NCBA

ANNUAL REPORT
& FINANCIAL STATEMENTS 2019

ncbagroup.com Go for it


NCBA CENTRE

CONTENTS

MORE INFORMATION

Can be found online at
www.ncbagroup.com

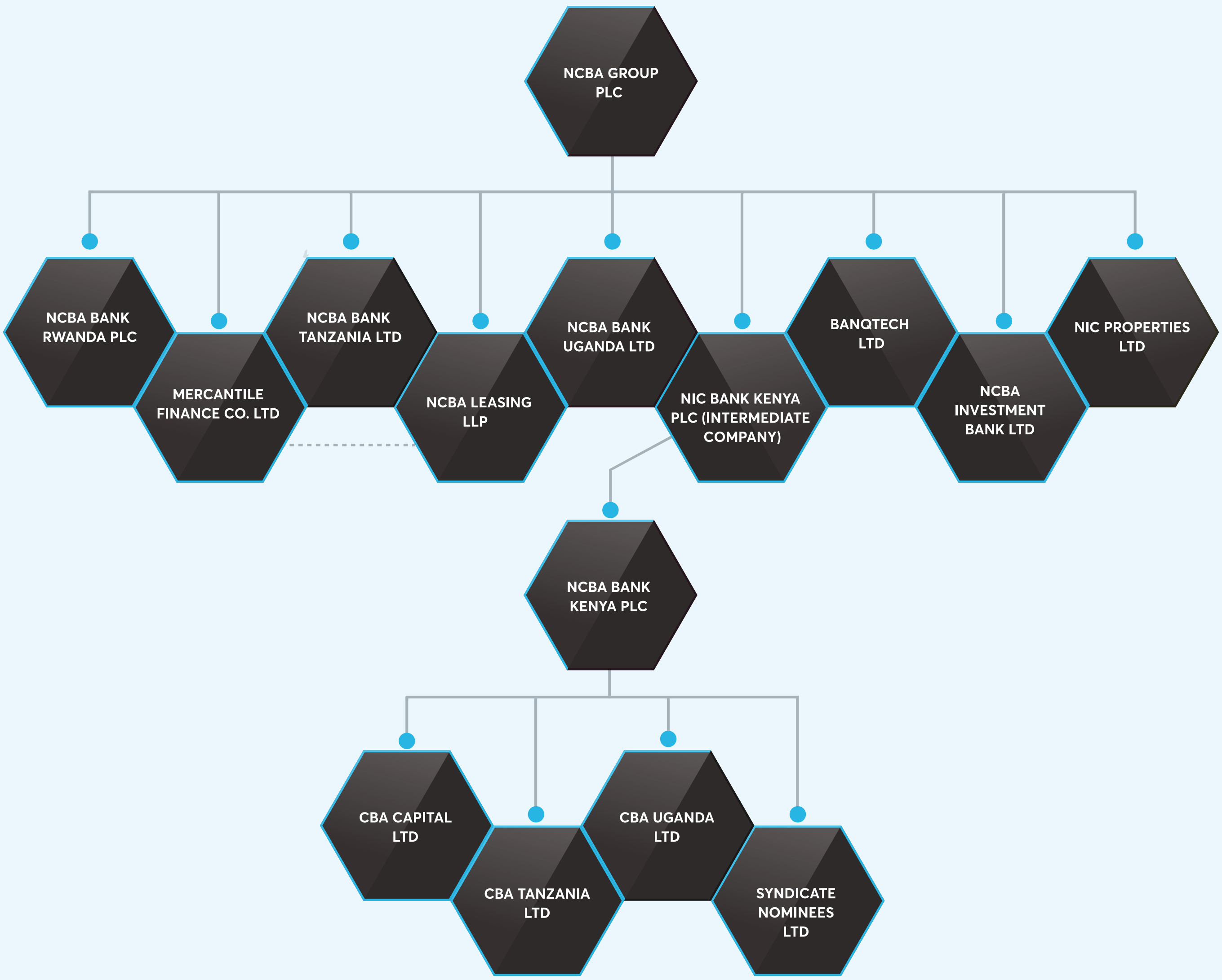
ABOUT US

NCBA Group is a universal financial services business providing a full range of financial products and services to corporate, institutional, SME and consumer banking customers. The Group consists of NCBA Group PLC (a non-operating holding company), NCBA Bank Kenya PLC and several financial services subsidiaries operating primarily within the East African region. The Group was reconstituted into its current form, following the Central Bank of Kenya's and the National Treasury's approvals of the merger between NIC Group PLC (NIC), Commercial Bank of Africa Limited (CBA) and NIC Bank Kenya PLC effective 1st October 2019.

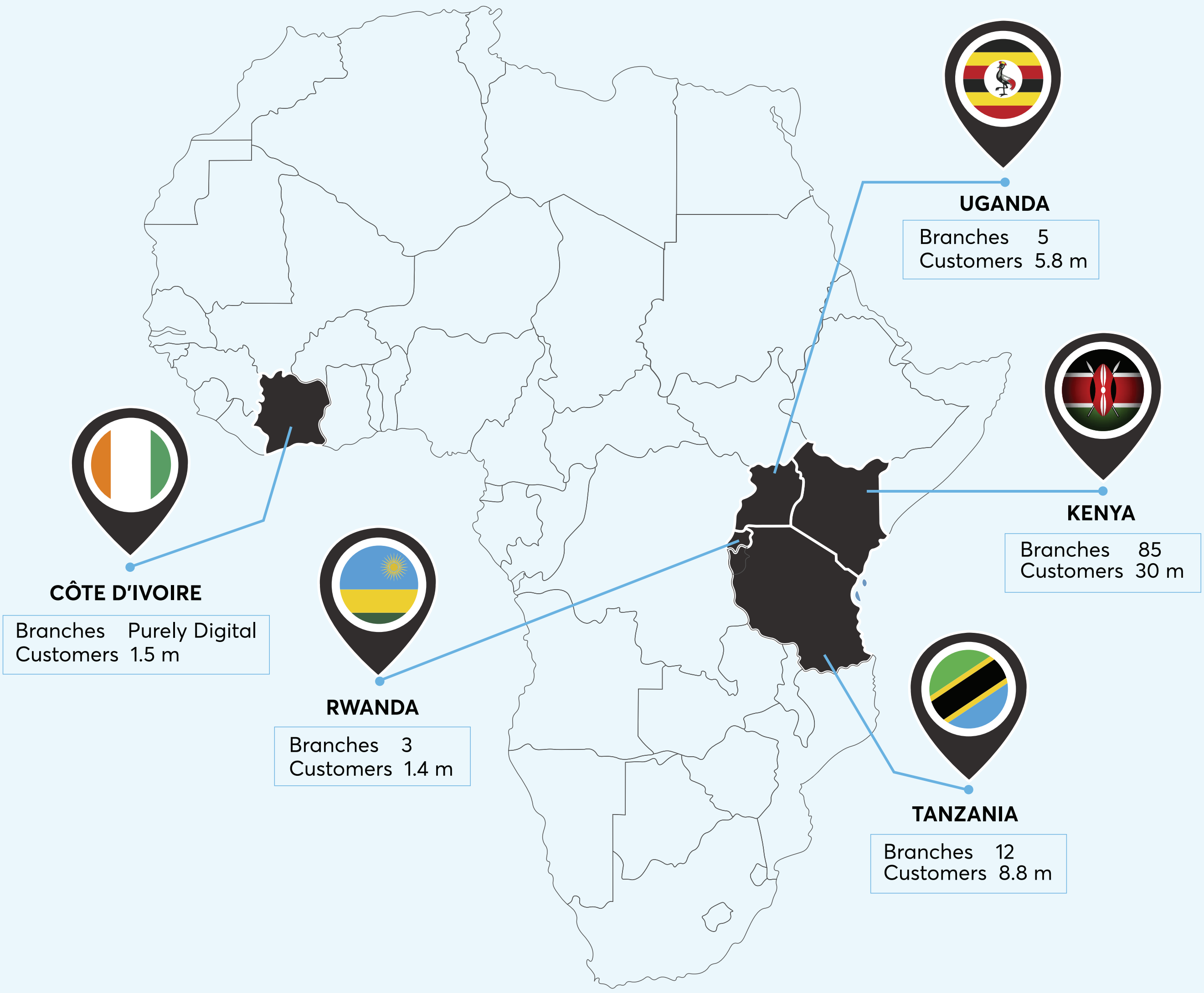
NCBA Group operates a network of more than 100 branches in five countries namely Kenya, Uganda, Tanzania, Rwanda and Ivory Coast. The Group serves over 50 million customers and is the largest financial services group in Africa by customer numbers.

NCBA Bank Kenya PLC is Kenya's third largest bank by assets. The Bank is a market leader in corporate banking, asset finance and digital banking.

At NCBA, our customers are at the heart of everything we do. We believe that truly great relationships are built on mutual success and greatness is achieved one step at a time. Our slogan - 'Go for It' - is anchored on the promise to inspire greatness and deliver value to customers.



REGIONAL FOOTPRINT



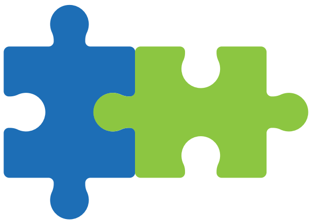
OUR HISTORY

In December 2018 the Boards of Directors of NIC and CBA authorized commencement of discussions regarding a potential merger of the two groups. 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 Group PLC officially started operations in its reconstituted form and in its new name on Tuesday, 1st October 2019 following the merger of NIC Group PLC and Commercial Bank of Africa Limited (CBA) with the Kenya operating banks being merged into NCBA Bank Kenya PLC.

The two groups bring together over 110 years of experience in the financial services industry.

National Industrial Credit (East Africa) Limited was incorporated in Kenya Over 60 years ago as a hire purchase organization. It was later renamed NIC Bank in 2005. Over the years, NIC became the undisputed market leader in Asset Financing, a heritage that has continued through NCBA Bank Kenya PLC.



Commercial Bank of Africa Limited (CBA) began operations over 57 years ago. Over the years, the bank developed a reputation as the go-to provider for large corporations, institutions, businesses and individuals. CBA proved to be a truly innovative bank by being the first to market with full digital banking platforms, Loop, the first 105% mortgage offering in the Kenyan market and the first mobile lending platform. M-Shwari.

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.

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

OUR IDENTITY

WHO WE ARE

OUR PROMISE
Inspiring Greatness

OUR VALUES
Driven
Open
Responsive
Trusted

OUR STRATEGY ANCHORS

CUSTOMER EXPERIENCE
- Great Relationships
- Exceptional Customer Experience
- Distinguished Brand
- Shared Value

FINANCIAL RETURN
- Profit Before Tax
- Shareholder Value
- Balance Sheet Optimization
- Market Share
- Market Capitlisation

INTERNAL BUSINESS PROCESSES
- System Reliability
- Beneficial Partnerships
- Process Digitization
- Risks and Compliance
- Strong Control Environment

LEARNING & GROWTH
- Invest in people for Capacity, Expertise and Service
- Culture Change

OUR PRIORITIES

1. Scale up Retail; Integrated and Phygital
2. Extending our leadership in large local corporates and Asset Finance
3. Digital Transformation and Leadership
4. Distinguished Brand known for customer experience and shared value
5. High performance employee culture

OUR IDENTITY

MERGER MILESTONE/ JOURNEY

6th December 2018

NIC Group PLC (NIC) and Commercial Bank of Africa Limited (CBA) announce the commencement of discussions regarding a potential merger of the two entities

31st January 2019

NIC and CBA announce their Board of Directors' unanimous resolutions to recommend to their respective shareholders a merger of the two groups through a share exchange, with the exchange ratio with a share ratio between NIC and CBA being 47:53 respectively

16th April 2019

CBA held its Annual General Meeting during which the Company's shareholders overwhelmingly approved the merger with NIC

17th April 2019

NIC held its Annual General Meeting during which the Company's shareholders overwhelmingly approved the merger with CBA

13th May 2019

The Competition Authority of Kenya (CAK) approved the proposed merger

15th May 2019

The designated leadership of the merged NIC and CBA is announced

27th September 2019

The Central Bank of Kenya through Kenya Gazette Notice No. 9038 approved the amalgamation of CBA and NIC effective 30th September 2019

27th September 2019

The Central Bank of Kenya issued a Press Release announcing the name of the holding company, NCBA Group PLC, and amalgamated banks operating as NCBA Bank Kenya PLC in Kenya

1st October 2019

NCBA officially started operations as a merged entity

22nd October 2019

The Company's new ticker symbol at the Nairobi Securities Exchange (NSE) changed from NIC to NCBA.

AWARDS & ACCOLADES

Catalyst Awards;
Best in Financing Commercial Client
1st Runners Up

FiRe Awards;
Bank Category
Winner

FiRe Awards;
Listed Category
1st runners up

KPA DMI CENTRE;
Diabetes Walk
Participation

FiRe Awards;
Bank Category
1st runners up

FiRe Awards;
Governance Category
Winners

KRA;
Distinguished Taxpayer
Highest Tax Growth

Catalyst Awards;
Best in Sustainable Finance in East Africa
Winner

GROUP CHAIRMAN'S REPORT

James Ndegwa I Group Chairman

Dear Shareholders,

I am pleased to report on a successful year during which the NCBA Group PLC was created, following the merger of NIC Group PLC (NIC) and Commercial Bank of Africa Limited (CBA).

It was in December 2018 that the Boards of Directors of NIC and CBA announced the commencement of discussions regarding a potential merger of the two entities. Having established that bringing together the two institutions would be vastly synergistic, financially compelling, and transformative, by the end of January 2019, both Boards unanimously voted to recommend to their shareholders a merger of the two Groups. The merger was subsequently approved by the respective shareholders at their Annual General Meetings in April 2019.

The integration of NIC and CBA was a complex process with many legal and regulatory processes; people, culture, systems and branding issues to be addressed; strategy and positioning to be harmonized, involving various stakeholders across different jurisdictions.

During the merger period, we paid critical attention to service delivery, enhanced innovative alternative channels to improve customer experience and expanded our share of available business opportunities.

Putting the pieces together took hard work and the process finally came together on 27 September 2019, following approval from the Central Bank of Kenya and The National Treasury in Kenya.

The Company became NCBA Group PLC (NCBA) on 1st October 2019. Since then, the new brand has been unveiled, the Board of Directors constituted, and 793.8 million new shares were listed at the Nairobi Securities Exchange on 22 October 2019.

NCBA has brought together two organizations which were committed to deliver a complete and seamless range of financial services to our customers, creating a premier financial institution that is able to play a greater role in the lives of Kenyans and the region. It is an institution that everyone in the region will be proud of and every investor confident in.

NCBA's purpose **"Inspiring Greatness"** speaks to the continuation of this commitment to help bring greatness to life. Our values speak to the way we serve and relate to our stakeholders:

- **Driven** – We are passionate, make bold decisions and learn from our experiences
- **Responsive** - We are proactive, act quickly and resolutely to deliver results
- **Open** - Our interactions are candid, honest and transparent
- **Trusted** - As a trusted partner, we keep our word, while always doing what is morally right to maintain integrity

The founding years of NCBA are particularly important because what is established now, will define who we are in the decades to come. Two cultures have been brought together to create the NCBA culture.

Innovation and excellent service delivery were among the hallmarks of both NIC and CBA and these remain integral parts of NCBA's principles as we continuously invest in and enhance our alternative service channels.

Our business model is strategically designed to embrace digital transformation and the opportunities it presents. The Group will remain a clear digital leader in innovation, through well established brands such as M-Shwari and Fuliza (in partnership with Safaricom in Kenya), M-Pawa (in partnership with Vodacom in Tanzania), MoKash (in partnership with MTN in Uganda and Rwanda) and MoMoKash (in partnership with MTN and Bridge Group in Côte d'Ivoire), and Stawi (in partnership with various banks in Kenya). Through these services and others currently under development, NCBA will continue to play a key role in supporting the financial inclusion agenda across the region.

Every day, our people are working together with a sense of urgency to address issues as they arise and enable us to achieve our common vision. The Board of Directors is fully committed to helping Management accomplish their goals.

NCBA adheres to the highest standards of corporate governance, and as a Board, we are continuously reviewing our structures in line with existing and emerging regulatory requirements. Our Group structures and processes are outlined in greater detail later in this report.

Outlook

NCBA brings extraordinary strengths to the table including capital, technology, an extremely competent and professional team as well as a culture of service excellence and good governance. Going forward the Group will leverage on its core strengths to:

- Scale up Retail Banking
- Deepen our leadership in Corporate Banking and Asset Finance
- Provide targeted solutions for the crucial MSME sector
- Enhance Digital Transformation
- Distinguish ourselves as a brand known for excellent Customer Experience
- Adopt a higher performance employee culture

We aspire to finance the growth of business in the countries in which we operate and in turn create employment opportunities. As a banking group committed to driving Africa's growth by creating exceptional experiences for its customers through digital banking solutions, our strategy is to provide our customers with early access to the kinds of ecosystems that will drive future growth while redefining the nature of human interaction.

Having created a truly Kenyan Tier 1 Bank, we are confident NCBA Bank Kenya PLC will play an important role in the growth of Kenya's economy and contribute to the growth of our people.

The Group's business growth prospects in the short term has been affected by the socio-economic impact of COVID-19, which has slowed down the economic prospects for 2020 in each of the economies in which the Group operates and indeed across the World.

Once the economy begins to recover from the effects of COVID-19, we project a more positive outlook for our operations driven by the expected increase in demand for asset financing by both large corporates and SMEs. Increased spending by Government on various programs is also expected to create opportunities for both our customers and the Bank.

The effects of COVID-19 on the way we operate and live will be felt for years to come. In the short-term, the Group has led the way in responding to this unexpected pandemic. NCBA subsidiaries in each of the countries in which we operate have made significant contributions towards respective Government efforts to combat the effects of the pandemic. In Kenya, NCBA Bank Kenya PLC was an early contributor, donating KES 100 million towards the COVID-19 Emergency Response Fund. NCBA has also been responsive and sensitive to the plight of those customers whose businesses and personal circumstances have been severely disrupted by the measures taken to manage the pandemic. To this end, we have restructured billions worth of loans, offering loan extensions, payment moratoriums and deferments where deserved. In line with the industry, we have also zero rated mobile bank transfers to and out of the bank.

GROUP CHAIRMAN'S REPORT

Recognising the need to support our customers and conserve capital, the Board changed its initial recommendation for a cash dividend to one of issuing and distributing bonus shares. We are certain that this recommendation has left us stronger to withstand the expected adverse effects of COVID-19.

In the next year we will concentrate a lot of our efforts in consolidating our business, ensuring the best of our twin heritage is rolled out smoothly across the region and even internally. We anticipate receiving the remaining regulatory approvals in Uganda and Tanzania to operate as NCBA soon and these will allow us to consolidate our business in the region.

Today, NCBA would not be where it is without the consistent, unwavering support of our various stakeholders. As the Board, we highly appreciate the work that has gone into ensuring the successful launch of NCBA by Management and Staff. We appreciate the support accorded to us by the regulators, various institutions and our shareholders.

Our customers' support is the reason for our business, and this is something we never take for granted. We appreciate their unwavering support and we continually strive to meet their expectations.

I thank my fellow Directors for their contribution and commitment to the Group at both Board and Committee levels and wish to pay special tribute to our colleagues on both the NIC and CBA Boards who have since retired, for their invaluable dedicated service over many years.

J P M Ndegwa

Group Chairman

MWENYEKITI WA KUNDI

James Ndegwa I Mwenyekiti wa Kundi

Wapendwa Wanahisa,

Ningependa kutoa ripoti ya mwaka uliokuwa wa mafanikio ambamo NCBA Group PLC iliundwa kufuatia kujumuishwa kwa NIC Group PLC (NIC) na Commercial Bank of Africa Limited (CBA).

Mnamo mwezi wa Desemba mwaka wa 2018, Bodi za Wakurugenzi wa NIC na CBA zilitangaza kuwa mazungumzo kuhusu uwezekano wa kuunganisha mashirika haya mawili yalikuwa yameanza. Baada ya kuthibitisha kuwa ujumuishaji wa mashirika haya mawili utaongeza juhudi za kipamoja, utaimarisha msingi bora wa kifedha na kuleta mabadiliko, mwezi wa Januari mwaka wa 2019, Bodi zote mbili zilitoa pendekezo hili kwa wanahisa wao. Wanahisa waliidhinisha uunganishaji huo mnamo mwezi wa April mwaka wa 2019 katika Mikutano Mikuu ya Mwaka.

Ujumuishaji wa NIC na CBA ulikuwa na michakato mingi iliyohusu uzingatiaji wa maswala ya kisheria; watu, tamaduni, mifumo na maswala ya chapa; uunganishaji mpango mikakati na taarifa za misimamo, na lilishirikisha washika dau kutoka mamlaka tofauti.

