	786,759	-	-
Depreciation of right of use asset	727,583	940,833	-	-
Interest expense on Lease Liability	412,311	481,539	-	-
Amortization of other intangible Assets	1,195,010	782,500	-	-
Impairment losses on customer loans	11,210,714	20,094,371		
Accrued interest on borrowings	318,590	1,256,533	-	-
Amortization of lease prepayments	125	125	-	-
Amortization of other intangible Assets	795,750	1,056,828	-	-
Cash flows from operating activities before changes in operating assets and liabilities	**30,436,943**	**30,203,619**	**6,056,657**	**1,012,324**
(Increase) / decrease in balances held with Central Banks- mandatory reserves	(1,869,683)	122,070	-	-
Increase in loans and advances	(5,167,779)	(18,716,010)	-	-
Decrease / (increase) in other assets	722,095.00	(2,871,713)	-	-
(Decrease) / increase due from group companies	-	-	(3,371)	37,463
Increase due to group companies	-	-	(204,924)	8,030,783
Increase in customer deposits	48,385,629	43,267,411	-	-
Decrease in other liabilities	6,189,103	54,831	60,866	2,118,960
Decrease in unclaimed dividends	(33,392)	(4,427)	(13,753)	(4,427)
Cash generated from operations	**78,662,916**	**52,055,781**	**5,895,475**	**11,195,103**

46. Business combination

i) Business combination 2020

In 2020, as part of Group reorganization, NCBA Bank Kenya PLC transferred its investments in CBA Uganda, CBA Tanzania, NCBA Bank Rwanda PLC to NCBA Group PLC. These transfers were effected at net asset value and through intercompany balances between the NCBA Bank Kenya PLC and NCBA Group PLC. The uplift of investment was lower than net assets in both Uganda and Tanzania, which resulted in a remeasurement loss of KES 5,498,809.

	2020 Shs '000
Value of net assets of the subsidiaries transferred to NCBA Group PLC	2,839,864
Carrying amount of investments in CBA Tanzania and CBA Uganda subsidiaries transferred to NCBA Group PLC (Note 27)	(8,338,753)
Loss on remeasurement of the investments in subsidiary	**(5,498,889)**

47. Off-balance sheet financial instruments, contingent liabilities, commitments and operating leases

In common with other banking entities, the Group conducts business involving acceptances, guarantees, performance bonds and indemnities. These facilities are obligations on behalf of customers, in the normal course of business, matched and with recourse. In addition, there are other off-balance sheet financial instruments including foreign exchange forward contracts for the purchase and sale of foreign currencies, the nominal amounts of which are not reflected in the consolidated balance sheet.

Contingent liabilities	2021 Shs'000	2020 Shs'000
Letters of credit	17,300,749	28,504,538
Acceptances	9,791,061	9,466,201
Guarantees	31,711,449	31,397,010
	58,803,259	**69,367,749**

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	2021 Shs'000	2020 Shs'000
Un-drawn formal standby facilities, credit lines and other	20,307,419	18,296,737
commitments to lend Foreign exchange forward contracts	6,966,710	7,201,519
Purchase of property and equipment	**543,190**	**96,755**

Commitments to lend are agreements to lend to a customer in future, subject to certain conditions, and are normally for a fixed period. The Group may withdraw from its contractual obligation for the un-drawn portion of agreed overdraft limits by giving reasonable notice to a customer.

Foreign exchange forward contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed price.

Legal claims contingency

The Company is a defendant in a number of other legal proceedings arising in the normal course of business, mostly relating to the realisation of collateral on lending.

Tax authorities' assessments

The Group has received tax assessments from Revenue Authorities in the markets it operates in, which it has challenged on various principles and continues to engage the relevant authorities to resolve the matters. Management is confident that no material liabilities will crystallise from these, beyond the provisions already recorded.

48. Fiduciary activities

The Group provides safekeeping, safe deposit, advisory, custody and nominee and investment management services to third parties. Safekeeping and safe deposit services involve providing secure and confidential storage for valuables and documents. Custodial and nominee services entail the holding of customers' assets and securities and collection of income on their behalf based on express instructions.

Advisory services involve the provision of a wide range of financial advice to clients either as independent advisors or as tied agents. Investment management involves advising customers on allocation and purchase and sale decisions in relation to a wide range of financial instruments, assets that are held in fiduciary capacity and which are not included in these financial statements. These arrangements involve the Group in an advisory capacity only, acting on specific instructions from clients and not in a discretionary manner. Consequently, the Group is not exposed to risks associated with mal-administration or underperformance of assets under its care.