Maswala ya utoaji wa huduma, uimarishaji wa ubunifu wa njia mbadala zitakazoboresha matarajio ya wateja wetu na ukuzaji wa fursa zetu za kibiashara, yalipewa kipaumbele.

Bidii kuu ilihitajika wakati wa kushughulikia mambo hayo yote yaliyotamatika mnamo tarehe 27 mwezi wa Septemba mwaka wa 2019, kufuatia idhini kutoka kwa Benki Kuu ya Kenya na Hazina ya Kitaifa.

Mnamo tarehe 1 mwezi wa Oktoba mwaka wa 2019, kampuni hii ikawa NCBA Group PLC (NCBA). Tangu wakati huo, uzinduzi wa chapa mpya umefanywa, Bodi ya Wakurugenzi imeundwa, na mnamo tarehe 22 mwezi wa Oktoba mwaka wa 2019, tuliorodheshwa hisa mpya milioni 783.8 katika Soko la Hisa la Nairobi.

NCBA imeyaleta pamoja mashirika mawili yaliyojitolea kutoa huduma kamili za kifedha zisizo na dosari kwa wateja wetu, ili kuunda taasisi bora ya kifedha ambayo inaweza kuchukua jukumu kubwa katika maisha ya Wakenya na eneo hili. Ni taasisi ambayo kila mtu katika eneo hili atajivunia na kila mwekezaji atakuwa na imani nayo.

Kusudi ya NCBA "Inspiring Greatness" inazungumzia kujitolea kwetu kuleta ukuu maishani. Thamani zetu zinazungumzia jinsi tunavyotumikia na kuhusiana na wadau wetu:

- **"Driven"** – Sisi tuna shauku, tunatoa maamuzi ya ujasiri na hujifunza kutoka kwa uzoefu wetu
- **"Responsive"** - Sisi ni watendaji, hutenda kwa haraka na udhabiti ili kutoa matokeo
- **"Open"** - Uhusiano wetu ni wa kweli, uaminifu na wazi
- **"Trusted"** - Kama mwenzi anayeaminika, tunazingatia ahadi zetu, huku kila wakati tunakifanya kilicho sawa na maadili kudumisha uadilifu

Miaka anzilishi ya NCBA ni muhimu sana kwa sababu tulichokianzisha sasa, kitafafanua sisi ni nani katika miongo ijayo. Tamaduni mbili zimeletwa pamoja kuunda utamaduni wa NCBA.

Ubunifu na utoaji wa huduma bora zilikuwa kati ya sifa kuu za NIC na CBA na hizi zitabaki sehemu muhimu kwa kanuni ya NCBA tunapoendelea kuwekeza na kuongeza njia mbadala za huduma. Mtindo wetu wa biashara umeundwa kukubali mabadiliko ya kidijitali na fursa zinazojitokeza. Kikundi kitabaki kama kiongozi wa dijitali katika uvumbuzi, kupitia chapa mashuhuri kama M-Shwari na Fuliza (kwa kushirikiana na Safaricom nchini Kenya), M-Pawa (kwa kushirikiana na Vodacom nchini Tanzania), MoKash (kwa kushirikiana na MTN nchini Uganda na Rwanda), MoMoKash (kwa kushirikiana na MTN na Bridge Group huko Cote d'Ivoire) na Stawi (kwa kushirikiana na benki mbali mbali nchini Kenya). Kupitia huduma hizi na zingine zilizo katika maendeleo kwa sasa, NCBA itaendelea kuchukua jukumu muhimu katika kusaidia ajenda ya ujumuishaji wa kifedha.

Kila siku, watu wetu wanafanya kazi kwa pamoja na hisia za dharura kushughulikia maswala yanapoibuka na kutuwezesha kufikia maono yetu. Bodi ya Wakurugenzi imejitolea kikamilifu kusaidia wasimamizi wa shirika kutimiza malengo yao.

NCBA hufuata viwango vya juu zaidi vya utawala wa kampuni, na kama Bodi, tunaendelea kuhakiki muundo wetu kuambatana na mahitaji ya kisheria yaliyopo na yanayoibuka. Miundo na michakato yetu ya Kikundi imeainishwa kwa undani zaidi baadaye katika ripoti hii.

Mwelekeo wa siku zijazo

NCBA inaleta faida kuu ikiwa ni pamoja na mtaji, teknolojia, watenda kazi wenye uwezo na taaluma, utamaduni wa huduma and utawala bora. Kwenda mbele, Kikundi kitaongeza nguvu zake za msingi ili:

- Kukuza biashara yetu inayowahudumia wateja wadogo
- Kuimarisha uongozi wetu wa ufadhili wa mali na huduma za benki kwa wateja wakubwa, mashirika na taasisi
- Kutoa suluhisho zinazolenga biashara ndogo na za kati
- Kuboresha mageuzi ya digitali
- Kujitofautisha kama shirika linalofahamika kwa uzoefu bora wa wateja
- Kukumbatia utamaduni wa ufanyaji kazi wa hali ya juu

Tunatamani kufadhili ukuaji wa biashara katika nchi ambazo tunaendeleza shughuli zetu ili kuunda fursa za ajira. Kama Kikundi cha Benki kilichojitolea kuendesha ukuaji wa Afrika kwa kuunda uzoefu wa kipekee kwa wateja wake kupitia suluhisho dijitali za benki, mkakati wetu ni kuwawezesha wateja wetu wapate mifumo itakayo endesha ukuaji siku zijazo na mapema.

Kwakuwa tumeunda benki kweli ya Kenya ambayo iko miongoni mwa benki zenye kiwango cha juu, tuna uhakika Benki ya NCBA Kenya PLC itachukua jukumu muhimu katika ukuaji wa uchumi wa Kenya na kuchangia ukuaji wa watu wetu.

Matarajio ya ukuaji wa biashara ya Kundi kwa muda mfupi yameathiriwa na athari ya kijamii na kiuchumi ya COVID-19, ambayo imepunguza matarajio ya kiuchumi ya mwaka 2020 katika kila uchumi Kundi hili linafanya biashara na kwa kweli Ulimwenguni. Mara tu uchumi utakapoanza kupona kutokana na athari za COVID-19, tunatumai shughuli zetu zitakuwa na mtazamo mzuri zaidi utakao endeshwa na ongezeko linalotarajiwa la mahitaji ya kufadhili mali kwa mashirika makubwa na biashara ndogo na za kati. Tunatarajia pia maongezeko ya matumizi ya Serikali katika miradi mbali mbali yatatoa fursa kwa wateja wetu na pia kwa Benki.

Athari za COVID-19 zitaendelea kwa miaka ijayo. Kwa wakati huu, Kundi limeongoza njia katika kujibu janga hili ambalo halikuwa limetarajiwa. Kampuni tanzu za NCBA katika kila nchi tunamofanya biashara zimetoa mchango mkubwa kusaidia Serikali husika kupambana na athari za janga hili. Hapa Kenya, Benki ya NCBA Kenya PLC ilikuwa miongi mwa mashirika ya kwanza ilipochangia Shillingi Millioni Mia Moja kwa mfuko wa fedha wa "COVID-19 Emergency Response Fund". NCBA pia imewapa njia mbadala wateja wake ambao biashara zao na hali zao za kibinafsi zimevurugika sana na hatua zilizochukuliwa kudhibiti ugonjwa huu. Kufikia sasa, tumerekebisha mikopo yenye thamani ya mabilioni, kwa kueeneza muda wa malipo na kwa matukio mengine tumehairisha malipo. Pia, tumegaramia ada anayotozwa mteja anapohamisha pesa kupitia rununu ndani na nje ya benki sambamba na maelekezi ya sekta ya fedha.

MWENYEKITI WA KUNDI

Kwa kutambua hitaji la kusaidia wateja wetu na mtaji wa kuhifadhi, Bodi ilibadilisha pendekezo lake la awali la gawio la fedha kuwa la kutoa na kugawa hisa za ziada. Tuna hakika kwamba pendekezo hili limetupa nguvu ya kuhimili athari za COVID-19 zinazotarajiwa.

Mwaka ujao, tutatilia mkazo juhudi za kuunganisha biashara yetu, kuhakikisha urithi bora zaidi unahamishwa vizuri katika maeneo yetu ya biashara na hata ndani ya shirika letu. Tunatarajia kupokea vibali vya kisheria vilivyobaki nchini Uganda na Tanzania hivi karibuni na hii itaturuhusu kujumuisha biashara zetu katika eneo hili na kufanya kazi kama NCBA.

Leo, NCBA haingekuwa mahali ilipo bila msaada thabiti wa wadau wetu mbali mbali. Kama Bodi, tunathamini sana kazi iliyofanywa na uongozi wa benki na wafanyakazi kuhakikisha uzinduzi wa mafanikio wa NCBA. Tunawashukuru pia wasimamizi, taasisi mbali mbali na wanahisa wetu kwa msaada waliotupa.

Biashara yetu inategemea msaada wa wateja wetu. Hili jambo hatulichukulii kwa urahisi. Tunathamini msaada wao imara na tunajitahidi kuendelea kukidhi matarajio yao.

Ninawashukuru sana Wakurugenzi wenzangu kwa mchango wao na kujitolea katika ngazi zote za Bodi na Kamati. Ningependa pia kutoa shukurani maalum kwa wenzetu wa Bodi za NIC na CBA ambao wamestaafu, kwa huduma yao kubwa ya kujitolea kwa miaka mingi.

J P M Ndegwa

Mwenyekiti wa Kundi

GROUP MANAGING DIRECTOR'S REPORT

John Gachora I Group Managing Director

Dear Shareholders,

I have immense pleasure in presenting the annual report of your Group for the financial year 2019. This is the first annual report we are issuing as NCBA Group PLC (NCBA); and what an extraordinary year it was. During the year, the focus of the board and the management team was to integrate the operations of NIC Group PLC and Commercial Bank of Africa Limited (CBA) into one unified financial institution.

The merger process

The process of merging the two organisations began on 31st January 2019, when the Board of Directors of NIC Group and CBA Limited approved the proposed merger. NIC Bank Kenya and CBA Limited entered into the Merger Agreement by setting out the key terms of the Merger on 1st March 2019. Shareholders of both institutions approved the merger in April 2019.

NCBA operates a network of more than 100 branches in five countries comprising Kenya, Uganda, Tanzania, Rwanda and Ivory Coast.

NCBA Bank Kenya PLC is now the second largest Bank in Kenya by customer deposits, the third largest by total assets and a true market leader in Corporate Banking, Asset Finance and Digital Banking. The Group is now a truly universal Bank providing a full range of financial products and services to corporate, institutional, SME and consumer banking customers, who benefit from strong relationship management and customer service excellence.

In 2019, the business amalgamation of the investment banking entities – NIC Capital Limited and CBA Capital Limited, together with the securities brokerage unit NIC Securities Limited – was also completed forming NCBA Investment Bank, which offers a wide range of investment products and services including wealth management.

The merger of the regional entities outside Kenya has since been concluded.

THE KENYAN BANKING SECTOR RECORDED IMPROVED PERFORMANCE DESPITE A VOLATILE INTEREST RATE ENVIRONMENT.

The creation of NCBA is anticipated to lead to enhanced value for shareholders. NCBA has the scale, financial strength and talent to thrive and become a leading bank in Africa. We have leading market positions in corporate banking, asset finance, high net worth personal banking, and mobile savings and loan business. We have a customer base of over 50 million (largest retail base in Africa) registered through our various channels and a distinctive offering across the various markets in which we operate. We are able to offer product diversification across investment banking, leasing, insurance agency, and custody. NCBA provides a great platform to scale operations leading to an increase in market share.

Leadership

One of the great benefits accruing from our merger is the access to a deep talent pool that is now part of NCBA. We have been able to renew the Executive Leadership Team even as we retool our structure for the future. The NCBA leadership now consists of a mix of senior executives from both former institutions. The leadership team has significant experience and together are now leading the necessary internal cultural change.

GROUP MANAGING DIRECTOR'S REPORT

A strategy that delivers

NCBA has delivered a strong performance for the year 2019 in spite of significant market volatility during the year.

We have demonstrated that when we lay out long-term growth plans and execute well, we can deliver good earnings and consistently high returns. More broadly, our strong performance is a reflection of the hard work of our colleagues, and their commitment to delivering an exceptional banking experience to our customers.

NCBA Group PLC recorded a pre-tax profit of KES 11.3 billion for the year ending 31 December 2019. Total operating income for the year was KES 33.7 billion and profit after tax was KES 7.8 billion.

The key factors relating to the 2019 results are:

- Prospective basis of accounting – where the results for both the Bank and Group include those of CBA for 9 months, plus the results of the merged entity, NCBA Group for quarter 4 of 2019. The comparator is thus CBA 2018 results.
- Other income include a bargain purchase gain resulting from the merger, of KES 4.1 billion.
- Exceptional items of KES 2.1 billion comprised of merger costs, amortisation of intangibles and goodwill write off on consolidation.
- De-recognition of deferred tax assets in subsidiary entities of KES 1.2 billion.
- Loan loss provisions of KES 5.6 billion. The ratio of non-performing loans to the total loan book stood at 12.0%, in line with the industry average.
- Impairment provisions at the Bank increased to KES 5.4 billion from KES 2.1 billion. The increase in provisions was driven by asset quality deterioration particularly in the transport and manufacturing sectors and on the mobile loan portfolio. The Group continues to be very conservative in the way it treats impairment and thus provisions.

The merger transaction was accounted for in accordance with IFRS 3 - Business Combinations. Reported results for both the Bank and the Group reflect heritage CBA prior to the completion of the merger and results from NCBA Group from the merger closing date onwards, with an adjustment to capital to reflect the legal capital of NIC. Therefore, pre-combination net income and net assets are those of CBA, including prior year comparatives.

The merger related costs incurred in 2019, which were included in the comprehensive income statements and disclosed as exceptional items totalled KES 1.1 billion covering integration, advisory and legal expenses among others. The Group expects some additional merger related expenses as it completes its consolidation in other markets.

Following the merger, the Group saw its asset base close the year under review at KES 495 billion while the customer base stood at 50.1 million. Deposits stood at KES 378 billion while the net loan book closed at KES 249 billion.

NPL's remained a challenge and continue to be of great focus to both the Board and management.

Our people

NCBA's strategic priorities leverage our core strengths: scale up retail banking; expanded distribution; deepen our sweet spots in corporate banking and asset finance; digital transformation; distinguished brand known for customer experience and higher performance employee culture.

We are delighted to report that we have seen a new culture arise that reflects the best of both banks. Every day, our people are working together with a sense of urgency to tackle the issues and work toward our common vision.

Now with the muscle of a tier one bank, we are confident of not only participating in the growth of Kenya and the region's Gross Domestic Product (GDP), but also contributing to the growth of our beloved nation and her people.

Sustainability

NCBA is built on a proud history of investing in communities in the markets we operate in. This is achieved through partnerships with organisations and supporting events that provide important services and contribute to the local economy.

GROUP MANAGING DIRECTOR'S REPORT

Our citizenship agenda recognizes that we are able to operate because the society gives us the license to; and for that reason society remains at the heart of everything we do at NCBA. Besides contributing to several emergency societal needs, we continue to support various programmes that aim to create sustainable education, support the youth and foster the environment.

Looking forward

At the time of preparing this report, a number of our projections and business plans changed due to the devastating effects of the COVID-19 pandemic, which was first detected in China on 31st December 2019.

On 30th January 2020, the World Health Organization declared COVID-19 a public health emergency of international concern. Protecting the health of the public continues to take precedence at this point with the contingency measures that are in place to contain the virus adding to the economic vulnerabilities. Additional restrictions to personal mobility including self-distancing and quarantine have further impacted the economic outlook.

Our positioning remains a great focus for our brand. We have plans to expand our branch footprint, offer seamless service to our customers and deliver exceptional returns to our shareholders. The outlook beyond COVID-19 remains optimistic, while the timing remains fluid. We are well positioned to weather this period and grow once the pandemic is contained. We are supportive of the measures the government is taking to protect lives and we continue to focus on the safety and health of our customers and colleagues.

Conclusion

2019 was a year that has left an indelible mark in the history of Kenya's banking industry and having a supportive Board, senior leadership team, regulators, customers and my colleagues at NCBA has made this journey worthwhile.

We have a lot of work to do. I am confident that we will make NCBA known for its purpose – "Inspiring Greatness", by inspiring and enabling our stakeholders to do great things. For our customers, we shall continue to invest in you by delivering excellent customer experience, peace of mind and by being your partner along your journey to greatness. For our colleagues, we will provide an inclusive and fair environment in which to learn, grow and have meaningful careers. For our communities, we shall strive to be good citizens, walk hand in hand to create a better society where greatness can be celebrated. And for our shareholders, we shall do whatever we can to deliver leading returns in the right way.

NCBA remains cognisant of the devastation that the COVID-19 pandemic is causing, with significant human, economic and social costs.

These are unprecedented times and while the extent of this devastation is still evolving, we recognize that no single person or entity is fully equipped to deal with the possible outcomes. That is why we continue to work closely with our customers to help them make their lives easier, and to make their loans more affordable. The set back is temporary. The years ahead are exciting! NCBA is here to support you achieve your greatness.

John Gachora
Group Managing Director

MKURUGENZI MKUU

John Gachora I Mkurugenzi Mkuu wa Kundi

Wapendwa Wanahisa,

Nina furaha kubwa sana kuwasilisha taarifa ya mwaka wa fedha 2019 ya Kikundi chenyu. Hii ni taarifa ya kwanza ya mwaka ambayo tunatoa kama NCBA Group PLC (NCBA); na ulikuwa mwaka ambao sio wa kawaida. Katika mwaka huo, lengo la Bodi na timu ya usimamizi lilikuwa kuunganisha shughuli za NIC Group PLC na Commercial Bank of Africa Limited (CBA), kuwa taasisi moja ya kifedha.

Mchakato wa ujumuishaji

Mchakato wa kuyaunganisha mashirika haya mawili ulianza tarehe 31 mwezi wa Januari mwaka wa 2019, wakati Bodi za Wakurugenzi ya NIC Group na CBA Limited walipoithinisha ujumuishaji uliokuwa umependekezwa. Benki ya NIC Kenya na CBA Limited ziliingia katika Mkataba wa Ujumuishi ulioweka masharti muhimu ya ujumuishaji mnamo tarehe 1 mwezi wa Machi mwaka wa 2019. Wanahisa wa taasisi zote mbili waliithinisha kuunganishwa mnamo mwezi wa Aprili mwaka wa 2019.

NCBA ina mtandao wa zaidi ya matawi mia moja katika nchi tano zinazojumuisha Kenya, Uganda, Tanzania, Rwanda na Ivory Coast, inamo fanya kazi.

Benki ya NCBA Kenya PLC sasa ni benki ya pili kubwa kwa amana za wateja nchini Kenya, ya tatu kwa jumla ya rasilimali na kiongozi wa kweli katika huduma za wateja wakubwa, ufadhili mali na huduma za benki za kidigitali. Kundi sasa ni benki inayotoa huduma kamili na tofauti za kifedha kwa makampuni, taasisi, biashara ndogo na wateja wakibinafsi, ambao wananufaika na usimamizi mzuri wa uhusiano na huduma bora kwa wateja.

Mnamo mwaka wa 2019, ujumuishaji wa biashara ya benki za uwekezaji - NIC Capital Limited na CBA Capital Limited, pamoja na kitengo cha udalali dhamana NIC Securities Limited - pia ulikamilishwa kuunda Benki ya Uwekezaji ya NCBA, ambayo inatoa bidhaa na huduma mbalimbali za uwekezaji pamoja na usimamizi wa mali.

Kuunganishwa kwa tanzu zilizoko nje ya Kenya kumekamilika.

Uundaji wa NCBA unatarajia kusababisha uimarishaji wa thamana kwa wanahisa. NCBA ina kiwango, nguvu ya kifedha na talanta ya kustawi na kuwa benki inayoongoza barani Afrika. Tuna nafasi za uongozi katika kutoa huduma za benki kwa wateja wakubwa, ufadhili mali, kuwahudumia wateja wa hadhi ya juu na huduma za akiba na mkopo kupitia simu za mikononi. Tuna wateja zaidi ya milioni hamsini (msingi mkubwa wa wateja wadogo barani Afrika) waliosajiliwa kupitia mitandao yetu mbalimbali na tuna toleo tofautishi katika masoko tunayofanya kazi. Tunaweza kutoa mseto wa bidhaa katika benki ya uwekezaji, kukodisha, wakala wa bima, na usimamizi. NCBA hutoa jukwaa nzuri la kuongeza shughuli zinazopelekea kuongezeka kwa sehemu ya soko.

Uongozi

Moja ya faida kubwa zinazopatikana kutoka kwa ujumuishaji wetu, ni upatikanaji wa uwingi wa vipaji ndani ya NCBA. Tumeweza kufanya upya timu ya uongozi wa juu hata tunapounda muundo wetu kwa siku zijazo. Uongozi wa NCBA sasa una mchanganyiko wa watendaji wakuu, waandamizi kutoka taasisi zote mbili za zamani. Timu ya uongozi ina uzoefu muhimu na kwa pamoja sasa wanaongoza mabadiliko ya kitamaduni ya ndani.

MKURUGENZI MKUU

Mikakati ya utendaji bora

NCBA imewasilisha matokeo madhubuti kwa mwaka wa 2019, licha ya ubadilifu mkubwa wa soko wakati wa mwaka.

Tumeonyesha kuwa tunapoweka mipango ya ukuaji wa muda mrefu na kutekeleza vizuri, tunaweza kutoa mapato mazuri na ubora mara kwa mara. Kwa upana zaidi, matokeo yetu dhabiti ni onyesho la bidii ya wenzetu, na kujitolea kwao katika kutoa huduma za kipekee kwa wateja wetu.

NCBA Group PLC ilirekodi faida kabla ya ushuru ya shilingi bilioni 11.3 kwa mwaka unaomalizika Desemba 31, 2019. Jumla ya mapato ya mwaka huo yalikuwa shilingi bilioni 33.7 na faida baada ya ushuru ilikuwa shilingi bilioni 7.8.

Vitu muhimu vinavyohusiana na matokeo ya mwaka wa 2019 ni:

- Msingi wa tarajiwa wa uhasibu - ambapo matokeo ya Benki na Kikundi yanajumuisha yale ya kipindi cha miezi tisa ya CBA, pamoja na matokeo ya shirika lililounganishwa, Kikundi cha NCBA kwa robo ya nne ya mwaka wa 2019. Mlinganishi kwa hivyo ni matokeo ya CBA 2018.
- Mapato mengine yanayojumuisha faida ya ununuzi wa biashara kutokana na ujumuishaji, wa shilingi bilioni 4.1.
- Vitu vya kipekee vya shilingi bilioni 2.1 vinavyojulisha gharama ya ujumuishaji, malipo uchakavu ya mali zisizo onekana na kughairiwa kwa nia njema baada ya ujumuishaji.
- Kutojumuishwa kwa shilingi bilioni 1.2 iliyohusisha ushuru ulioahirishwa wa mali yenye ruzuku katika hesabu mizania.
- Shilingi bilioni 5.6 zilitengwa ili kugharamia malipo ya mikopo ambayo haijakusanywa. Uwiano wa mikopo chechefu na jumla ya mikopo ghafi ulikuwa asilimia kumi na mbili, kuambatana na wastani wa tasnia.
- Tengo la mikopo chechefu liliongezeka hadi shilingi bilioni 5.4 kutoka shilingi bilioni 2.1. Kuongezeka kulisababishwa na kuzorota kwa ubora wa mali hususan katika sekta za usafirishaji na za viwandani na kwenye kwingineko ya mkopo wa rununu. Kundi linaendelea kuwa la kihafidhina kwa jinsi linavyoshugulikia uharibifu haswa tengo la mkopo chechefu.

Shughuli ya uunganishi ilifanywa kwa mujibu wa IFRS 3 - Michanganyiko ya Biashara. Matokeo yaliyoripotiwa ya Benki na Kikundi yanajumuisha urithi wa CBA kabla ya kukamilika kwa unganisho, na matokeo ya Kikundi cha NCBA kutoka tarehe ya kukamilika kwa unganisho na kuendelea, na marekebisho ya mtaji mkuu kuonyesha mtaji halali wa NIC. Kwa hivyo, mapato halisi na mali halisi kabla ya uunganishi na miaka ya awali ni yale ya CBA.

Gharama zinazohusiana na ujumuishaji za mwaka wa 2019, ambazo zilijumuishwa katika taarifa kamili za mapato na kufichuliwa kama vitu vya kipekee zilikuwa shilingi bilioni 1.1 na zilijumlisha gharama za ujumuishaji, ushauri na za kisheria kati ya zingine. Kundi linatarajia gharama zingine zinazohusiana na muungano wakati linapokamilisha ujumuishaji wake katika masoko mengine.

Kufuatia kuunganishwa, mwaka husika 2019 ulipotamatika, Kikundi kilikuwa na msingi wa mali wa shilingi bilioni 495 na wigo wa wateja ulikuwa milioni 50.1. Amana za wateja zilikuwa shilingi bilioni 378 wakati jumla ya mikopo halisi ilikuwa shilingi bilioni 249.

Mikopo chechefu ilikuwa changamoto na inatendelea kuwekewa umakini mkubwa na Bodi na usimamizi.

Watu wetu

Vipaumbele vya kimkakati ya NCBA huongeza nguvu zetu za msingi: kukuza biashara yetu inayowahudumia wateja wakibinafsi; kuimarisha uongozi wetu wa ufadhili wa mali na huduma za benki kwa wateja wakubwa, mashirika na taasisi; kutoa suluhisho zinazolenga biashara ndogo na za kati; kuboresha mageuzi ya digitali; kujitofautisha kama shirika linalofahamika kwa uzoefu bora wa wateja; kukumbatia utamaduni wa ufanyaji kazi wa hali ya juu.

Tunafurahi kuripoti kwamba tumeona utamaduni mpya ukitokea ambao unaonyesha ubora wa benki zote mbili. Kila siku, watu wetu wanafanya kazi kwa pamoja na hisia za dharura kushughulikia maswala, huku wakitimiza maono yetu.

Sasa tukiwa na nguvu za benki ya "Tier 1", tunajiamini sio tu kushiriki katika kukuza pato la ndani (GDP) la Kenya na eneo hili, lakini pia kuchangia ukuaji wa taifa letu pendwa na watu wake.

MKURUGENZI MKUU

Uwajibikaji

NCBA imejengwa juu ya historia yakujivunia ya kuwekeza katika jamii katika masoko tunayofanya kazi. Hii inafanikiwa kupitia ubia na mashirika na kusaidia hafla ambazo zinatoa huduma muhimu na kuchangia katika uchumi wa ndani.

Ajenda yetu ya "Citizenship" inatambua kwamba tunaweza kufanya kazi kwa sababu jamii inatupa leseni; na kwa sababu hiyo jamii inabaki moyoni mwa kila kitu tunachofanya katika NCBA. Mbali na kuchangia mahitaji kadhaa ya dharura ya kijamii, tunaendelea kuunga mkono mipango mbali mbali ambayo inalenga kuunda elimu endelevu, kusaidia vijana na kukuza mazingira.

Mweleko wa Siku zijazo

Wakati wa kuandaa ripoti hii, makadirio yetu kadhaa na mipango ya biashara ilibadilika kwa sababu ya athari mbaya ya janga la virusi vya Corona (COVID-19), ambalo liligunduliwa kwa mara ya kwanza nchini China mnamo tarehe 31 mwezi wa Desemba mwaka wa 2019.

Mnamo tarehe 30 mwezi wa Januari mwaka wa 2020, Shirika la Afya Ulimwenguni (WHO) lilitangaza virusi vya Corona (COVID-19) kama dharura ya afya ya umma ya wasiwasi wa kimataifa. Ulindaji wa afya ya umma unaendelea kuchukua kipaumbele katika hatua hii; na hatua za dharura zilizowekwa kuzuia ugonjwa huu kusambaa zimeongeza udhaifu wa kiuchumi. Vizuizi vya ziada vya uhamaji wa kibinafsi pamoja na kutotangamana na watu na karantini vimeathiri zaidi mtazamo wa uchumi.

Majukumu yetu bado yanabakia kuwa lengo kuu la chapa yetu. Tuna mipango ya kupanua matawi yetu, kutoa huduma isiyo na dosari kwa wateja wetu na kutoa mapato ya kipekee kwa wanahisa wetu. Mtazamo wa mbele zaidi ya virusi vya Corona (COVID-19) unabaki na matumaini, na nyakati zinaweza badilika. Tuko katika hali nzuri ya kuweza kustahimili kipindi hiki na kukua mara tuu janga hili litakadhibitiwa. Tunaunga mkono hatua ambazo serikali inachukua ili kulinda maisha na tunaendelea kuzingatia usalama na afya ya wateja wetu na wenzetu.

Hitimisho

2019 ulikuwa mwaka ambao umeacha alama kuu katika historia ya tasnia ya benki ya Kenya na msaada kutoka kwa Bodi, timu ya uongozi wa juu, wasimamizi, wateja na wenzangu hapa NCBA, umefanya safari hii kuwa ya maana.

Tuna kazi nyingi ya kufanya. Nina hakika kuwa tutafanya NCBA itambulike kwa kusudi lake - "Inspiring Greatness", kwa kuhamasisha na kuwezesha wadau wetu kufanya mambo mazuri. Kwa wateja wetu, tutaendelea kuwekeza kwenu kupitia utoaji wa uzoefu bora wa wateja, amani ya akili na kuwa mshirika wako katika safari yako ya ukuu. Kwa wenzetu, tutawapa mazingira ya umoja na haki iliwaweze kujifunza, kukua na kuwa na kazi zenye maana. Kwa jamii zetu, tutajitahidi kuwa raia wema, tutatembea mkono kwa mkono kuunda jamii bora ambamo ukuu unaweza kusherehekewa. Na kwa wanahisa wetu, tutafanya kila tuwezalo kuleta matokeo makubwa kwa njia sahihi.

NCBA inatambua madhara haribufu yanayosababishwa na janga la COVID-19, na gharama kubwa za kibinadamu, kiuchumi na kijamii.

Hizi ni nyakati ambazo hazijawahi kushuhudiwa na hata uharibifu huu unapoendelea kujitokeza, tunatambua kuwa hakuna mtu au shirika aliyenavifaa kamili vya kukabiliana na matokeo yake. Ndio sababu tunaendelea kufanya kazi kwa karibu na wateja wetu kuwasaidia kufanya maisha yao iwe rahisi, na kufanya mikopo yao iwe nafuu zaidi. Kurudishwa nyuma ni kwa muda mfupi tu. Miaka ya mbele ni ya kusisimua! NCBA iko hapa kukusaidia kufanikisha ukuu wako

John Gachora
Mkurugenzi Mkuu 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. He also serves as Chairman of the Capital Markets Authority. Mr. Ndegwa holds an MA (Hons) degree from the University of Oxford, UK, and is an Associate of the Chartered Insurance Institute, UK and the Insurance Institute of Kenya. He joined the Board on 19th November 2003 and was appointed Chairman in 2005.

Desterio A. Oyatsi ●

Deputy Group Chairman Independent

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

Isaac O. Awuondo ●●

Bank Chairman 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.

John M. Gachora ●●

Group Managing Director

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.

KEY: ● GROUP BOARD ● BANK BOARD

BOARD OF DIRECTORS

Hon. Abdirahin H. Abdi ●●

Independent Non-Executive

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

David Abwoga ●

Executive

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

John S. Armitage ●●

Non-Executive

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

Philip R. Lopokoiyit ●

Independent Non-Executive

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

KEY: ● GROUP BOARD ● BANK BOARD

George A. Maina ●

Non-Executive

Mr. Maina has extensive experience in Investment Banking, Business consultancy, commodity trading, project management and oil industry experience in Africa, the Caribbean and Central America. He is currently the Chairman of BAT Kenya PLC, a trustee at Starehe Boys Centre and Gertrude Gardens Children Hospital and Director of several other companies, and previously served as Managing Director of Kenya Shell and BP Kenya Limited until 2002. Mr. Maina holds a B. Tech (Hons) degree in Aeronautical Engineering and Design from Loughborough University, UK. He joined the Board on 1st June 2002.

Mr. Maina resigned as a Non-Executive Director in May 2020 following his appointment as the Chairman of the Board of Faulu Microfinance Bank Limited.

Nelson J. M. Mainnah ●

Non-Executive

Mr. Mainnah holds a Bachelor of Commerce (Accounting) degree from the University of Nairobi. He is a member of Kenya Institute of Management and is an alumnus of INSEAD, France where he obtained qualifications on Risk Management in Banking. He retired from CBA as Group Head of Enterprise Risk in April 2012 after working at the bank for thirty-eight (38) years. Mr. Mainnah has considerable expertise in business management, credit and enterprise risk, and treasury operations. Mr Mainnah holds various board positions in the education sector and offers financial leadership in various charitable organisations. He is currently involved in strategic leadership and risk management through consultancy services. He joined the Bank's Board on 1st October 2012.

Andrew S. M. Ndegwa ●●

Non-Executive

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

Esther N. Ngaine ●●

Independent Non-Executive

Mrs. Ngaine is a senior banker with 36 years of experience and over the years has played a role in the development of the Financial Services Sector in Kenya and the East Africa Region. She is currently the Managing Director of Amuiri Investment & Management Ltd, Non-Executive Director of several other companies and previously served as Director and Head of Public Sector at Citibank NA, Nairobi until 2014.

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

KEY: ● GROUP BOARD ● BANK BOARD

BOARD OF DIRECTORS

Jeremy I. Ngunze ●

Executive

Mr. Ngunze has wide experience in banking having worked with the Standard Chartered Bank for 18 years where he held various top management positions in Africa and Asia regions, prior to joining CBA. He holds an MBA in Financial Management (University of Wales and Manchester Business School) and Bachelor of Commerce Degree from the University of Nairobi. He joined the Group'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.

Jonathan Somen ●

Independent Non-Executive

Mr. Somen is an IT expert and well-known entrepreneur in Kenya. He is the founder and former Group Managing Director of Access Kenya Group Limited, one of the pioneer internet service providers in Kenya. He is also the founder and director of various companies in the technology industry, including Eldama Technologies Limited and Virtual IT Limited and is a keen sportsman and avid promoter of environmental conservation. Mr. Somen holds a BSc. Degree in Economics and Accounting from the University of Bristol, UK. He joined the Bank's Board on 20th November 2019.

Kairo Thuo ●

Independent Non-Executive

Mr. Thuo has vast experience in Law and Accounting and is a tax, legal and financial consultant. He is currently the Managing Partner of Viva Africa Consulting LLP and Non-Executive Director, Special Economic Zones Authority and Kenya Power and Lighting Company Ltd and other companies. He previously served as Associate Director at Deloitte until 2009.

Mr. Thuo holds an LLB degree from the University of Nairobi and is a Certified Public Accountant with membership in the Institute of Certified Public Accountants of Kenya. He joined the Bank's Board on 20th November 2019.

KEY: ● GROUP BOARD ● BANK BOARD

GROUP COMPANY SECRETARY

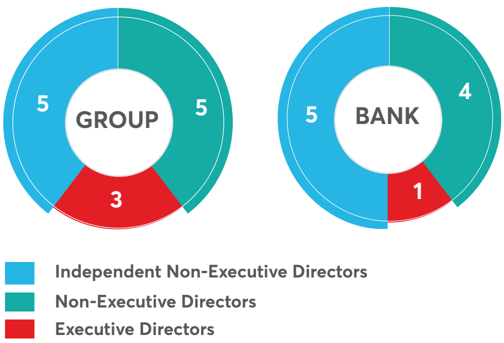
Livingstone Murage
Group Company Secretary

Mr. Murage has a B.Com (Hons) degree from University of Nairobi and is a Certified Public Accountant and a Certified Secretary. He is also a member of ICPAK and ICS(K). Mr. Murage has over 30 years' experience in the financial sector. He previously worked for PriceWaterhouse and Mobil Oil, before joining the Mercantile Finance Company in 1986. In 1990, he was part of the team that led to the formation of The African Mercantile Banking Company Limited (AMBank) and was subsequently involved in its merger with National Industrial Credit Bank in 1997. After the merger, he held several senior leadership positions including Head of Treasury, Head of Operations, Head of Human Resources and Head of Finance and Administration. In 1999, he was appointed Company Secretary, a position he holds to date.

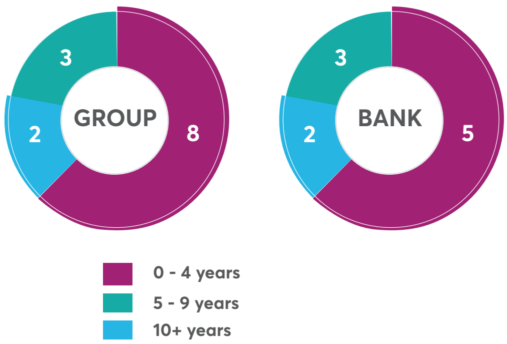
Notes:

- 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.

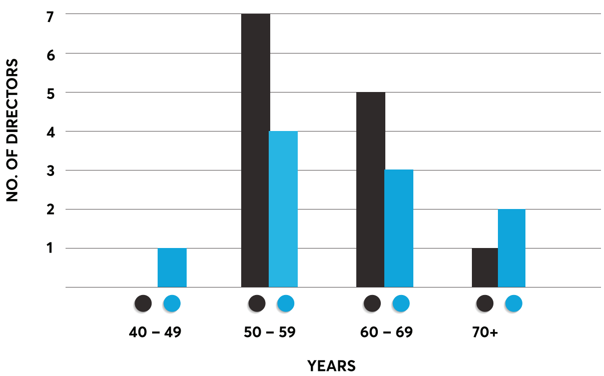
DIRECTORS' INDEPENDENCE



DIRECTORS' LENGTH OF SERVICE



DIRECTORS' AGE DISTRIBUTION



SENIOR MANAGEMENT

John M. Gachora

Group Managing Director

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 Group Managing Director in September 2013. He joined the Bank's Board on 1st October 2019.

Jeremy Ngunze

Group Director, Corporate Development and Regional Business

Mr. Ngunze has wide experience in banking having worked with the Standard Chartered Bank for 18 years where he held various top management positions in Africa and Asia regions, prior to joining CBA. He holds an MBA in Financial Management (University of Wales and Manchester Business School) and Bachelor of Commerce Degree from the University of Nairobi.

David Abwoga

Group Director, Finance

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

Livingstone Murage

Group Director, Governance & Company Secretary

Mr. Murage has a B.Com (Hons) degree from University of Nairobi and is a Certified Public Accountant and a Certified Secretary. He is also a member of ICPAK and ICS(K). Mr. Murage has over 30 years' experience in the financial sector. He previously worked for PriceWaterhouse and Mobil Oil, before joining the Mercantile Finance Company in 1986. In 1990, he was part of the team that led to the formation of The African Mercantile Banking Company Limited (AMBank) and was subsequently involved in its merger with National Industrial Credit Bank in 1997. After the merger, he held several senior leadership positions including Head of Treasury, Head of Operations, Head of Human Resources and Head of Finance and Administration. In 1999, he was appointed Company Secretary, a position he holds to date.

SENIOR MANAGEMENT

Alan Dodd

Group Director, Asset Finance and Business Solutions

Mr. Dodd has extensive regional and international banking experience covering East and Southern Africa, Middle East and Asia. He is a Director of several other companies and previously served as Executive Director, Corporate at Standard Chartered Bank Kenya Ltd. Mr. Dodd holds a BA (Hons) degree in Economics from University of Portsmouth, UK and is a member of the Institute of Financial Services, UK. He joined the NIC Group in January 2006 as Director, Corporate Banking.

Rosalind Gichuru

Group Director, Marketing, Communication and Citizenship

Ms. Gichuru holds an MBA from Northeastern University, Boston, USA, a B.Com. degree from McMaster University, Hamilton, Ontario, Canada, and is a Certified Executive Coach by the Academy of Executive Coaching, UK. Rosalind is a seasoned Marketing and Communications leader with 19 years' experience spanning the US market on various brand roles including Duracell and Oral-B Braun while working for The Gillette Company, and as the Strategic Marketing Manager for the Coca-Cola brand covering 39 Sub-Saharan Africa Markets. Rosalind transitioned from the FMCG sector to Banking and Financial Services in February 2014 when she joined the NIC Group.

Geoffrey Githinji

Group Director, Technology and Operations

Mr. Githinji holds a BSc. (Hons) Degree in Electronic & Electrical Engineering, and a Diploma in Industrial Studies from Loughborough University of Technology, UK. He has also attended various executive and leadership programmes at INSEAD, France; Templeton College, Oxford University; and Darden Business School, University of Virginia, USA. He is an experienced professional with a 30-year career spanning the public service (Ministry of Transport and Communication's Directorate of Civil Aviation), telecommunications (Societe Internationale de Telecommunications Aeronautiques) and financial services sectors (Standard Chartered Bank at various regional levels in Africa) prior to joining CBA as the Group Chief Operating Officer.

Irene Kamau

Group Director, Culture and Change

Ms. Kamau holds a B.Ed. Degree from Kenyatta University, an Advanced Management Program qualification from SBS/IESE business schools, a Higher National Diploma in HR Management from IHRM and a Diploma in Executive Coaching from AoEC. She previously worked in various HR Management capacities at Caltex Oil Limited, Diamond Trust Bank of Kenya and subsequently Barclays Bank in senior HR roles covering the East & West Africa region, prior to joining CBA as the Group Head of Human Resources.