At the balance sheet date, the Group had funds under investment management and securities held under nominee arrangements amounting to Shs 212 billion (2020 – Shs 171 billion). Other risks that may arise from these fiduciary activities are of operational and reputational nature. These risks are managed and mitigated through the existence and continuing application of sound internal control policies and procedures that ensure the proper discharge of fiduciary duties.

49. Events After Reporting Period

There are no significant events after the reporting period to report in these financial statements. (2020: none)

50. Operating segments

The Group operations are within various geographical segments, Kenya, Uganda, Tanzania, and Rwanda. The Group deems these geographical segments to be operating segments. An operating segment is a section of the Group that focus on distinct business activities and is regularly reviewed by the management in terms of performance and resource allocation. The Group's management identifies the specific segments based on the internal reporting. The Group utilizes the following channels to serve the customers.

i) Corporate and Institutional banking

Targets medium to large corporate clientele and institutions, with a focus on liability mobilization and asset growth.

ii) Retail banking (SME and Personal banking)

Targets the mass to affluent and high net worth and business banking clientele, with a focus on becoming the customers' core deposit, transactional banker and financier. This also includes the Group's asset finance products.

iii) Treasury dealing

Treasury dealing targets corporate customers and institutions, with a focus on customers having a foreign exchange component in their business.

iv) Digital Bank

This segment focuses on mobile savings and lending products at a macro level.

v) Investment banking

Investment banking targets large and medium sized companies for research, advisory, capital restructuring and stock brokerage requirements.

There is no single customer within the Group who accounts for more than 10% of the interest revenue.

The table below analyses the breakdown of segmental assets, liabilities, income and expenses by geographical segments.

51. Operating segments (continued)

Statement of profit or loss – Year ended 31 December 2021

Amount in Shs 000	Kenya	Tanzania	Uganda	Rwanda	Group
Interest income and other credit-related fees	51,881,126	2,093,946	2,208,287	1,119,166	57,302,525
Interest expense	(17,571,418)	(909,764)	(626,860)	(369,413)	(19,477,455)
Net interest income	**34,309,708**	**1,184,182**	**1,581,427**	**749,753**	**37,825,070**
Non – interest revenue	8,921,392	385,155	346,650	167,181	9,820,378
Operating and other Income	**43,231,100**	**1,569,337**	**1,928,077**	**916,934**	**47,645,448**
Impairment charges	(8,836,499)	(680,224)	(1,428,781)	(265,210)	(11,210,714)
Operating expenses	(17,798,256)	(1,828,732)	(1,264,462)	(597,780)	(21,489,230)
Profit before share of associate's profit	**16,596,345**	**(939,619)**	**(765,166)**	**53,944**	**14,945,504**
Share of associates profit	89,485	-	-	-	89,485
Profit before income tax	**16,685,830**	**(939,619)**	**(765,166)**	**53,944**	**15,034,989**
Income tax expense	(4,906,167)	(216,550)	281,920	29,451	(4,811,346)
Profit for the year	**11,779,663**	**(1,156,169)**	**(483,246)**	**83,395**	**10,223,643**

Statement of profit or loss – Year ended 31 December 2020

Amount in Shs 000	Kenya	Tanzania	Uganda	Rwanda	Group
Interest income and other credit-related fees	49,793,350	2,538,869	2,132,251	619,736	55,084,206
Interest expense	(17,147,745)	(883,139)	(786,727)	(257,503)	(19,075,114)
Net interest income	**32,645,605**	**1,655,730**	**1,345,524**	**362,233**	**36,009,092**
Non – interest revenue	8,835,592	494,558	269,849	156,888	9,756,887
Operating and other Income	**41,481,197**	**2,150,288**	**1,615,373**	**519,121**	**45,765,979**
Impairment charges	(18,600,081)	(665,571)	(718,218)	(110,501)	(20,094,371)
Operating expenses	(17,041,870)	(2,161,304)	(1,127,274)	(517,119)	(20,847,567)
Profit before share of associate's profit	**5,839,246**	**(676,587)**	**(230,119)**	**(108,499)**	**4,824,041**
Share of associates profit	157,880	-	-	-	157,880
Profit before income tax	**5,997,126**	**(676,587)**	**(230,119)**	**(108,499)**	**4,981,921**
Income tax expense	(422,843)	(93,444)	104,219	1,014	(411,054)
Profit for the year	**5,574,283**	**(770,031)**	**(125,900)**	**(107,485)**	**4,570,867**