SENIOR MANAGEMENT

Monicah Kihia

Group Director, Human Resource

Mrs. Kihia holds an MBA (Marketing & Strategic Management) from the University of Nairobi, B.Ed. (Mathematics & Economics) Degree from Egerton University, and is a Certified Executive Coach by the Academy of Executive Coaching, UK. She held several senior positions in Africa within the Human Resources, Operations and Customer Service functions of Citi Bank, culminating in serving as the Deputy Head of HR for East Africa and Head of Learning & Development for Sub-Saharan Africa, prior to joining the NIC Group as the Director, Human Resources in July 2014.

James Mugo

Group Director, Strategy & Integration Management

Mr. Mugo holds an MBA in Strategic Management from United States International University, a B.Com. (Banking & Finance) Degree from Kenyatta University, has undertaken various Executive Management Courses at Strathmore Business School & IESE Business School, and Darden Business School, University of Virginia, USA. He is also a member of the Institute of Certified Public Accountants of Kenya (ICPAK). Mr. Mugo has over 16 years' experience in Finance and Strategy, having held various senior management positions at East African Breweries Limited and Safaricom Limited prior to joining the CBA Group as Group Chief Finance Officer.

Eric Muriuki

Group Director, Digital Business

Mr. Muriuki holds a BSc. in Mathematics and Computer Science from JKUAT, a Master of Business Strategy from Strathmore Business School, is a Certified Information Systems Auditor (CISA) and a Cisco Certified Network Associate (CCNA)as well as a member of the Institute for the Management of Information Systems (IMIS). He worked as a Business Systems Manager and an Information Technology Officer at Citibank N.A., and as the Head of Business Change Management at the Co-operative Bank of Kenya prior to joining the CBA Group as a Business Development Manager, progressing to Head of Enterprise Programmes Management and subsequently General Manager, New Business Ventures.

Pauline Ndote

Group Director, Credit Risk Management

Ms. Ndote holds a B.Com. Degree (Accounting, Business Administration & Management) from the Daystar University and is an Associate of the Kenya Institute of Bankers. She worked with Housing Finance Company of Kenya as the Chief Risk Officer and CFC Stanbic Bank as Head of Credit prior to joining the CBA Group as the Group Head of Credit Risk Management with overall responsibility for the Group's Credit Risk Management processes which include lending, credit administration, portfolio management and remedial management.

SENIOR MANAGEMENT

John Okulo

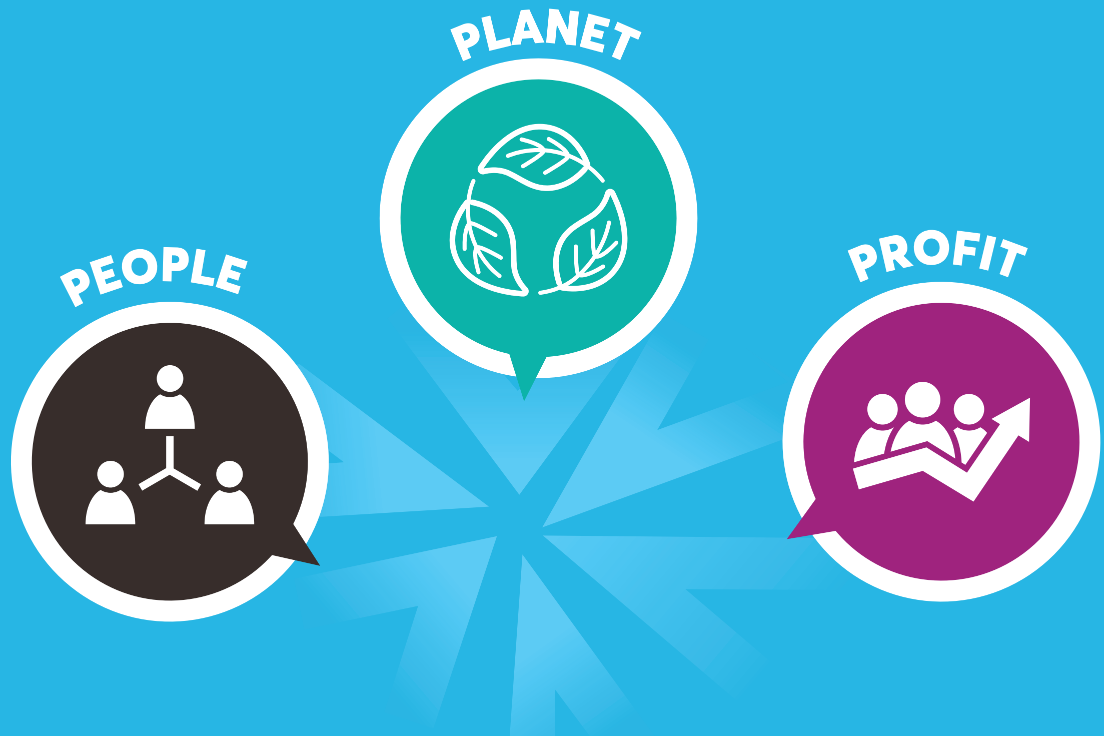
Group Director, Corporate Banking

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. With a career spanning over 22 years in the regional banking industry, he has held various senior management roles including Head of Trade Products (East Africa) at Citibank N.A., Head of Corporate Banking at Barclays Bank Kenya, Head of Corporate and Investment Banking for Stanbic Bank Uganda and Managing Director - NC Bank Uganda Limited prior to joining the CBA Group as the General Manager Corporate and Transactional Banking, and subsequently progressing to the position of Chief Commercial Officer.

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 worked at Equity Bank, Kenya as Director, Treasury, held various Trading and Sales roles at Fortis Bank Group, Belgium as well as Cargill Financial Markets in London and Turkey, prior to joining the CBA Group as the Group Head of Treasury handling the Markets, Asset and Liability Management, as well as the Financial Institutions' Business.



3 STRATEGIC PILLARS

CITIZENSHIP

Our strategy is anchored on SDG's, Big 4 Agenda and Kenya Vision 2030 through different initiatives under the three key pillars.

CITIZENSHIP

As one of the leading financial institutions in East Africa, we are committed to contributing to economic and societal development, while behaving ethically as well as improving the quality of life in the local communities and the society at large.

Our Citizenship programs aim to generate goodwill and build sustainability within the communities where we operate; encourage involvement and volunteerism of employees in our citizenship activities; seek to find mutually beneficial partnerships with customers and strategic partners with a view of improving our communities.

PEOPLE

- Supporting education is in line with the national agenda that singles out education, training and entrepreneurship for the youth as a vehicle that will drive the countries into a middle-income economy. Through our partners, we have supported over 90 students directly as beneficiaries of our education bursaries. Our education partners in 2019 remained as follows: Palmhouse Foundation, Edumed Trust Kenya, Dr. Choksey Albinism Foundation, Zawadi Africa Education Trust and M-Pesa Foundation.
- In addition to the financial commitment to support the formal education of students from disadvantaged backgrounds, the Group also strongly contributes to other initiatives aimed at providing mentorship opportunities for the youth at both secondary and university education level. Through the Palmhouse Foundation mentorship program, our staff volunteer their time at the end of every term to mentor the beneficiaries of the education scholarships. The Group also partnered with Kenya Community Development Foundation (KCDF) to provide a structured mentorship program for 380 students from Upper Hill Boys High School. This is a transformative mentorship and role modelling initiative that nurtures and mentor boys between the ages 14 – 25 years, to become confident and responsible men while unlocking their potential to become leaders in society.

GMD John Gachora meets beneficiaries from Dr. Choksey Albinism Foundation

NCBA Sponsored students at the Mpesa Foundation Academy with our Group Director - Marketing, Communication and Citizenship Rosalind Gichuru and CEO Mpesa Foundation Les Baillie

CEO Junior Achievement John Wali awards Bishop Gatimu Ngandu Girls School students during the High School Innovation Challenge

CITIZENSHIP

- Additionally, Junior Achievement (JA) runs an annual "Job Shadow" program in which last year, we hosted 130 students for a financial literacy/career fair in Nairobi and upcountry regions in order to create a link between education and success of the students. Innovation is at the heart of everything we do and through our partnership with JA, we have continued to support financial innovation by giving 1500 youth an opportunity to participate in the National Innovation Challenge and Company Program. The winning idea (Cancer Self-Test Kit) from Bishop Gatimu Ngandu Girls School got a chance to participate in the global competitions in Europe.
- As a Bank, we take great pride in being the sponsor of "House No. 10" at the SOS Children's Village in Kisumu. Each year, we not only donate funds for the upkeep of our 10 adopted children living in the house, but through our staff, we pay them regular visits to offer mentorship and words of encouragement to these children.

PROFIT

- We must grow our business in order to support the communities at large and their initiatives. Sustainable growth and financial performance will contribute to economic growth and deliver shareholder value. This can be achieved through continuous brand visibility, enhancing customer loyalty and staff participation for networking purposes. During the year, we sponsored Faraja Cancer Trust, Special Olympics Kenya for the disabled athletes, HELB, Nairobi Hospice, Nairobi Chapel, Catholic Church Fraternity among others to support their charity projects/initiatives.
- By supporting The First Lady's Marathon – Beyond Zero initiative with a contribution of Kshs 30 million, we helped complement the national efforts of building on existing public health programs: accelerate policy and program implementation as well as influence investments for strategic, high impact interventions, towards zero new HIV infections, zero maternal and child deaths.
- We collaborated with East African Women's League (EAWL) for the annual Diani Charity Goat Derby. The funds collected went towards supporting various initiatives such as the Kwale Eye Center and in support of various special needs initiatives within the Mombasa region. In addition, our annual support of the Children's Charity Heart Fund by Nairobi Hospital continued in 2019 with a contribution of Kshs 500,000, which went towards helping the Hospital conduct several open-heart surgeries for needy children.

Bank staff interacting with SOS Hse. No. 10 Kisumu

Jeremy Ngunze Group Director, Corporate Development and Regional Business and staff members during the Beyond Zero Marathon

GMD John Gachora and staff members planting trees at Kibiko Forest in Ngong

PLANET

- How clean and natural the environment within which we operate as a business has a lot to do with our continued well-being. A heavily polluted environment situated in a concrete jungle is highly undesirable. Supporting environmental causes that encourage the sustenance of our natural settings or redemption of depleted natural resources will result in a better life for all. We are achieving this through our continuous Change the Story tree planting campaign that was launched in 2018. To ensure sustainability of the **#ChangeTheStory** campaign, our tree planting engagements will culminate in the official commissioning of the NCBA 1 million tree nursery project at Karura Forest and Kieni, Nyeri County (Piloting in 4 schools is ongoing). The nurseries will ensure continuous supply of seedlings during planting seasons, support the government seedling deficit by partnering with Kenya Forest Service to grow seedlings for reforestation in the water towers with a bias towards indigenous trees and provide an affordable source of seedlings to partner corporates for their tree planting initiatives. In addition, we have partnered with Rhino Ark Foundation to raise funds for the conservation of Kenya's mountain range ecosystems, the so-called "Water Towers", Aberdare Electric Fence Project, Mt Kenya Fence Project, Eburu Fence Project and Bongo Surveillance.

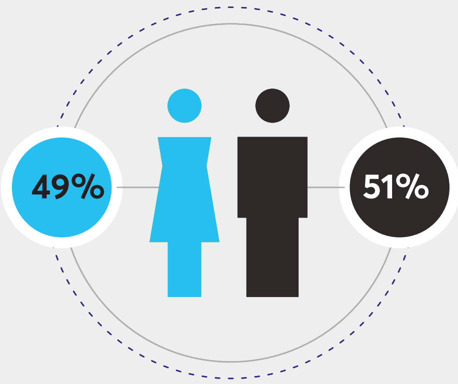
GMD John Gachora and staff members planting trees at Kibiko Forest in Ngong

GMD John Gachora and Chief Conservator of Forests Julius Kamau during the tree planting ceremony at Kibiko Forest in Ngong

EMPLOYEE WELFARE

EMPLOYEE WELFARE

KEY DATA	
No. of Interns absorbed	10 /55
Staff rotated	47
Staff promoted	121
Staff trained on new Culture	2598
Employees recognized	151
Total Turn-Over	7.60%
Average learning hours per employee	28
Annual Wellness Check Attendance	60%
New Hires	96



NCBA Group PLC aims to be an Employer of choice and our success lies in having a motivated and committed workforce, having the required skill set and know how. It is on this basis that we continue to make significant investments in our people agenda. The merger resulted to a combined population of 1,987 employees in the Kenya business, which presented a rich pool of talent to drive our business strategy.

1. Talent Management

Attracting, developing and retaining the right talent remains a key agenda in our HR strategy. In 2019, we focused on ensuring that we have robust Career progression, Rewards & Recognition and Compensation programs that enabled us to remain competitive and retain our best talent.

We achieved a talent retention of 91% through various initiatives that included career management programs such as, stretch job assignments, coaching and mentorship, learning & development programs as well as cross – border experiences within the Group, all aimed at enhancing the skills and competencies of staff in line with their career aspirations.

We have also adopted a blended approach in our learning strategy that combines both classroom and digital learning. We have ensured that staff get the required level of skills and competencies to effectively execute their roles and continuously offer best in class service. Ahead of Day 1 of the merger, we scoped and successfully conducted all the required trainings in systems, policies, processes and products across all departments and branches to support staff through the NCBA merger integration.

We also invested in a robust E-learning platform that enables staff to learn Anytime, Anywhere using any internet enabled device. This agile approach to learning has enabled NCBA to be a learning organization that embraces talent management as a key priority.

To ensure that our employees are well motivated, we recognize individuals and teams who demonstrate excellence, drive innovation and enhance customer experience. Special mention goes out to all the employees who formed part of the Integration Management Team for dedicating their time and energy to drive the successful implementation of the NCBA merger.

In order to ensure that we retain the best talent, we continually benchmark our compensation and benefits plans to ensure that we remain competitive to market. We have also linked our reward programs to performance to ensure that we have a high performance employee culture.

EMPLOYEE WELFARE

Key Programs	Target
Building a Winning Culture and Brand	All Bank Staff
Retail Banking Academy	Branch Managers, Relationship Managers & Assistant Managers
Policy and Process – Merger Training	All Staff
NCBA –Service Standards Training	All Staff
Key Bank Systems - Merger Training	All Staff
Credit Skills Training	Credit Team, Retail and Corporate Banking Relationship Managers
Training of Trainers	Trainers – Subject Matter Experts across the bank

2. Building a Winning Culture and Brand

We rolled out a Group wide initiative dubbed "Building a Winning Culture and Brand" campaign, which focused on providing psychosocial support and training staff on Change Management prior to the NCBA Merger. This enabled us to rally all staff towards a successful merger and the launch of the new NCBA brand as we embarked on the journey to building our new culture.

We have continued on this Journey to "Building a Winning Culture" by Co-creating the Values that will drive the behavior of all NCBA Employees to ensure that we achieve our Aspiration and Brand Promise of Inspiring Greatness. We have also developed an Employee Value proposition that inspires staff towards "Doing Greatness every day" in everything

3. Employee Experience & Wellness

At NCBA, we remain cognizant that an attractive Employee Value Proposition should deliver a great employee experience that includes robust Wellness Programs. To this end, we organized bank wide annual wellness clinics which focused on the following programs;

- Mental, Emotional, Financial Wellness & Physical Fitness.
- Nutritional and other Health Talks
- Breast cancer awareness and checks
- Prostate cancer awareness and checks
- Cervical cancer awareness and checks
- Breastfeeding campaign
- Smoking and illegal substance abuse.
- HIV/AIDS awareness

4. Employee Engagement

We continue to provide engagement avenues with our staff to ensure they get opportunities to provide feedback during the Integration process and post Integration. The following initiatives were instrumental in facilitating for both top down and bottom up communication during this period;

- Quarterly staff Town halls to update staff on progress made on the merger and provide opportunity for staff to engage each other and with the new leadership, express their view and also get to learn of the desired new vision for the bank
- Culture Surveys to obtain feedback from staff on what is working well, the improvements they would like to see and suggestions on the desired Culture for NCBA.
- Engagement forums with the senior management to enable free interactions amongst the leadership team.

EMPLOYEE WELFARE

- HR Caravans to cascade the Performance Management process and ensure alignment with Business Strategy.
- Regular bulletins communicating with staff on key updates such as merger milestones.
- Annual staff party during which we got to celebrate our key merger milestone and set the tone for the upcoming year

5. Performance Management

HR has ensured that there is a Robust Performance Management Process that is well understood by staff through regular Trainings and Webinars. This Performance Management process has been digitized through the SAP system to ensure efficiency. It is also linked to the overall Business Strategy and broken further to each specific department's strategy.

6. HR CIRCLE OF EXCELLENCE AWARDS

The **HR CIRCLE OF EXCELLENCE AWARDS** seek to identify individuals and institutions that have made an invaluable contribution to the HR practice in the Country. The awards have immensely contributed to setting standards, defining norms and practices and putting HR at the right pedestal in their institutions

The Institute of Human Resource Management – IHRM annual HR Dinner & Awards ceremony was held on 6 December 2019 at the Intercontinental Hotel with the following 3 awards going to NCBA HR Team;

Grace Nzomo won HR Rising Star of the year

Monicah won HR Director of the year

NCBA Bank was 2nd Runner's up for Most Innovative Deployment of HR Technology

OUR BUSINESS

KENYA BUSINESS **OVERVIEW**

GREATER BANKING

CONSUMER BANKING

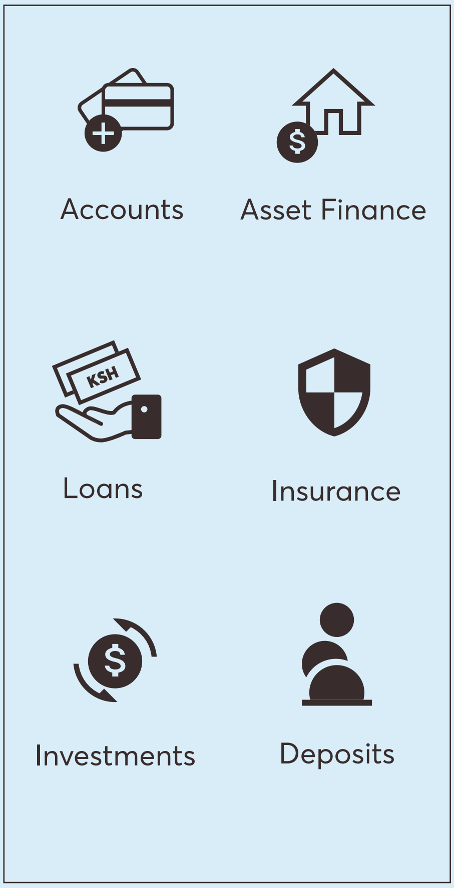
AT NCBA WE HAVE TAKEN THE TIME TO UNDERSTAND OUR CUSTOMERS AND CREATED TAILOR MADE BANKING SOLUTIONS FOR ALL OUR INDIVIDUAL CUSTOMER SEGMENTS.

Our solutions help our esteemed customers attain their personal financial growth goals and enjoy the lifestyle they desire benefitting from the support of our large team of dedicated Relationship Managers. We offer true value from car finance that is approved within 24 hours, to 105% Home Loans and varied investment options. These services accessed through products like the NCBA Platinum Account, NCBA Gold Account and NCBA Go Banking Account.

The NCBA Online and Mobile Banking apps enable our customers to bank on their terms, whenever, wherever and however. Additionally, they are able to bank more conveniently from our branch network of over 80 branches and ATMs plus a dedicated Contact Centre that operates 24/7.

In order to enhance our propositions and improve the personalized customer experience, we continuously mine our customer data to get insight into their consumer habits and anticipate their fifinancial needs. Our Workplace Banking approach expands the reach of NCBA Bank's distribution network by creating proactive sales strategy that efficiently acquires new customers and cross sell to existing customers in their workplace.

ACCESS OUR EXTENSIVE PORTFOLIO



GEARED FOR BUSINESS

BUSINESS BANKING

Through instant payments and a wide variety of loans, asset finance, trade finance, overdraft facilities, investments and insurances, NCBA's Business Banking gives Small and Medium Enterprises (SMEs) access to the resources they need to grow and develop their business. Expert advice and guidance, backed by our highly-trained and proactive Relationship Managers, means doing business with NCBA is a pleasure.

NCBA Business Banking offers

1. Working Capital financing
2. Trade finance solutions
3. Asset finance solutions
4. Business Banking Gold Card
5. Dedicated Business Banking Relationship Manager
6. Dedicated Business Banking service desk at select branches
7. Invitations to exclusive Business Banking events

WHEN IT COMES TO FINANCING YOUR BUSINESS, NCBA GIVES YOU A CHOICE OF QUICK AND EASY BUSINESS LOANS INCLUDING PROPERTY FINANCING, VEHICLE, FLEET AND EQUIPMENT LOANS, OVER DRAFT FACILITIES, AS WELL AS STOCK AND TRADE FINANCING.

ACCESS OUR EXTENSIVE PORTFOLIO

Accounts

Deposits

Investments

Loans

Property Finance

Insurance

BOND TO EXCELLENCE

CORPORATE BANKING

In this segment we are bound to excellence to help our corporate and business customers identify the transactional, debt, investment and insurance solutions that best suit their institutional requirements. NCBA is able to expertly handle high volume transactions, assist our customers to borrow funds, earn interest on excess liquidity or protect their assets.

Our Corporate Banking solutions include:

Cash Management

We offer electronic and paper-based services that make cash management quick, easy and secure. With our tools, you can develop and benefit from an orderly ecosystem that optimizes the flow of cash in your business, with your suppliers, customers and distributors.

Our commitment to innovation ensures the delivery of tailored client solutions that aim to solve challenges at all stages of the business cycle. Let us help you choose from a comprehensive suite of transactional solutions.

Trade Finance

NCBA trade financing creates opportunities for your organization. Our solutions are available to help you strengthen your competitive power, improve liquidity and cash flow in local and international trade.

Institutional Banking

NCBA has a dedicated team of banking professionals that focus on meeting institutional needs. We draw from expertise and results based methodologies to enable you to make financial decisions that meet the customers' aspirations.

Institutional banking is suited for:

- Local & international non-profit organizations
- Diplomatic missions
- Donor agencies
- Faith based organizations
- Public sector entities
- Professional firms
- Insurance companies
- Educational institutions
- Non-bank financial institutions
- Family offices
- Trusts

Global Markets

NCBA Bank Global Markets team is active in the foreign exchange, fixed income and money markets. We provide individuals, financial institutions, corporates and fund managers with tailor-made services in spot and forward foreign exchange, swaps and fixed income trading. We leverage on our local knowledge and deep expertise to grant you unique insights that will help you manage your exposure to foreign currencies and interest rates

OUR BUSINESS

NCBA INVESTMENT BANK

NCBA Investment Bank Limited is the investment banking subsidiary of the NCBA Group PLC. The Company is licensed and regulated by the Capital Markets Authority. NCBA Investment Bank Limited (formerly NIC Capital Limited) is the surviving investment bank following the amalgamation of the investment banking units of the former NIC Group PLC and Commercial Bank of Africa Limited, on 1 October 2019. The investment banking units were NIC Capital Limited, CBA Capital Limited as well as the securities brokerage subsidiary, NIC Securities Limited. The amalgamation exercise resulted in a single investment banking franchise, NCBA Investment Bank Limited.

The Company's principal activity is the provision of investment banking services, which include.

Advisory:
Our advisory unit provides specialist value-add corporate finance advisory, capital raising services and project finance solutions. Corporate finance advisory services include due diligence reviews, business restructuring, mergers and acquisition and stand-alone company or business valuations. Capital raising services cut across debt and equity capital raises (both public and private), and structured products. Project finance entails structuring financing for large capital-intensive infrastructure projects and limited recourse transactions. The end-to-end offering cuts across optimal financial structures for both equity and debt financing, cash flow modelling and negotiations on project agreements;

Brokerage:
Our brokerage unit is a trading member of the Nairobi Securities Exchange. This enables us to offer investors a convenient way to invest in marketable securities, including equities, fixed income securities and derivatives. In addition, the Investment Bank securities plays an important role in facilitating approvals for new issuers of securities (both equities and fixed income) 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:
our wealth management unit provides investment solutions to meet clients' short to long term investment needs that reflect their financial status, risk preferences, liquidity needs and investment horizon. Our solutions include Collective Investment Schemes (which include the NCBA Money Market Fund, NCBA Dollar Investment Fund and the NCBA Equity Fund); we also structure and manage bespoke segregated investment portfolios mandates both for individuals and institutions; and finally we offer execution only services which provides the clients with a platform to retain the decision making control over the investments in the short term and long term investments, whilst outsourcing the administrative processes to the investment bank

OUR BUSINESS

The Company recorded a net profit of Kes 54.2 million from its operations in 2019, which included wealth management and brokerage revenues for the first time. Until the amalgamation in October 2019, the Company was purely an advisory outfit.

The Company's performance was underpinned by growth in Assets Under Management which shored up the unit's Wealth Management revenues as well as a boisterous deal advisory landscape in East Africa, that saw 104 deals recorded during the year.

In 2019, the equity market was characterized by a general uptrend which gathered momentum in the last quarter of 2019 following the repeal of interest rate cap, which in turn positively impacted our brokerage revenues.

NCBA INSURANCE AGENCY

NCBA Insurance Agency, is a wholly owned subsidiary of NCBA Group PLC. We offer customers access to a one stop shop for all their insurance needs.

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

In spite of a challenging operating environment and intense competition, the agency recorded commendable growth in both revenue and profitability.

Our total income grew by 25% to Kes. 343 million, attributed to growth in commission revenue and investment income. The Company recorded a Profit before tax (PBT) of Kes. 211 million, a growth of 23%. Bundling and embedding insurance in all bank products remains our key strategy for growth. This has proven to be the most critical factor for success across the Bancassurance market.

The agency also attained a high customer retention rate, at 85%, a testament of our continuous drive and commitment to delivering excellent customer experience. The growth of the Bank's branch network and our ability to deliver digital-first solutions offer immediate opportunities to bolster our distribution channels for sales and service to our customers.

Being part of the NCBA Group, the resultant entity of the coming together of two strong reputable brands with a long heritage in the Kenyan market, we continue to leverage on these core strengths as well as the wide and growing customer base, branch network and technology to grow our Bancassurance business.

NCBA LEASING

NCBA Leasing offers corporates and businesses the flexibility to acquire and release assets. Our customers enjoy the below benefits:

- **No Capital outlay required:** Our customers do not need to tie down the capital that could be used on other investments and infrastructure .
- **The cash flow management:** The residual value of the asset is taken into consideration therefore there is lower payment eventually when compared over the period of usage.
- **Leasing provides flexibility:** Since you can easily upgrade the asset either during the lease term or at the end of the lease term, it gets you out of obsolescence risk. Our customers do not need to be stuck with obsolete vehicles or other assets noting the disposal process challenges.
- **Operating lease can included extras like service and insurance:** Our lease program can be packaged to incorporate extended options of insurance, fleet management, service, thus resulting in reduced costs compared to when the costs were provided for separately.
- **One master agreement for various suppliers and different assets:** Our lease program allows you to acquire various assets from various suppliers under one Master Lease Agreement thereby providing ease of administration, only schedules specifying assets are signed upon delivery.


GET
SUPER FAST
CAR LOANS
WITH NCBA
ASSET FINANCE
• LOAN APPROVAL IN UNDER A DAY
• ONLINE LOAN APPLICATION AVAILABLE
• ATTRACTIVE MOTOR INSURANCE

THE ASSET FINANCE BUSINESS CONTINUED TO DOMINATE THE MARKET BY BOOKING 94% MORE BUSINESS THAN THE NEAREST COMPETITOR. THE BALANCE SHEET GREW BY 9% AND PROFIT BEFORE TAX WAS 26% AHEAD OF BUDGET. THE BUSINESS ALSO MANAGED TO MAINTAIN A BELOW BUDGET PROVISION CHARGE OF 34%, AN INDICATION OF AGGRESSIVE COLLECTIONS DURING THE YEAR.

Other successes include;

- Reduction in turnaround time from 2.5 days as at the end of 2018 to 1day as at the end of 2019.
- Set-up and operationalization of a vehicles yard used for storage of repossessed vehicles. This has seen a 15% increase in the selling price of repossessed vehicles and faster turnaround in their disposal as we are now able to conduct basic maintenance like regular cleaning of vehicles and ensuring all vehicles have proper tyre pressure to restore their value.
- Full implementation of online platform for Hire Purchase applications which has seen an average of 56% of applications during the year originated through the platform. The online platform provides an automated loan application process that allows customers to apply for loans from the comfort of their own homes through their computer or mobile devices at their own convenience without having to visit a branch.

Key notable highlights in Asset Finance include;

- Financed over 4,300 vehicles worth around 17bn.
- Continued to support the rest of the bank by onboarding 2,500 new current and savings accounts.
- Over 80% of the vehicles being financed are commercial vehicles confirming our continued support to SME customers.

DIGITAL BUSINESS

DIGITAL BANKING

Key to the emergence of NCBA as the bank of the future in Africa, is its digital drive and the clarity of vision in reimagining the future of the financial services industry through constant state of innovation and digital transformation. NCBA's service delivery and product offering is specially designed to capture what customers want in the world of today and tomorrow.

NCBA leverages on the best of technology to add real value to the lives of its customers across the region. Its central goal remains to offer great customer experience with strong prudential oversight and a dedication to service, responsibility and trust as the guiding virtues to customers.

By offering services that are simple and effective NCBA strives to give customers time for more, for things that matter most to them.

Have a look around our website – www.ncbagroup.com to find the unique range of banking products and services we have for you and your business.

REGIONAL **BUSINESS OVERVIEW**

REGIONAL BUSINESS OVERVIEW

CÔTE D'IVOIRE

NCBA Group PLC, through its subsidiary NCBA Bank Kenya PLC, established a deposit taking microfinance company in Côte d'Ivoire through a joint venture with Bridge Group West Africa. The associate company engages in mobile based lending and savings through the brand name MoMoKash, all made possible through an innovative service partnership proposition between NCBA, Bridge Group and MTN. The company currently has 1.5 million customers and is expected to continue growing exponentially as a key part of the Group's digital strategy.

RWANDA

NCBA Bank Rwanda Limited is a wholly owned subsidiary of NCBA Group PLC which is licensed as a commercial bank by the Banque Nationale du Rwanda to offer banking and related services.

On 15th February, 2015 CBA entered Rwanda with a license to operate a microfinance banking institution based on mobile savings and loans products. On 27th November, 2017, Commercial Bank of Africa Limited concluded a deal to purchase Crane Bank Rwanda ltd, which was then owned by DFCU Bank Ltd, with head office in Uganda. The acquisition of Crane bank also led to the merger of the bank and CBA under 100% ownership of Commercial Bank of Africa Limited operating commercial Banking services under name of CBA Rwanda Ltd.

TANZANIA

NCBA Bank Tanzania Limited is a commercial bank licensed by the Bank of Tanzania and is a wholly owned subsidiary of NCBA Group PLC, engaged in the business of commercial banking and the provision of related banking services and is a subsidiary of NIC Group. In 2009 NIC Group acquired a stake in Tanzania's Savings and Finance (S&F) Commercial Bank. In 2010 Tanzania's Savings and Finance (S&F) Commercial Bank. successfully re-branded it to NIC Bank Tanzania.

NCBA Bank Tanzania Limited is the product of a merger between NIC Bank Tanzania Limited and Commercial Bank of Africa (Tanzania) Limited. At the time of the merger, both NIC Bank and CBA Tanzania had six branches each, located in Dar es Salaam, Mwanza and Arusha Cities as well as in Zanzibar. The merged Bank is well-positioned to drive business growth in the corporate and retail market segments, underpinned by the Group values and bolstered by the combined synergies of the merged entities.

UGANDA

NCBA Bank Uganda Limited is a financial institution which is licensed under Uganda's Financial Institutions Act, 2004. The Bank, which is a wholly owned subsidiary of NCBA Group PLC, is engaged in the business of commercial banking and the provision of related banking services.

NCBA Bank Uganda Limited is the product of a merger between NC Bank Uganda Limited and Commercial Bank of Africa (Uganda) Limited. At the time of the merger, NC Bank had three branches while CBA Uganda had two branches, all located in Kampala City. The merged Bank is well-positioned to drive business growth in the corporate and retail market segments, underpinned by the Group values and bolstered by the combined synergies of the merged entities.

REGIONAL BUSINESS OVERVIEW

CÔTE D'IVOIRE

We support 1.5 Million customers through our MoMoKash proposition

RWANDA

	2018	2019
TOTAL ASSETS	2,877	3,795
CUSTOMER DEPOSITS	1,893	2,203

	2018	2019
LOAN BOOK	809	1,984
LOSS FOR THE YEAR	(279)	(195)

TANZANIA

	2018	2019
TOTAL ASSETS	16,691	22,521
CUSTOMER DEPOSITS	8,036	12,446

	2018	2019
LOAN BOOK	7,597	11,837
LOSS FOR THE YEAR	(610)	(2,183)

UGANDA

	2018	2019
TOTAL ASSETS	5,453	14,880
CUSTOMER DEPOSITS	3,686	10,229

	2018	2019
LOAN BOOK	2,361	7,818
PROFIT/(LOSS) FOR THE YEAR	15	(175)

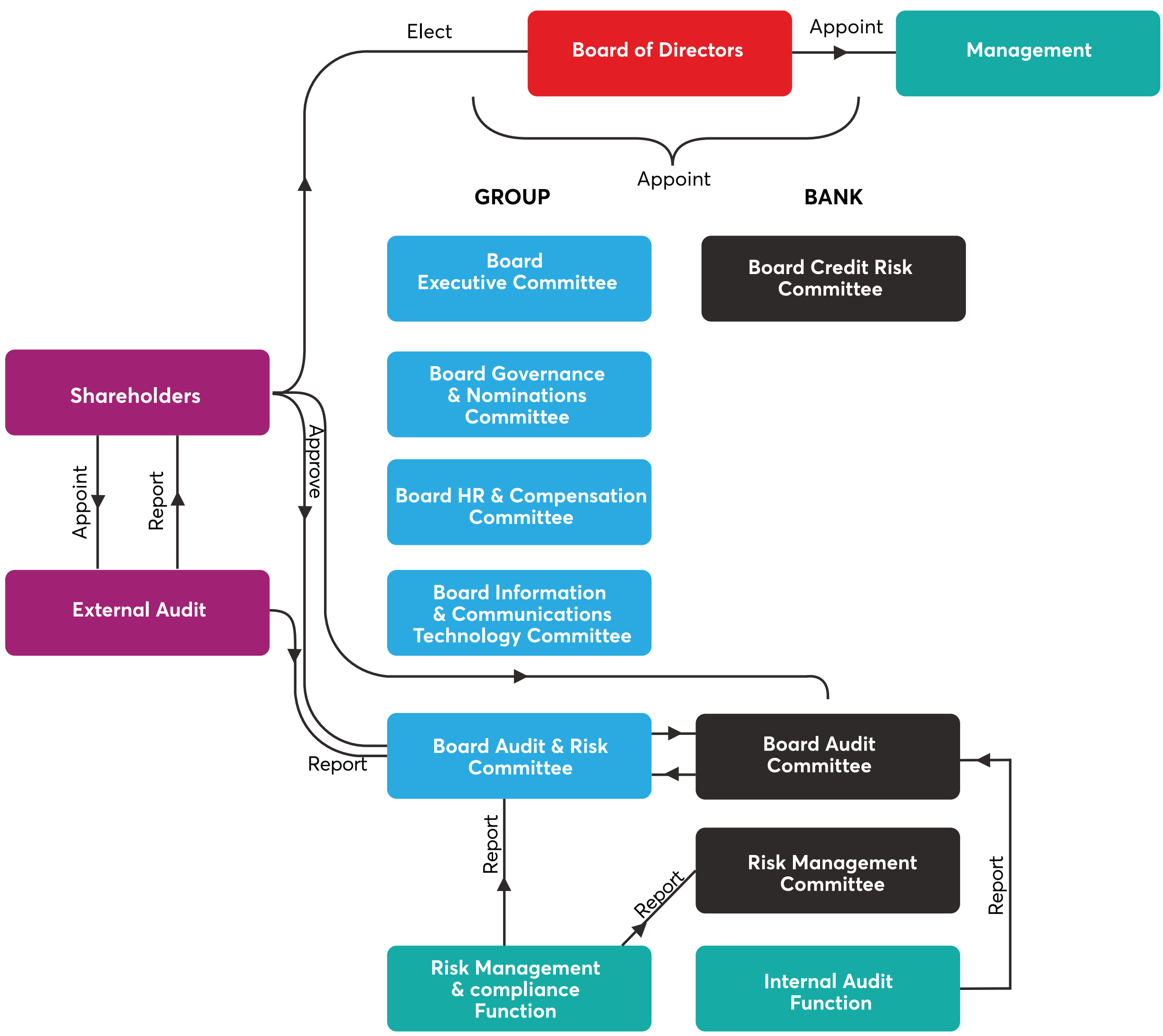
Note: The figures presented above are denominated in Kenya Shillings ('000). Additional Information is available under the notes to the financial statements from page 183 to 187, note 49.

The figures for Tanzania and Uganda represent the unadjusted combined performance of the NIC and CBA entities in the respective jurisdictions.

CORPORATE GOVERNANCE

The Group underwent a significant transformation in year 2019 following the merger between NIC Group PLC and Commercial Bank of Africa Limited, culminating in the formation of NCBA Group PLC. The merger resulted in changes to the Corporate Governance structure resulting from a change in ownership and/or control of the new entity as the new shareholders joined the existing ones to form a larger and more robust entity with greater aspirations for the future. The larger entity not only promises greater opportunities for the Group's investors, but also imposes greater responsibility and accountability towards ensuring that excellent governance practices are upheld for the benefit of the Group's Shareholders via the delivery of long-term and sustainable development and growth.

NCBA Group Governance Structure as at the end of year 2019

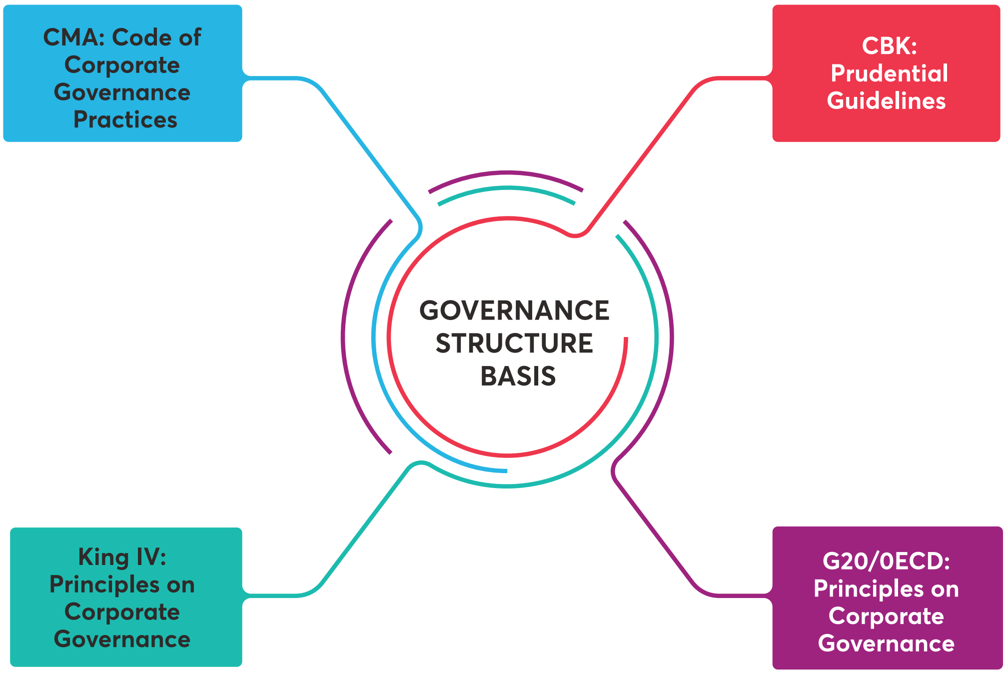


The roles played by each of the above committees are described on page 69 to 74 of this report.