50. Operating segments (continued)

Statement of financial position – As at 31 December 2021

Amount in Shs 000	Kenya	Tanzania	Uganda	Rwanda	Group
Cash and balances with Central banks	37,313,718	2,354,922	2,678,558	807,125	43,154,323
Government securities	196,051,953	3,858,698	6,931,844	2,608,352	209,450,847
Due from banking institutions	38,114,581	1,902,633	4,376,663	725,509	45,119,386
Customer loans and advances	216,319,333	11,700,178	6,780,914	5,537,253	240,337,678
Investment securities	13,970,581	-	-	-	13,970,581
Other assets	34,572,523	1,509,446	1,908,501	1,064,753	39,055,223
Total assets	**536,342,689**	**21,325,877**	**22,676,480**	**10,742,992**	**591,088,038**
Liabilities					
Customer deposits	430,781,371	13,751,586	18,115,509	7,241,618	469,890,084
Due to banking institutions	10,497,192	3,472,419	14,434	791,239	14,775,284
Borrowings	6,096,755	-	-	-	6,096,755
Other liabilities	18,452,096	1,935,805	1,124,371	826,613	22,338,885
Total liabilities	**465,827,414**	**19,159,810**	**19,254,314**	**8,859,470**	**513,101,008**
Shareholders' funds	70,515,275	2,166,067	3,422,166	1,883,522	77,987,030
Total liabilities and shareholders' funds	**536,342,689**	**21,325,877**	**22,676,480**	**10,742,992**	**591,088,038**

Statement of financial position – As at 31 December 2020

Amount in Shs 000	Kenya	Tanzania	Uganda	Rwanda	Group
Cash and balances with Central banks	29,425,914	2,941,178	1,800,086	344,592	34,511,770
Government securities	148,283,248	4,234,498	3,762,041	1,902,232	158,182,019
Due from banking institutions	39,250,784	882,967	1,155,490	375,118	41,664,359
Customer loans and advances	223,429,722	12,467,627	7,988,946	3,620,661	247,506,956
Investment securities	7,060,295	-	-	-	7,060,295
Other assets	35,214,188	1,437,940	1,698,612	592,242	38,942,982
Total assets	**482,664,151**	**21,964,210**	**16,405,175**	**6,834,845**	**527,868,381**
Liabilities					
Customer deposits	389,484,170	15,282,097	11,823,252	4,914,935	421,504,454
Due to banking institutions	2,507,790	2,986,970	736,814	71,769	6,303,343
Borrowings	13,319,474	-	-	-	13,319,474
Other liabilities	11,457,734	1,272,835	901,662	560,582	14,192,813
Total liabilities	**416,769,168**	**19,541,902**	**13,461,728**	**5,547,286**	**455,320,084**
Shareholders' funds	65,894,983	2,422,308	2,943,447	1,287,559	72,548,297
Total liabilities and shareholders' funds	**482,664,151**	**21,964,210**	**16,405,175**	**6,834,845**	**527,868,381**

NOTICE OF THE 62ND ANNUAL GENERAL MEETING

Notice is hereby given that the **62nd Annual General Meeting (AGM)** of the shareholders of **NCBA Group PLC** will be held via electronic communication on **Thursday, 5th May 2022** at **10:00 am** in the manner set out in the notes immediately following this notice for the following purposes:

1. To read the notice convening the meeting.
2. To receive, consider and, if thought fit, adopt the Financial Statements for the year ended 31st December 2021 and the Directors' and Auditor's reports thereon.
3. To confirm the interim dividend of Shs 0.75 per ordinary share paid on 12th October 2021 and declare a final dividend of Shs 2.25 per ordinary share (2020: first and final dividend of Shs 1.50 per ordinary share).
4. To approve the Directors' Remuneration Policy and Report and the remuneration paid to the Directors in the year ended 31st December 2021, and to authorize the Board to fix the remuneration of the Directors for the year 2022.
5. **To elect Directors:**
    (a) In accordance with Article 7.18 of the Company's Articles of Association, the following Directors retire by rotation and being eligible, offer themselves for re-election:
        i) J. P. M. Ndegwa;
        ii) Hon. A. H. Abdi; and
        iii) M. K. R. Shah.
    (b) In accordance with section 10.5 of the Company's Board Charter and guideline 2.5 of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, J. S. Armitage having attained the age of 70 years retires from the Board and being eligible, offers himself for re-election:
    (c) In accordance with the provisions of Section 769 of the Companies Act, 2015, the following Directors, being members of the Board Audit and Risk Committee, be elected to serve as members of the said Committee:
        i) M. K. R. Shah (Chairman);
        ii) Hon. A. H. Abdi; and
        iii) P. R. Lopokoiyit.

6. To appoint Deloitte & Touche as the Auditors of the Company until the end of the next AGM by virtue of section 721 (4) of the Companies Act, 2015, subject to Central Bank of Kenya approval in accordance with section 24(1) of the Banking Act (Cap.488) and to authorize the Directors to fix their remuneration.
7. To transact any other business of the AGM of which due notice has been received.