CORPORATE GOVERNANCE

Governance Principles

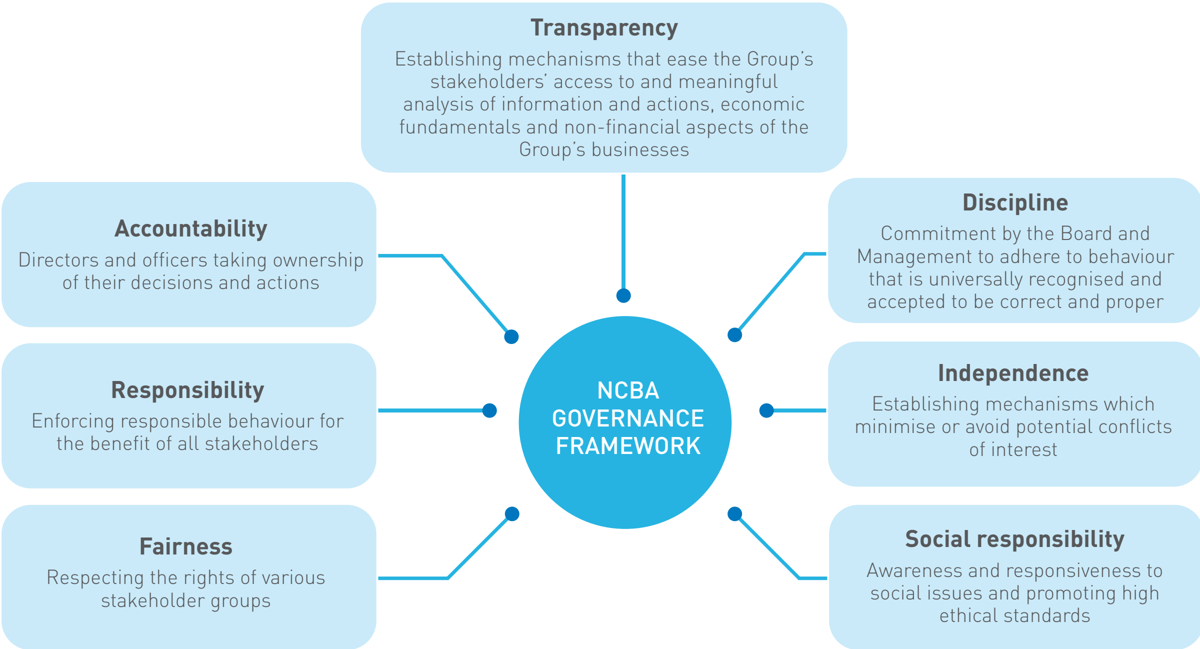
The Board of Directors of NCBA Group PLC and NCBA Bank Kenya PLC (the Companies) have established robust governance structures modelled around the guidelines contained within four broad sources:



The principles derived from the regulatory and best practice frameworks, which have enabled the Board to establish a strong foundation that effectively upholds the Group's Corporate Governance practices, include but are not limited to:

Compliance	Laws; Regulations; and applicable standards & policies.
Structural integrity and accountability	Board: composition; independence; competencies; diversity; complementarity; and effectiveness. Management: support structures; segregation of duty; and delegation of authority.
Timely, transparent and relevant communication and disclosures	Key policies and relevant information, to provide stakeholders with a clear understanding of our businesses.
Robust Internal Controls	Strong audit procedures and audit independence; internationally recognized auditing and accounting principles; well-scoped internal and external audits; and periodic external auditor rotation.
Sustainability	Roles, objectives and remuneration aligned to shareholders' long term interests.
Optimized Strategy	Frequent and forward looking strategy reviews that anticipate risks and promote long term prosperity.
Integrity	Culture, practices and a well-defined and implemented Code of Conduct and Ethics.

These principles are further underpinned by the following seven key attributes that guide the Board and Management in the implementation of the governance framework:



Compliance with the corporate governance requirements

Pursuant to the recommendations and guidelines provided by the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 (the Code), the Companies' Boards have consistently sought to track the implementation of the Code through their policies and practices.

One of the key recommendations is for the Board to introduce integrated reporting. This has been an area of significant focus for the Board over the past few years, in which a firm commitment has been made to ensure that integrated reporting is well-established and entrenched as part of our disclosure framework. We believe that integrated reporting provides a clear, detailed and comprehensive view of how we create long-term sustainable value for our stakeholders, through transparent and meaningful corporate reporting on matters affecting our environmental, social and governance prospects and performance on account of our strategies, opportunities and challenges.

Owing to the complexities of the recently concluded merger, and the absence of comparable historical metrics against which to measure the merged entities and thereby make meaningful representations on how the company is performing in this regard, the Board opted to suspend the continued implementation of the integrated reporting framework for the period under review, with the intention of re-establishing integrated reporting in the coming year.

Another key recommendation is for issuers of securities to the public to undertake an annual Governance Audit by competent professionals, recognised and accredited by the Institute of Certified Secretaries (ICS); and also to undertake an independent Legal and Compliance Audit every two years by a duly qualified legal professional, licensed by the Law Society of Kenya (LSK), to establish the level of adherence by the Companies to applicable laws, regulations and standards.

CORPORATE GOVERNANCE

Following consultative engagement between the Capital Markets Authority and representatives of issuers of securities to the public, an agreement was reached to revise the frequency of the independent governance audits to every two years, hence allowing for sufficient time for issuers of securities to implement recommendations made from prior governance audits.

Noting the complexity and significance of the changes that the Group underwent during the year, NCBA Group PLC opted to take up the two year review cycle for the Independent Governance Audit while utilising the year 2019 to focus on ensuring that the Group's strong governance practices were upheld, including through ensuring the progressive enhancement of best practices based on the findings of the previous audit conducted for the year 2018. Some of the key achievements in year 2019 that are aligned to the recommendations made in the Governance Auditor's report include:

- An increase in the number of Independent Directors on the Bank's Board, as well as on the reconstituted Board Audit and Risk and Board Audit Committees of the Group and Bank respectively;
- Enhanced statements on oversight over the Companies' operations in the respective Board Charters, including on matters relating to strategic objectives, risk strategy, corporate governance, corporate values and internal controls;
- Updated and enhanced Board Committee Terms of Reference; and
- Alignment of responsibilities contained in the Board Work Plan to the Board Committees' agenda for ease of reference and tracking of deliverables.

Ongoing activities that are due for completion and approval by the Board in the year 2020 include a review of Board policies covering related party dealings, stakeholder relations, citizenship, conflict of interest and ethics risk profiling so as to enhance the existing practices and align them to advances in best practices within the framework of the guidelines that we subscribe to.

Additional details relating to the Board's actions in this regard are detailed on pages 60 to 62 of this report.

Application of the Governance Framework

The Group's Board Governance and Nominations Committee assists the Companies' Boards to track the implementation of the Code and the enhancement of the Group's Corporate Governance practices. To guide Management in the implementation of the Corporate Governance Framework, the Boards of the Companies have established a number of policies and procedures, key among which are listed here below together with a brief summary on their key provisions in line with the Board's desire to ensure adequate disclosures to Stakeholders.

<table>
<tr><th>Board Charter</th><th>Board Remuneration, Attraction and Retention</th></tr>
<tr><td>Provides guidance to the Board in the discharge of its fiduciary duties concerning:
• Board and Governance structure;
• Powers, Role, Responsibilities and Practices of the Board;
• Code of Conduct and Ethics;
• Conflict of Interest and Board Independence;
• Board processes; and
• Board evaluation and effectiveness.

The Companies' Board Charters have been published on the Group's website.

During the year, the Board Charters were enhanced to cover in further detail matters relating to induction and the Board Work Plan, among other enhancements the governance auditor recommended. The revised Charters were approved by the respective Boards.</td><td>A set of guidelines and criteria for the Board's compensation, attraction and retention of Directors through:
• a transparent, fair and reasonable remuneration process;
• a framework that encourages long-term financial soundness and prudent risk management;
• a good and strong reputation that attracts and retains high quality Directors;
• opportunities for Directors to advance their skills hence enabling their long term retention;
• a review of Directors' Remuneration so as to provide market competitive compensation; and
• Disclosure via a Directors' Remuneration Report.

The Director's remuneration policy and report, including details of their compensation, appears on page 88 to 92 of this Report.</td></tr>
<tr><th>Corporate Disclosures</th><th>Code of Conduct and Ethics</th></tr>
<tr><td>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.

Following the conclusion of the merger, a review of the stakeholder relations framework is currently underway to enhance the Group's relationship with its Stakeholders; while additional reviews and/or enhancements will be progressively made to the digital and online communication, dispute resolution mechanisms and citizenship guidelines.</td><td>The Group Code of Conduct and Ethics, expresses the values that drive our behavior including addressing ethical issues, integrity on reporting, adherence to policies and procedures and addressing internal and external audit matters. It gives guidance to the Board, Management and Staff of the Group on acceptable behavior and ethical standards.

Additional review and/or establishment of policy enhancements in relation to the Group's Conflict of Interest and Ethics Risk Profiling will be progressively made to complement and deepen the principles, guidelines and practices outlined under the Code of Conduct and Ethics.</td></tr>
</table>

Conflicts of Interest	Environmental, Social and Governance (ESG)
The policy on conflict of interest has been established and elaborated upon within the Group Code of Conduct and Ethics, the Board Charters, Directors' letters of appointment, and the Human Resource Management Policy. Disclosures on actual, potential or perceived conflicts of interest are a standing agenda item at each Board and Committee meeting. ***The policy requires:*** • new Directors to disclose any actual, potential or perceived conflicts of interest prior to the Board's consideration of their appointment; • non-participation in discussions or decisions in which 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. Additional enhancements in relation to Anti-Bribery and Anti-Corruption are due for approval during the upcoming review cycle.	The Group policies and procedures create a framework in which the Group and its Customers commit to undertaking their activities in a manner that is considerate to the environment and communities surrounding their operations. ***The policies require:*** • undertaking an assessment of customers' operating activities; • creating a sustainable ecosystem that is beneficial to all parties involved; • designing an environmentally friendly structure that promotes sustainability; • Green/ Responsible Procurement and use of sustainable products; and • Labour Related Social Responsibility. The Group's ESG framework focuses on three key pillars, being Planet, People and Profit in which a correlated approach has been established to ensure that as the Group pursues wealth creation for its stakeholders, it also seeks to entrench and realise its promise and values in its interaction with People and the physical environment.
Procurement and Vendor Management	**Group Staff and Related Parties Securities Trading**
The Policy subscribes to principles of openness, integrity and fairness in implementing the Group's procurement practices through: • providing equal opportunity to all; • Procurement Planning and Supply market analysis; • transparency in the procurement process; • procurement that matches the Group's businesses standards, image, look and feel; • promotion of environmental and social protection and use of sustainable goods and services along the supply chain; • ensuring accountability on all transactions; • upholding the anti-bribery and anti-corruption laws and regulations; and • alignment to the Group's strategic plans hence ensuring prudent allocation of resources to enhance stakeholder value.	The policy prohibits Directors, Management and staff from trading in securities, (including equity securities, convertible securities, options, bonds and any stock index containing the security), of any company while in possession of material, non- public information, (also known as insider information), regarding the entity. • Information is considered to be "non-public" unless it has been publicly disclosed, and adequate time has passed for the securities market(s) to consider the import of the information; • Staff are required to adhere and refer to the Policy for additional details on permissible trading activity; and • Staff members are required to obtain pre- clearance before trading in any listed securities to avoid inadvertent insider trading exposure. The Board is glad to report that during the year 2019, there were no known or identified instances of insider trading by the Directors, Management or Staff of the Group.

Whistle Blowing	Information, Communication & Technology (ICT)
The Board established a Whistle Blowing Policy (accessible via ke.ncbagroup.com) which: • sets out the Boards', Managements' and Staff members' obligation and commitment to upholding the highest levels of integrity and observance of the rule of law; • provides a definition of who a whistle blower is, protection and remedies for whistle blowers, dispute resolution mechanism, voluntary disclosure program, reporting channels and procedures, timely disclosure on findings and resolution and data retention; • is consistent with the commitments made in the Board Charter and Code of Conduct; 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 Policies on ICT as established by the Board set the framework for: • prudent procurement practices in relation to ICT systems; • harmonization of systems that can be seamlessly used by all entities within the Group to pursue its service delivery objectives; • an access controls platform to ensure adequate security is maintained for all data held with clear responsibilities and accountabilities for systems use; • the creation of an enabling environment for relevant infrastructure implementation and future development needs; • Data management and Protection; • ICT Security and Cyber Security Monitoring; • ICT literacy and professional skills development for all staff and especially for those charged with the administration of ICT systems; and • development of fit for purpose ICT systems and applications in support of the innovation and digital approach for the Group. The policies are administered by Management with periodic reports and updates submitted to the Group Board ICT Committee for consideration and guidance.

Directors' External Activities and Related Party Transactions

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Group. Business transactions with all parties, including the Directors or their related parties are carried out at arm's length.

In 2019, the Directors submitted their annual declarations of interests which included an acknowledgement:

- of their obligation to declare any matter concerning the Group that may result in a conflict of interest and exclude themselves from any discussion or decision over the matter in question;
- that should they be appointed to the Board or acquire a significant interest in a business competing with the Group, that they would be obliged to offer their resignation;
- that should they be appointed to the Board of an entity, including a Government entity, that may expose them to potential or actual conflict of interest, that they would be obliged to declare such appointment, undergo an assessment to determine the extent of such conflict and, where applicable, offer their resignation as a Director where the conflict cannot be mitigated by the existing Board policies for the management of conflicts of interest; and
- that the foregoing also applies to interests of their immediate family members.

In addition at every Board and Committee meeting, the Directors declared any interest they may have had in the matters to be discussed at the meeting and if decided that there was conflict, the affected directors refrained from participating in any deliberations relating to that matter. Business transactions with the Directors or their related parties are disclosed on page 174 to 175 note 43 of this report.

CORPORATE GOVERNANCE

Board Responsibilities

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 in place that allows risks to be assessed and managed effectively, including implementation of the risk strategy, corporate governance and corporate values. It provides leadership and direction and is responsible for corporate governance and financial performance of the Group.

The Executive Directors assist the Group Managing Director in the execution of his role in running 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.

The Board

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

Roles of the Chairman and Group Managing Director

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

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

Group Company Secretary

The Board is assisted by a qualified and competent Group Company Secretary who is a member of the Institute of Certified Secretaries (ICS) and the Institute of Certified Public Accountants of Kenya (ICPAK), both in good professional standing. Details of the skills, experience and expertise of the Group Company Secretary are set out on page 28 of this report.

Key Responsibilities:

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

During the course of the year, the Group Company Secretary also bore additional administrative responsibility over the Legal Department as well as the Enterprise Risk Management and Compliance and Internal Audit functions which are independent functions within the Group that report to their respective Board Committees.

CORPORATE GOVERNANCE

Board meetings and activities

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

The Board schedules meetings at least four times a year with Directors attending in person. Matters which require decisions outside the scheduled meetings are dealt with through additional ad hoc meetings. At each regularly scheduled meeting, the Board:

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

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

Board Size, Composition and Independence

The Board:

- Is composed so as to allow effective decision-making and supervision of Management in consideration of the nature and structure of the Group's businesses.
- Has a sufficient number of Directors, which is dictated by the Company's Articles of Association, to allow for fruitful discussions and to enable appropriate, swift and prudent decisions.
- Maintains a minimum of at least one-third Independent Non-Executive Directors and two-thirds Non-Executive Directors to enable adequate representation and protection of the rights of minority shareholders.

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

The Group Board in the year 2019 comprised thirteen (13) Directors - the Chairman (Non-Executive), Group Managing Director (Executive), two (2) Executive Directors and nine (9) Non-Executive Directors, six (6) of whom are Independent Non-Executive Directors; while the Board of the Bank comprised ten (10) Directors, four (4) of whom are Independent Non-Executive Directors and nine (9) of whom are Non-Executive. In both cases, this surpasses the requirements of the Code to have at least one-third of the directors being independent non-executive directors.

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

The Board's composition:

- Is reflective of the strong levels of Board independence and adequate representation of the minority shareholders;
- Is cognitive and adheres to regulatory requirements relating to board composition and board independence;
- Adheres to the policies and procedures enacted by the Board through the Board Charter and Board Committee Terms of Reference to ensure that each Board member's independence is recognised and upheld at all times; and
- Is of an appropriate size and composition given the current scale and geographic footprint of the NCBA Group.

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 and adequate representation of the minority shareholders.

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

Highlights of key responsibilities on 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 in 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.

The Directors' abridged biographies appear on page 24 to 28 of this Report.

Highlights of the key activities in 2019

During the course of the year 2019, the Board focused on the achievement of the following key objectives:

Objective	Key considerations
1. Merger of NIC Group PLC and Commercial Bank of Africa Limited	• Overseeing the merger process end to end and ensuring fulfilment of the conditions precedent, securing shareholders' and regulatory approvals and execution of the transactional agreements relating to the merger; • Establishment of structures, policies and procedures for the Group and its entities; and • Establishing the Group strategies and objectives, business plans and budgets and advising on the implementation of the transition from the previous strategies of the respective entities to the revised 2020 - 2024 strategy.
2. Strategy Development and Capital Planning	• Reviewing, advising on and approving significant matters with a bearing on the Group's capital position; • Reviewing comprehensive market updates and recommending actions for implementation against the strategic plans; • Considering updates and advising on the digital strategy; and • Considering and recommending for shareholder approval on the Company's capital structure.
3. Group Performance	• Monitoring and reviewing updates of the entire Group's performance against the set business targets and strategies and providing guidance on improvements on a quarterly basis at a minimum; and • Considering and approving the financial reports and accounting policies in use.

Objective	Key considerations
4. Internal Controls and Compliance	• Reviewing, recommending and approving the policies and systems for internal controls; • Reviewing and approving the internal and auditors' work plans and guiding on the recommendations made by the auditors for improvement of operational controls; • Considering and recommending measures for risk control as advised by the internal audit and risk management and compliance functions; • Reviewing the level of compliance to laws, regulations and internal policies; and • Establishing relevant policies to prudently manage the Group's business activities.
5. Governance and Ethics	• Reviewing the Group's Board and its committees' composition, Charter and Terms of Reference against regulatory requirements and business needs; • Monitoring compliance with good governance principles and practices and implementing measures for adherence thereof; • Reviewing the Group's ethical policies, monitoring and reinforcing the ethical practices by internal stakeholders and avoiding conflicts of interest; • Undertaking continuous professional development and targeted training on governance, business management and technical areas; • Reviewing, recommending and approving changes to the governance, risk and compliance policies including those on people and talent management, succession planning and diversity; and • Undertaking an evaluation of the Group's Board, its committees, Executive Management's and the Group Company Secretary's effectiveness and monitoring the implementation of the previous year's evaluation recommendations.
6. Customer Satisfaction	• Reviewing updates and guiding on customer satisfaction strategies; • Monitoring and recommending measures to improve on customer service and proper integration of processes in light of the merger; and • Monitoring and recommending measures for the improvement of policies and practices for the protection of consumers and enhancement of the Group's services for consumers' benefit.
7. Stakeholder Engagement	• Identifying and considering the Group's stakeholders needs in Board decisions; • Establishing mechanisms for engagement with the Group's stakeholders on key matters affecting them; and • Proactively communicating with the key stakeholders to ensure that appropriate disclosures have been made for their consideration both on the merger processes and group operations.

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

BOARD COMMITTEES

The Board, as part of ensuring that it remains effective in carrying out its duties and responsibilities, and having considered the size of the Group and nature of our operations, has established Board Committees that assist it in carrying out its functions and ensuring that there is independent oversight of Management's strategy implementation, internal controls, risk management, financial and audit issues.

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

GROUP BOARD COMMITTEES

In 2019 the Group Board had the following committees mainly comprised of Non-Executive Directors:

- Executive Committee;
- Audit & Risk Committee;
- Governance and Nominations Committee;
- Human Resources Committee (effective November 2020); and
- Information, Communication and Technology (ICT) Committee.

The Committees' Terms of Reference and related policies were amended to reflect best practices adopted from the merged entities and recommendations from the Governance Auditor. The changes were more for alignment and delineation so as to clarify the scope and role from a Group perspective, as the core responsibilities and activities were well-defined, and to integrate best practices from the two entities.

The composition of the Board Committees and details of Directors' attendance of meetings is outlined on page 81 to 82 of this report.

EXECUTIVE COMMITTEE

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

Key purpose and responsibilities

- Strategy formulation and general operations review;
- provision of strategic oversight on the Group's position in all the business segments the Group operates in;
- approval of major capital projects, periodic strategic plans, and key policy guidelines vis-à-vis the strategic plan as developed by Management;
- provision of entrepreneurial leadership within a framework of prudent and effective controls;
- monitoring of the Group's performance against strategic plans and objectives on an ongoing basis; and
- reviewing, and monitoring the Group's capital position, approving proposals for investments, capital projects and the allocation of capital and other resources within the Group.

Highlights of the key activities in 2019

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

- the execution of the Group's strategy in line with the vision and values;
- proposals on new initiatives and updates on significant matters that had a bearing on the Group's capital position;
- branch expansion and major business investments;
- market position updates vis-à-vis the strategic targets; and
- monitoring the new strategy for the merged entity

AUDIT & RISK COMMITTEE

The Audit & Risk Committee plays a vital role in ensuring the integrity of the financial statements and internal controls of the Group on behalf of the Board. It also sets the strategic risk parameters through policies, guidelines, tolerance limits and approving the risk management strategy, significant policies and programs.

The Committee also assists the Board in discharging its duties relating to corporate accountability and associated risks with regard to assurance and reporting. The Committee meets at least quarterly in order to evaluate the effectiveness of the Group's financial, internal control and risk management systems.

Key purpose and responsibilities

The Committee plays a vital role in ensuring the integrity of the financial statements prior to their review and approval by the Board through:

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

External Audit

The Committee:

- receives reports on the findings of the external auditors and Management's corrective actions in response to the findings;
- meets quarterly, and the external auditors are invited to attend whenever necessary including having the option to meet with the Directors without Senior Management's presence;
- annually, reviews and approves the overall scope and plans for the external audit activities, including the fees which have to be ratified by the shareholders; and
- reviews the External auditor's performance.

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

Internal Audit

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

The Committee;

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

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

Risk Management:

The Committee:

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

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

Highlights of the key activities in 2019

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

- the internal audit scope, risk based plans, capacity and quality assurance program and the internal audit quality self-assessment and progress reports;
- the internal audit reports and recommendations on issues identified, including status of implementation of audit recommendations;

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

GOVERNANCE AND NOMINATIONS COMMITTEE

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

Key purpose and responsibilities

The Committee:

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

The Committee successfully carried out its responsibilities as outlined above during the course of the year 2019.

In order to ensure that the Group is adhering to all laws, regulations and standards applicable to it and for the purposes of providing assurance to its stakeholders and complying with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, the Committee through the Group Company Secretary 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.

In relation to the process for appointments to the Board, the Committee considers recommendations on proposed members from the Directors and the Shareholders. The Committee then assesses the suitability of candidates for appointment to the Board, whereby the person(s) should possess:

- high levels of integrity with impeccable professional, technical and moral credentials;
- strong business acumen with demonstrated positive and knowledgeable contribution to discussions relative to banking business; and
- strategic and tactical vision and thought.

In assessing potential new Directors, the Committee considers individuals from various disciplines, diverse backgrounds, gender representation and any potential areas of conflict that may undermine their position or service as Director.

Highlights of the key activities in 2019

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

- the Board Evaluation report for the year ended 31st December 2018;
- the Group Company Secretary's report on the level and status of compliance with the Capital Markets Authority's and Central Bank of Kenya's corporate governance requirements and the Companies Act's requirements; and
- the Group's application of the principles of good corporate governance based on the findings and recommendations made from the Governance Audit.

Board Induction, Training and Professional Development

On appointment, each Director takes part in an induction programme, during which he/she meets members of Senior Management, receives information about the role of the Board, each board Committee and the powers delegated to these Committees.

The Board is committed to the continuing professional development of the Directors in order for them to build on their expertise and develop deeper understanding of the Group's business and markets, and is confident that its members have the full ability and knowledge to perform their duties as required.

HUMAN RESOURCES AND COMPENSATION COMMITTEE

The Committee reviews the Human Resources policies and procedures and ensures that they adequately support the Group's strategy. It ensures that the Group continues to provide remuneration packages that fairly reward staff for their contribution to the business and continues to attract, motivate and retain staff of the highest caliber.

Key purpose and responsibilities

The Committee:

- reviews the Human Resources policies and procedures and ensures that they adequately support the Group's strategy;
- ensures that the Group provides remuneration packages that fairly reward staff for their contribution to the business and continues to attract, motivate and retain staff of the highest caliber;
- communicates and ensures adoption of the corporate culture;
- ensures a succession structure is in place for all senior executive management of the Group; and
- establishes and approves the compensation structures of Management and employees of the Group.

The Committee's activities are geared towards enhancing staff welfare, minimizing irresponsible and unnecessary risk taking and ensuring that management and employees are motivated to achieve superior performance whilst enhancing the strength and stability of the Group.

Highlights of the key activities in 2019

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

- Review and consolidation of the human resource management policy and practices;
- Update on the human resource management system;
- Designing the culture and change journey for staff;
- updates on staff satisfaction, succession and retention strategies;
- the Group's talent management, resourcing and professional development plans;
- the Group's performance management, performance review and rating, career planning and compensation process; and
- Senior Managements' performance appraisals and proposals as presented by the Group Managing Director.

INFORMATION COMMUNICATION AND TECHNOLOGY (ICT) COMMITTEE

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

Key purpose and responsibilities

The Committee:

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

Highlights of the key activities in 2019

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

- the core banking system upgrade and integration;
- investment in Omni-channel banking capabilities;
- optimization of systems given the increased number of users;
- digital transformation strategy;
- data and analytics strategy;
- cyber security initiatives; and
- ICT capacity to support the Group's ICT and digital strategy.

BANK BOARD COMMITTEES

In 2019, the Bank Board had the following three (3) Committees which mainly comprised Non-Executive Directors:

- Audit Committee;
- Credit Committee; and
- Risk Management Committee.

As with the Group Committees, the Bank's Board Committees' Terms of Reference and related policies were similarly amended to reflect best practices adopted from the merged entities.

The composition of the Board Committees is outlined on page 81 to 82 of this annual report.

AUDIT COMMITTEE

The Bank's Audit Committee bears and undertakes similar responsibilities and activities as those of the Holding Company's Audit and Risk Committee with the exception of review of the risk management activities which are overseen by the Risk Management Committee.

CREDIT COMMITTEE

The Committee reviews and oversees the overall lending policies and approves credit applications that are above the approval limits delegated to Management. It ensures that there are effective procedures for prudent lending and debt management practices.

Key purpose and responsibilities

The Committee:

- reviews and oversees the overall lending policies of the Bank;
- approves credit applications that are above the approval limits delegated to Management;
- ensures that there are effective procedures to identify and manage irregular and problem facilities, minimize credit loss and maximize recoveries;
- considers issues that may materially impact on the current and future quality of the loan portfolio and credit risk management, and further ensures that adequate provisions for bad and doubtful debts have been made in compliance with the regulatory requirements and prudent credit management practices; and
- regularly reviews and recommends to the Board discretionary credit limits for the Board Credit Risk Committee and Management Credit Risk Committee.

Highlights of the key activities in 2019

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

- impact of IFRS 9 provisioning on impairment for credits;
- impact of IFRS 15 and IFRS 16;
- automation of the Corporate Loan underwriting process;
- covenants and portfolio monitoring;
- digital lending solution via distribution finance;
- incorporation of Credit Risk Advisory Group within the Credit Risk management function to handle restructuring and revival of clients in financial distress;
- pre-watch management committee to address early warning signs on credit;
- large exposure facilities above Management's approval limits;
- business proposals for renewals and increase in limits and extensions approved by the Management Credit
- new business proposals and renewals with/without increase and extensions approved by the MCRC;
- updates on progress made on non-performing facilities; and
- updates on business environment issues affecting the loan portfolio(s).

RISK MANAGEMENT COMMITTEE

The Bank's Risk Management Committee bears and undertakes similar responsibilities and activities as those of the Holding Company's Audit and Risk Committee with the exception of review of the audit activities which are overseen by the Audit Committee.

COMMUNICATION WITH STAKEHOLDERS

The Group is committed to relating openly with its shareholders and other stakeholders by providing regular information on its performance and addressing any areas of concern. This is achieved through quarterly publication of extracts of its financial performance in the daily newspapers in line with the Central Bank of Kenya and Capital Market's Authority's requirements, publication of annual audited accounts and annual report and holding of the Annual General Meeting.

The annual report also provides a rich set of information regarding the Group's activities which are reported through the Chairman's, Group Managing Director's and Executive Director's reports on the 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 Board ensured that stakeholders, and more so the shareholders were informed on key developments during the merger process. The Board ensured that that it obtained approvals from the shareholders of NIC Group PLC to merge the two entities as well as obtaining the requisite approvals from the regulators before publication of any merger related information in the press.

The Group also holds periodic investor briefings to update investors on material factors affecting the Group both positively and negatively and its performance vis-à-vis the strategic plan. Further to this, the Chairman holds annual cocktail events in Nairobi and Mombasa to meet with various stakeholders (mainly customers and investors) to appraise them of developments in an informal and interactive setting. The most recently published financial results are also available on the Group's website, https://ncbagroup.com/investor-relations/ which is interactive and has all the relevant information relating to the Group companies.

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.

The Group has engaged the services of a registrar, C&R Group who, together with the Group Company Secretary, regularly address issues raised by the shareholders.

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, headed by a senior officer who reports directly to the Board Risk Management Committee.

ENTERPRISE-WIDE RISK MANAGEMENT FRAMEWORK (ERMF)

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

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

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

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

The Framework has been developed to:

- Enable the Group to pro-actively and systematically manage its risks while continuously reviewing its risk profile to levels acceptable to all stakeholders.
- Ensure appropriate strategies and tactics are in place to mitigate risks while 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 "top-down" strategic assessment with the "bottom-up" operational and strategic risk assessment and reporting.

The key elements to this effective ERMF are:

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

GROUP INTERNAL AUDIT

Key responsibilities and processes

The NCBA Group Internal Audit Department provides independent, objective assurance and consulting services designed to add value to the Group for the Audit Committee of the Board and Management in order to assist them carry out their responsibilities in regard to maintaining an adequate system of corporate governance, internal control and risk management. Its objectives, scope of authority and responsibilities are defined in the Internal Audit Charter which is approved by the Board Audit Committee (BAC) and reviewed every year. The Group Internal Audit function is therefore established by the Board Audit Committee reporting directly to the Committee. Administratively, the internal audit function reports to the Group Company Secretary.

Group internal Audit's responsibilities include:

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

Group Internal Audit has unfettered access to the BAC and Management, as well as the right to seek information and explanation. Group Audit has an organisational and strategic alignment to the Group.

The Institute of Internal Auditors (IIA) Professional Practices Framework requires that changes in management direction, objectives, emphasis and focus should be reflected in updates to the audit universe and related Audit Plan of an organisation. Group Audit adopts a risk-based approach in its auditing activities.

Risk based audit provides a systematic method for identifying, prioritising and scheduling audits while at the same time providing a means by which scarce audit resources can be targeted in areas of high risk within the NCBA Group's entire audit universe. Annual audit coverage addresses the range of risks that NCBA Group identifies as "key" to the achievement of its objectives.

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

Mandate & Positioning

The mission of the Group Internal Audit is to provide assessments, independent from line management, on the adequacy and effectiveness of the NCBA Group's risk management, control and governance processes and to report on these results. Establishment and maintenance of the system of internal control remains the responsibility of management under the oversight of the Board of Directors. Group Audit is well positioned and resourced to provide this assurance and report to the Board Audit Committee. In preparing the Audit Plan, the department draws upon its experience (including past audit reports) and prioritises based on updated risk assessments. In the fourth quarter of 2019 through 2020 this has also been updated to take into account risks associated with the recent merger of CBA and NIC and further reviewed to take cognisance of risks emerging from the Covid-19 pandemic and the resultant economic and operational impact.

Stakeholder expectation

Stakeholders encompass the Board Audit Committee, Executive Management and external parties such as the Central Bank of Kenya (and other regulators) and external auditors and are pivotal in Internal Audit activity. The Executive Management is a primary client for the Group Internal Audit as most of Group Internal Audit's work involves the review of frameworks, systems and controls set up by Management. Group Internal Audit is open with management through all phases of an audit and as far as possible encourages a partnership approach with management and listens to executive management expectations including audit requests. The Group Internal Audit Plan addresses this expectation through advisory or consulting reviews based on agreed upon procedures and terms of reference and engages the Executive Management Committee (Excom) for the purposes of addressing expectations in the Audit Plan.

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

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

Quality assurance and key developments

In line with leading practices, Group Audit has a quality assurance and improvement programme (QAIP) that covers all aspects of its audit activity and conforms to the International Standards for the Professional Practice of Internal Auditing. The QAIP programme includes both internal and external assessments, and external quality assessment reviews are carried out at least once every five years by qualified professionals from an external organisation. An internal Quality self-assessment review was undertaken in 2019 with an external validation planned for 2020.

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

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

Group Audit has increased transparency and collaboration and prioritises focus areas with auditees while ensuring the team maintains its independence. Additionally, the Joint Audit program entails cross country audit collaboration and seeks full alignment of NCBA Group audits with the international professional standards; best practice in governance and audit; and the specific expectations of the stakeholders. In 2019 these engagements were undertaken involving teams from Kenya, Uganda, Tanzania and Rwanda with audit clients appreciating the value derived.

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. The Bank had the following Committees in 2019:

<table>
<tr><th>Executive Management Committee (EXCOM)</th><th>Assets and Liabilities Committee ALCO</th></tr>
<tr><td>The Committee meets regularly and at least monthly to discuss:
• strategy formulation and implementation;
• support the Group Managing Director in the overall management of the Bank's business;
• provide strategic oversight to the positioning of the Bank in all the business segments it operates in;
• policy and procedure formulation for appropriate internal control;
• financial performance against the approved strategy and budgets;
• review of strategic and operational plans for purposes of realizing the Group's strategy; and
• compliance with the regulatory framework and guidelines and adherence to Group policies and procedures.

The Committee also serves as a link between the Board and Management in ensuring that the Board is apprised of key matters affecting the running of the Group.</td><td>The Committee meets monthly or more frequently depending on the business circumstances to:
• ensure that all foreseeable funding commitments can be met as and when they fall due;
• develop and implement the Bank's liquidity and funding strategy and policy;
• review and manage operational risks pertaining to interest rate, market and exchange rate risks;
• review the Bank's balance sheet and liability mix and recommend changes where applicable;
• ensure compliance with statutory requirements governing liquidity, cash ratio and foreign exchange exposure; and
• consider investment policies, and the internal capital adequacy management program.

The Committee provides a source of key information that informs considerations at Executive Management Committee and Board Executive Committee</td></tr>
<tr><th>Management Credit Risk Committee (MCRC)</th><th>Innovations Committees</th></tr>
<tr><td>The Committee meets monthly to:
• review and approve new credit applications and renewals within the delegated limits set by the Board;
• recommend to the Board Credit Risk Committee (BCRC) proposals on the revision of limits;
• ensure compliance with regulatory limits related to lending;
• monitor, review and consider and issues that may materially impact on the quality of the Bank's credit risk management; and
• recommend to the BCRC facilities for approval that fall within the limits reserved for Board approval.

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

The Committee provide a source of key information that informs considerations at the Board Credit Risk Committee.</td><td>The Committee meets regularly to review:
• the innovation strategy in view of the Group's strategies and plans;
• key threats and opportunities resulting from innovation trends, industry issues and technology;
• review and advice on company research and development expenditure plans;
• monitor and evaluate performance of the company's initiatives in support of its innovation strategy; and
• review updates on material acquisitions, dispositions and long term commitments in relation to the company's innovation strategy. The Committees provide a source of key information that informs considerations at EXCOM and Board ICT Committee.</td></tr>
</table>

Information Technology and Projects Committee	Risk Management Committee
The Committee meets regularly to review: • major ICT projects to ensure that they meet the minimum standards for implementation as per the ICT strategic plan; • monitoring overall ICT Performance; • formulation of initiatives to achieve the Board approved ICT strategy; and • undertaking of appropriate risk assessments to ensure that the Group's ICT policies and systems serve the long term needs of the Group in enhancing stakeholder value. The Committee provides a source of key information that informs considerations by the Board ICT Committee.	The Committee meets quarterly to: • review the Group's key risk exposures; • determine the source and potential impact of risks; • review the Risk Management and Compliance function's reports on the level of adequacy; • monitor the Bank's continuity and disaster preparedness; and • develop mitigation and corrective action plans to manage the key risks. The Committee provides a source of key information that informs considerations at the Board Risk Management Committee.
Crisis Management Committee	
The Committee meets regularly to: • Manage and review the Business Continuity Management and Disaster Recovery planning within the Group; • Review business continuity plans and take immediate remedial action for gaps identified; • Ensure employees are trained and made aware of their role in the implementation of the business continuity plans; • Ensure sufficient human and financial resources are available to support the business continuity activities; and • Monitor risks caused by moderate or major disruptions through ensuring there exists appropriate structures to create resilience. The Committee provides a source of key information that informs considerations at the Board Risk Management Committee and the Board Audit and Risk Management Committee.	

EVALUATION OF BOARD PERFORMANCE

The Board is committed to ensuring that it continues enhancing its effectiveness in order to have a positive impact on the performance of the Group and the Bank. In this regard and on an annual basis, the Board conducts a Board Evaluation with a view to identifying its strengths and weaknesses in order to put in place mechanisms for ensuring that it remains a high-performing Board.

Following the reconstitution of the Board during the year 2019 and in consultation with the Group's primary regulator, the Central Bank of Kenya, it was deemed impractical to undertake a Board evaluation owing to the limited time that the new Board had undertaken business as a singular unit and hence the Board evaluation will be undertaken for the next financial year.

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.

BOARD & COMMITTEES MEMBERSHIP AND ATTENDANCE
JANUARY – SEPTEMBER 2019

DIRECTORS NAME & DESIGNATION		BOARD		GROUP COMMITTEES (NIC)				BANK COMMITTEES (CBA)		
		GROUP	BANK	BEXCO	BGCN	BICTC	BARC	BCC	BAC	BRMC
		Membership/ Attendance		Membership/ Attendance				Membership/ Attendance		
J. P. M. Ndegwa – Group Chairman	NED	XX 5/5								
D. A. Oyatsi – Bank Chairman	NED		XX 4/4							
M. Kenyatta – Deputy Chairman	NED		X 4/4					X 10/10	X 3/3	X 3/3
J. Gachora - Group MD	ED	X 5/5		X 3/3						
I. O. Awuondo - Group MD	ED		X 4/4					X 8/10		X 2/3
J. I. Ngunze - CEO	ED		X 4/4					X 10/10		X 3/3
Hon. A. H. Abdi	INED		X 4/4						XX 3/3	XX 3/3
D. Abwoga	ED	X 5/5		X 3/3						
J. S. Armitage	NED		X 3/4					X 7/10	X 3/3	X 3/3
P. R. Lopokoiyit	INED	X 5/5			X 1/1	X 3/3	XX 3/3			
G. A. Maina	NED	X 5/5		X 3/3	X 1/1		X 3/3			
N. J. M. Mainnah	NED		X 4/4					X 10/10	X 3/3	X 3/3
N. A. Nesbitt	INED		X 1/4					X 5/10	X 2/3	X 2/3
A. S. M. Ndegwa	NED	X 5/5		XX 3/3	X 1/1					
E. N. Ngaine	INED	X 5/5			XX 1/1	X 3/3	X 3/3			
M. K. R. Shah	INED		X 2/4					XX 10/10	X 3/3	X 3/3
P. V. Shah	NED	X 3/5		X 3/3						
J. Somen	INED	X 2/5		X 2/3	X 1/1	XX 3/3				

Effective November 20, 2019, the Boards of NCBA Group PLC and NCBA Bank Kenya PLC were reconstituted as follows:

CORPORATE GOVERNANCE

NCBA BOARD & COMMITTEES: MEMBERSHIP AND ATTENDANCE OCTOBER - DECEMBER 2019

DIRECTORS NAME & DESIGNATION		BOARD				GROUP COMMITTEES										BANK COMMITTEES					
		GROUP		BANK		BEXCO		BGCN		BICTC		BARC		BHRC		BCC		BAC		BRMC	
		Membership/ Attendance				Membership/ Attendance										Membership/ Attendance					
J. P. M. Ndegwa – Group Chairman	NED	XX	1/1																		
D. A. Oyatsi - Deputy Chairman	INED	X	1/1					XX						X							
I. O. Awuondo – Bank Chairman	NED	X	1/1	XX	1/1	X				X				X							
J. Gachora - Group MD	ED	X	1/1	X	1/1	X										X	3/3				
Hon. A. H. Abdi	INED	X	1/1	X	1/1							X	1/1					X	1/1	XX	
D. Abwoga	ED	X	1/1																		
J. S. Armitage	NED	X	1/1	X	1/1	XX										X	2/3				
P. R. Lopokoiyit	INED	X	1/1					X				X	1/1								
G. A. Maina	NED	X	1/1					X						XX							
N. J. M. Mainnah	NED			X	1/1															X	
A. S. M. Ndegwa	NED	X	1/1	X	1/1	X								X		X	3/3				
E. N. Ngaine	INED	X	1/1	X	1/1											XX	3/3			X	
J. I. Ngunze	ED	X	1/1																		
M. K. R. Shah	INED	X	1/1	X	1/1							XX				X	3/3	XX	1/1	X	
J. Somen	INED			X	1/1					XX											
K. Thuo	INED			X	1/1													X			

Key:		
XX = Chairman	X = Member	ED = Executive Director
INED = Independent Non-Executive Director	NED = Non-Executive Director	BAC = Board Audit Committee
BARC = Board Audit & Risk Committee	BCC = Board Credit Committee	BEXCO = Board Executive Committee
BGNC = Board Governance & Nominations Committee	BHRC = Board Human Resources Committee	
BICTC = Board Information, Communication & Technology Committee	BRMC = Board Risk Management Committee	

CORPORATE GOVERNANCE STATEMENT

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

SHAREHOLDING PROFILES

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

The number of shareholders as at 31st December 2019 was 27,062 (2018 – 26,776)

A. Principal Shareholders

The top 10 major shareholders, based on the Group's share register as at 31st December 2019 are as follows

Name	Number of Shares	%
Enke Investments Limited	197,724,567	13.20
Ropat Nominees Limited	178,606,066	11.92
Livingstone Registrars Limited A/C No. 1	157,967,184	10.55
First Chartered Securities Limited	111,521,351	7.45
Yana Investments Limited	88,436,277	5.90
ICEA LION Asset Management Limited A/C 2000	64,463,608	4.30
Livingstone Registrars Limited	61,457,168	4.10
Rivel Kenya Limited	58,369,703	3.90
Ropat Trust Company Limited	42,596,173	2.84
Livingstone Registrars Limited A/C No. 2	34,639,066	2.31
Total	**995,781,163**	**66.47**

B. Distribution Schedule

Category	Number of Shareholders	Number of Shares	%
1-500 shares	9,150	1,570,067	0.10
501-5,000 shares	13,169	26,272,115	1.75
5,001-10,000 shares	1,899	12,703,665	0.85
10,001-100,000 shares	2,328	62,021,795	4.14
100,001-1,000,000 shares	429	125,686,337	8.40
1,000,001 and over	87	1,269,491,050	84.76
Total	**27,062**	**1,497,745,029**	**100.00**

C. Shareholder Profile

Category	Number of Shareholders	Number of Shares	%
Local Individual Investors	25,115	181,270,731	12.10
Local Institutional Investors	1,728	1,307,358,082	87.29
Foreign Individual Investors	200	5,224,033	0.35
Foreign Institutional Investors	19	3,892,183	0.26
Total	**27,062**	**1,497,745,029**	**100.00**

Notes:

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

The following Directors had direct or indirect beneficial equity interests in the ordinary shares of the Group as at 31st December 2019.