BY ORDER OF THE BOARD

Waweru Mathenge

Group Company Secretary

Nairobi

14 April 2022

NOTICE OF THE 62ND ANNUAL GENERAL MEETING (CONTINUED)

Notes:

1. NCBA Group PLC has convened and will conduct a Virtual AGM pursuant to section 283 of the Companies Act.

2. The Company, pursuant to Section 283 (3) of the Companies Act, has made available the following documents on the Company's website **https://ncbagroup.com/investor-relations/** for Shareholder access:
   a) a copy of this Notice and the proxy form;
   b) the Company's Financial Statements and reports for the year 2021;

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 Friday, 29th April 2022 at 12:00 noon failing which it will be invalid. In the case of a Member which is a corporate body then the proxy must be given under its common seal or under the hand of an officer or attorney so authorized.

4. A copy of this notice, proxy form and full copy of the Group financial statements including explanatory notes are available from the Company's website **https://ncbagroup.com/investor-relations/**. Completed proxy forms, which must contain the appointed person's mobile telephone and email contact, should be delivered either physically where practicable to the Company's registered office or at C&R Group's registered office; or by sending a clear scanned copy via email to **proxy@candrgroup.co.ke** no later than Friday 29th April 2022 at 12:00 noon.

5. Shareholders and registered proxies wishing to participate in the meeting should register for the AGM as follows:
   a) USSD platform users should access the system through *483*154# from their mobile telephones for all Kenyan telephone networks and follow the various prompts regarding the registration process.
   b) Internet platform users should access the registration procedures and system through **https://digital.candrgroup.co.ke** or
   c) Via a link to the AGM Platform that will be sent to them via SMS and/or Email and following the various registration prompts.
   d) Registration opens on Tuesday 19th April 2022 at 08:00 am and will conclude on Friday 29th April 2022 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) 760 8216 between 8:00 am and 4:00 pm or email **digital@candrgroup.co.ke**.

6. Shareholders wishing to raise questions or seek clarification in relation to matters to be considered at the virtual AGM may do so prior to the meeting through written submission:
   a) by email through **digital@candrgroup.co.ke**; or
   b) online through web access of the system at **https://digital.candrgroup.co.ke** or via a link to the AGM Platform and clicking the Q&A tab on the display screen; or
   c) by short message service (SMS) through *483*154# and following the menu prompts; or
   d) via formal letter, containing contact details to facilitate responses (i.e. email or postal address), which should be:
      i. physically delivered where practicable to the Company's shares registrar C & R Group, 1st Floor, Tower B, IKM Place, 5th Ngong Avenue, or to the Company's registered office at NCBA Centre, Mara and Ragati Road, Upper Hill; or
      ii. sent by registered post to the Company's shares registrar C & R Group through P. O. Box 8484 – 00100, Nairobi or the Company's postal address through P. O. Box 44599 – 00100, Nairobi.

NOTICE OF THE 62ND ANNUAL GENERAL MEETING (CONTINUED)

All written submissions sent through any of the above highlighted means will be required to contain the Shareholder's full name as per official Identification Document, Identification Number and Shares/CDS Account Number, to be received by the Company not later than Friday 29th April 2022 at 12:00 noon.

The Directors of the Company will provide feedback to the enquiries received through the Group Company Secretary at the earliest opportunity but no later than 24 hours before the start of the virtual AGM and will publish the full set of enquiries and feedback on the Company's website (**https://ncbagroup.com/investor-relations/**).

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 24 hours of the conclusion of the AGM.

7. Shareholders wishing to vote may do so by:

   a) Accessing Virtual AGM via online at **https://digital.candrgroup.co.ke** or via a link to the AGM platform and clicking the Voting tab on the display screen or

   b) Accessing Virtual AGM via USSD platform*483*154# and use the menu prompts menu option for "Voting" and follow the various prompts regarding the voting process.

   Voting will open with registration on 19th April 2022 at 08:00 am and will close on 29th April 2022 at 5:00 pm, while the results will be announced at the AGM on 5th May 2022 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) 760 8216 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 **5th May 2022** and at any adjournment thereof.

As witness my / our hand this _______________day of __________ 2022

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 **29th April 2022**.

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 **5 Mai 2022** au tarehe yoyote iwapo mkutano utahairishwa. Nashuhudia kwa mkono/mikono yangu/yetu siku hii ya

Tarehe ___________________________________mwezi wa ____________ 2022

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 29 Aprili 2022**.

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.

ncbagroup.com Go for it

NCBA Group PLC is regulated by the Central Bank of Kenya