	Name	Shares Held	% Shareholding
1	Andrew S. M. Ndegwa	62,264,116	4.16
2	James P. M. Ndegwa	61,317,737	4.09
3	Desterio A. Oyatsi	8,711,769	0.58
4	John S. Armitage	7,938,048	0.53
5	Mukesh K. R. Shah	614,628	0.041
6	Isaac O. Awuondo	376,151	0.025
7	John Gachora	347,050	0.023
8	Esther N. Ngaine	133,800	0.009
9	David Abwoga	8,280	0.0006

CORPORATE INFORMATION

DIRECTORS

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

*Appointed on 20th November, 2019
**Resigned on 20th November, 2019
***Resigned in May, 2020

I O Awuondo was previously the Group Managing Director of Commercial Bank of Africa Limited.

D A Oyatsi was previously the Chairman of Commercial Bank of Africa Limited.

EXECUTIVE / STRATEGY COMMITTEE

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

COMPANY SECRETARY

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

AUDITOR

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

AUDIT & RISK COMMITTEE

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

GOVERNANCE AND NOMINATIONS COMMITTEE

D A Oyatsi – Chairman
G A Maina
P R Lopokoiyit

INFORMATION, COMMUNICATIONS AND TECHNOLOGY (ICT) COMMITTEE

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

BOARD HUMAN RESOURCES COMMITTEE (BHRC)

G A Maina – Chairman
D A Oyatsi
A S M Ndegwa
I O Awuondo

REGISTERED OFFICE

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

REGISTRARS AND TRANSFERS OFFICE

Custody & Registrars (C&R) Group
1st Floor, Tower B, IKM Place
5th Ngong Avenue
P.O. Box 8484-00100
Nairobi

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2019.

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

MERGER OF NIC GROUP PLC, NIC BANK KENYA PLC AND COMMERCIAL BANK OF AFRICA LIMITED

On 1 October 2019, NIC Group PLC (NIC) and Commercial Bank of Africa Limited (CBA) completed the merger process of the two entities after obtaining applicable shareholder and regulatory approvals. The merger was executed through a share swap, with the shareholders of CBA exchanging their shares in CBA for new shares in NIC, the surviving holding company of the merged businesses and NIC remaining a publicly listed company quoted on the Nairobi Securities Exchange.

The shareholders of NIC and CBA approved a change in the respective articles of association to empower the directors to change the name of the company from time to time. The Directors of NIC approved to change the name of the holding Company to NCBA Group PLC. The shareholders and directors also approved the proposal to change the name of the combined bank to NCBA Bank Kenya PLC.

BUSINESS REVIEW

The Group produced a resilient performance in 2019, achieving a full year Group net profit of Shs 7.8 billion, compared to Shs 5.0 billion in 2018.

The adjusted Group net profit, excluding integration costs and merger-related amortization of intangibles, was Shs 11.3 billion, broadly in line with the previous year combined performance on a proforma basis of the two Banks. This is a noteable achievement in a year of transition.

The Group's 2019 results are a testament to the sound rationale behind the merger. Going ahead, NCBA will leverage on the core strengths of the two institutions to boost growth.

The Group adopted International Financial Reporting Standard (IFRS) 16, Leases, effective 1 January 2019. As a result, it recorded a charge to its opening equity on 1 January 2019 of Shs 160 million to reflect the impact on first adoption. The Group did not restate comparative periods, as permitted by the standard. The impact on the Balance Sheet as at 31 December 2019 on adoption of IFRS 16 was an increase in right of use asset by Shs 3.9 billion, and lease liability increased by Shs 4.7 billion. For detailed description of the changes, refer to Notes 33 and 38 respectively in the financial statements.

DIRECTORS' REPORT

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 81 and 82.

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITORS

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

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

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

TERMS OF APPOINTMENT OF AUDITOR

PricewaterhouseCoopers LLP continue in office in accordance with the Company's Articles of Association and Section 721 of the Kenyan Companies Act, 2015.

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

By order of the board

24 March 2020

Livingstone Murage
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 2019. 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 2019.

There were no changes to the structure of the Directors' remuneration in the year ended 31 December 2019, with the exception of the new members to the Board during the last quarter of year 2019 as a result of the Board reconstitution following the merger between NIC Group and CBA Group (the merger). The Directors continued to be remunerated at the same rate as in the year ended 31 December 2018.

The disclosures made in this report have taken into consideration the changes to the Board of Directors that occurred during the year on account of the merger, as detailed in the table below:

NIC GROUP PLC DIRECTORS	NCBA GROUP PLC DIRECTORS
J P M Ndegwa - Chairman J Gachora - Group Managing Director D Abwoga – Executive Director P R Lopokoiyit G A Maina A S M Ndegwa E N Ngaine P V Shah J Somen	J P M Ndegwa – Chairman D A Oyatsi – Deputy Chairman J Gachora - Group Managing Director D Abwoga – Executive Director J I Ngunze - Executive Director A H Abdi J S Armitage I O Awuondo P R Lopokoiyit G A Maina A S M Ndegwa E N Ngaine M K R Shah
The above was the Company's Board Composition between 1 January 2019 and 19 November 2019.	The above was the Company's Board Composition with effect from 20 November 2019.

Notes:

P V Shah and J Somen resigned from the Board of NCBA Group PLC on 20 November, 2019;

D A Oyatsi, J I Ngunze, A H Abdi, J S Armitage, I O Awuondo and M K R Shah, who were all previously Directors of Commercial Bank of Africa Limited (CBA), were appointed to the Board of NCBA Group PLC on 20 November, 2019;

D A Oyatsi was previously the Chairman of the Board of Directors of CBA; J I Ngunze was previously the Chief Executive Officer of CBA;

I O Awuondo was previously the Group Managing Director of CBA, and is the current Chairman of NCBA Bank Kenya PLC.

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

Background:

The members of the Board Governance and Nominations committee for the period 1 January 2019 to 19 November 2019 were:

E N Ngaine – Chairman
P R Lopokoiyit
G A Maina
A S M Ndegwa
J Somen

Following the reconstitution of the Board on 20 November 2019, the following are the current members of the Board Governance and Nominations Committee:

D A Oyatsi – Chairman
P R Lopokoiyit
G A Maina

PART 1

Remuneration Policy

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

Remuneration of Executive Directors

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

The remuneration of the Executive Directors consists of:

- Base Salary
- Performance based Compensation
- Deferred Compensation
- Other Benefits – such as company car, medical and life cover, retirement benefits and loans 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. Their remuneration is based on proposals by the Board Governance and Nominations Committee (BGNC) and approved by the Board and the Shareholders. Non-Executive Directors are not entitled to a salary, performance based compensation or other cash or non-cash benefits.

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

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

NCBA Group PLC received Shareholder approval to establish an Employee Share Ownership Plan (ESOP). During the year 2019, the Group did not have an implemented share option scheme for Directors.

Directors' Contracts of Service

The Group Managing Director has been appointed on a five (5) year renewable contract term, with the renewal being subject to approval by the Board of Directors prior to maturity date. The Group's other Executive Directors have been appointed on an open-ended contract. The 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 term of 3 years and retire by rotation but are eligible for reappointment taking into consideration their performance and the Shareholders' views. The Board Governance and Nominations Committee makes recommendations to the Board based on professional skills and experience, independence and ethical standards. New appointments by the Board are subject to approval from the Central Bank of Kenya, the Group's Shareholders and, where applicable, the Capital Markets Authority.

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

On termination of contract, an Executive Director will be entitled to be paid any amounts due as per contract terms up to the date of such termination. The maximum amount payable would be the salary and applicable benefits payable in lieu of notice where it is agreed to terminate the contract prior to maturity of the notice period. Non- Executive Directors will be entitled to any outstanding dues on the monthly retainer fees and the 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 report for the year ended 31st December 2018 was unanimously passed through acclamation by shareholders at the Annual General Meeting held on the 17th day of April 2019. There were no objections to the Directors' Remuneration Report.

DIRECTORS' REMUNERATION REPORT

INFORMATION SUBJECT TO AUDIT

PART 2: IMPLEMENTATION REPORT

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

In interpreting the disclosures made in this report:

a) The remuneration details for the year 2019 outline compensation relating to services rendered as Directors for the period served on the Board.

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

The following table shows the remuneration for the Chairman, Non-Executive Directors (NEDs) and Executive Directors in respect of qualifying services for the year ended 31 December 2019. The aggregate Directors' emoluments are shown on note 43.

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

- The total Directors fees for J P M Ndegwa was paid to Asset Managers Limited in respect of Director's services in the year ended 31 December 2019.
- As at 31 December 2019, no cash incentive compensation amounts were deferred.
- *Amounts represent three (3) months' remuneration from 1 October 2019.

DIRECTORS' REMUNERATION REPORT

INFORMATION SUBJECT TO AUDIT

The following table shows the remuneration for the Chairman, Non-Executive Directors (NEDs) and Executive Directors in respect of qualifying services for the year ended 31 December 2018.

Directors Remuneration for the year ended 31 December 2018	Fees Shs 000	Salary Shs 000	Cash Incentive Compensation Non-Deferred Shs 000	Cash Incentive Compensation Deferred Shs 000	Retirement Benefits Shs 000	Total Shs 000
J P M Ndegwa - Chairman	2,720	-	-	-	-	2,720
J Gachora - Group Managing Director	-	61,564	23,572	3,198	6,602	94,936
D Abwoga - Executive Director	-	22,509	7,848	1,108	2,507	33,972
P R Lopokoiyit	3,760	-	-	-	-	3,760
G A Maina	3,300	-	-	-	-	3,300
A S M Ndegwa	7,771	-	-	-	-	7,771
E N Ngaine	4,100	-	-	-	-	4,100
P V Shah	2,860	-	-	-	-	2,860
J Somen	2,486	-	-	-	-	2,486
	26,997	**84,073**	**31,420**	**4,306**	**9,109**	**155,905**

The total Directors fees for J P M Ndegwa was paid to Asset Managers Limited in respect of Director's services in the year ended 31 December 2018.

Share Option Scheme

There was no share option scheme for Directors in the year ended 31 December 2019

Long Term incentives

There were no Long Term incentives granted to NEDs in the year ended 31 December 2019.

Pension Related Benefits

Pension for Executive Directors is provided 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. The 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 2019, all the Executive Directors were members of the scheme.

NEDs are not entitled to a pension benefit.

Compensation for past directors

The Group did not make any payments to Directors for loss of office during the year ended 31 December 2019. (2018: Nil)

There was no change in the Group's policy on payments to former directors in the year ended 31 December 2019.
On behalf of the Board

D A OYATSI
Chair, Governance and Nominations Committee
24 March 2020

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 24 March 2020 and signed on its behalf by:

J P M NDEGWA
Chairman

J GACHORA
Group Managing Director

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

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of NCBA Group PLC (the "Company") and its subsidiaries (together, the "Group") set out on pages 100 to 185, which comprise the consolidated statement of financial position at 31 December 2019 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 2019, 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 2019 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 Company 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

With effect from 11 December 2019, PricewaterhouseCoopers, a partnership carrying on business under registration number BN.287839 was converted to PricewaterhouseCoopers LLP (LLP-2Y1AB7), a limited liability partnership under the Limited Liability Partnerships Act, 2011.

PricewaterhouseCoopers LLP. PwC Tower, Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi, Kenya
T: +254 (20)285 5000 F: +254 (20)285 5001 www.pwc.com/ke

Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu R Njoroge S O Norbert's B Okundi K Saiti

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

Key audit matter	How our audit addressed the audit matter
Estmation of expected credit losses on loans and advances at amortised cost As described in notes 2.7, 3.2, and 5 (a) of the financial statements, the assumptions and inputs into the models for estimation of expected credit losses (ECL) on loans and advances involves significant judgments by management. The key areas where significant judgements are exercised, and therefore an increased level of audit focus applied, include. • The classification of loans and advances which involves consideration of qualitative and quantitative considerations, particularly the identification of significant increase in credit risk in accounts and default events. The classification of loans determines whether a 12-month or lifetime PD is applied in the calculation of expected credit losses; and • The estimation of exposures at default, the probabilities of default and the loss given default for the various credit exposures, including the amounts and timing of expected future cash flows. Changes to the assumptions and estimates used by management could result in material variations in the reported financial performance and financial position of the Group.	• We evaluated the compliance of the Group's accounting policies with the key principles of IFRS 9 in relation to significant increase in credit risk, default definition, forecasting of forward looking macro-economic factors and weighting of expected loss scenarios. • For a sample of contracts, we tested the identification of financial assets that have experienced significant increase in credit risk or met the Group's default definition criteria for purposes of classification. This was done through examining documentation and credit performance to form an independent judgment as to whether the staging of such facilities was in line with the Group's policy and IFRS 9 requirements. • We tested the accuracy of the computations of exposures at default, probability of default and loss given default and evaluated the reasonableness of the assumptions used in the computations. • We tested the reasonableness of management's assumptions in deriving the amounts and timing of expected future cash flows. For secured facilities, we agreed the collateral values used in the impairment model to external valuation reports; • We tested the historical data used in derivation of the key model parameters, and how these had been used to project forward looking parameters; and • We evaluated and assessed adequacy of the related disclosures in the financial statements.

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

Key audit matter	How our audit addressed the matter
Valuation of loan note measured at fair value As described in notes 5 (d) and 24 of the financial statements, the Group holds a loan note which is measured at fair value. To determine the fair value of the loan note, management has used various market driven approaches. Management also applied other option valuation methods. The valuation involves a significant degree of judgement mainly in: • The selection of the valuation method to use and weights attributed to the selected methods; and • The selction of relevant market comparators to the customer whose facilities are being fair valued. Changes in the valuation approach and the underlying assumptions could result in material variations in the carrying amount of the asset.	We performed the following procedures: • In conjunction with our valuation experts, we evaluated the appropriateness of the valuation methods used by management and the reasonableness of the values derived. • We carried out a sensitivity analysis of the fair value selected by applying different assumptions and producing a range of values. • We assessed the adequacy of the disclosure of relating to the facility in the financial statements in accordance with International Financial Reporting Standards (IFRS) requirements.
Accounting consideration of the Merger transaction As disclosed in note 1 and note 46 of the financial statements, the NCBA Group arose from the merger of NIC Group PLC (NIC) and Commercial Bank of Africa Limited (CBA) on 1 October 2019. The accounting and financial reporting of the merger transaction involved complex and significant management judgments such as • The identification of the accounting acquirer in the transaction; • The determination, measurement and recognition of identifiable intangible assets not previously recognised by the merged entities and the assessment of their useful lives; and	• We obtained an understanding of the transaction and in conjunction with our accounting advisory team, assessed the nature of the transaction and the accounting implications; • In conjunction with our valuation experts, we evaluated the reasonableness of management's assumptions in the determination and measurement of identifiable intangible assets not previously recognised by the merged entities and the estimation of useful lives; • We tested the determination of the fair value of the consideration paid by the acquirer in line with the transaction agreements and the provisions of the financial reporting standards

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

Key audit matter	How our audit addressed the matter
Accounting consideration of the Merger transaction • The determination of the fair value of the consideration paid by the acquirer in the transaction The above considerations have a material impact on the accounting and financial reporting outcomes of the transaction	• We validated the appropriateness of the accounting entries arising from the merger in the standalone financial statements of the various entities and the consolidated financial statements; and • We evaluated the adequacy and appropriateness of the disclosures in the financial statements with regards to the transaction for compliance with the requirements of International Financial Reporting Standards (IFRS)

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 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 to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 and 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.

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

Auditor's responsibilities for the audit of the financial statements

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and 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 directors' report on pages 86 to 87 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 91 to 92 has been properly prepared in accordance with the Kenyan Companies Act, 2015

PricewaterhouseCoopers LLP

Certified Public Accountants
Nairobi

26 March 2020

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

STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2019

COMPANY 2019 Shs'000	COMPANY 2018 Shs'000		Note	GROUP 2019 Shs'000	GROUP 2018 Shs'000
38,109	59,124	Interest income and other credit-related fees	6	34,045,765	25,509,856
-	-	Interest expense	7	(12,509,123)	(9,740,305)
38,109	**59,124**	**Net Interest Income**		**21,536,642**	**15,769,551**
-	-	Impairment losses-customer loans and advances	8	(5,635,308)	(3,709,228)
38,109	59,124	**Net interest income after impairment losses**		15,901,334	12,060,323
-	-	Net fee and commission income	9	3,042,082	2,529,995
-	-	Foreign exchange income	10	2,842,327	2,439,582
-	-	Net gain on disposal of financial instruments	11	189,750	65,400
9,027,285	-	Gain on remeasurement of investment in subsidiary	46	-	-
-	-	Bargain purchase gain	46	4,161,349	-
1,547,761	345,811	Other income	12	616,800	396,043
10,575,046	**345,811**	**Non interest revenue**		**10,852,308**	**5,431,020**
10,613,155	404,935	Operating and other income		26,753,642	17,491,343
(322,104)	(231,929)	Operating expenses	13	(15,583,963)	(11,041,134)
10,291,051	**173,006**	Profit before share of associate's profit		**11,169,679**	**6,450,209**
-	-	Share of associates profit	26	143,880	283,979
10,291,051	**173,006**	Profit before income tax		**11,313,559**	**6,734,188**
(35,441)	(31,812)	Income tax expense	15	(3,471,783)	(1,730,869)
10,255,610	**141,194**	**Profit for the year**		**7,841,776**	**5,003,319**
		Profit for the year attributable to:			
10,255,610	141,194	Equity holders of the Group		7,821,491	5,003,319
-	-	Non-controlling interests		20,285	-
10,255,610	**141,194**			**7,841,776**	**5,003,319**
11.36	**0.20**	**Earnings per share – basic and diluted (Shs)**	**17**	**8.67**	**7.11**

The notes on pages 107 to 185 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

COMPANY 2019 Shs'000	COMPANY 2018 Shs'000		Note	GROUP 2019 Shs'000	GROUP 2018 Shs'000
10,255,610	**141,194**	**Profit for the year**		**7,841,776**	**5,003,319**
		Other comprehensive income:			
		Items that may be subsequently reclassified to profit or loss			
-	-	Fair value gains on financial assets measured at FVOCI	41	(369,699)	193,692
-	-	Exchange differences on translation of foreign operations		282,035	(281,062)
-	**-**	**Other comprehensive income for the year, net of tax**		**(87,664)**	**(87,370)**
10,255,610	**141,194**	**Total Comprehensive income for the year**		**7,754,112**	**4,915,949**
		Attributable to:			
10,255,610	141,194	Equity holders of the Group		7,733,827	4,915,949
-	-	Non-controlling interests		20,285	-
10,255,610	**141,194**			**7,754,112**	**4,915,949**

The notes on pages 107 to 185 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

COMPANY 2019 Shs'000	COMPANY 2018 Shs'000		Note	GROUP 2019 Shs'000	GROUP 2018 Shs'000
		ASSETS			
-	-	Cash and balances with Central Banks	18	37,195,306	18,488,300
-	-	Item in the course of collection	19	534,806	349,482
-	-	Due from banking institutions	20	25,556,324	18,481,312
-	-	Derivative assets	21	80,164	116,900
-	-	Government securities	22	137,039,426	65,064,995
-	-	Investment securities	23	9,491,910	3,996,498
-	-	Customer loans and advances	24	248,885,318	121,503,411
-	500	Other assets	25	9,584,548	3,641,666
519,697	337,455	Due from group companies	43	-	-
-	-	Investment in associates	26	3,768,955	3,724,975
62,420,446	29,568,705	Investment in subsidiaries	27	-	-
-	-	Intangible assets	28	6,974,902	3,332,803
-	-	Property and equipment	29	3,844,075	2,303,483
-	19,232	Current income tax	15	268,080	70,075
15,984	-	Deferred income tax	30	7,085,373	3,670,382
-	-	Goodwill	31	34,000	362,610
-	-	Operating lease prepayments	32	522,500	-
-	-	Right of use asset	33	3,851,729	-
62,956,127	**29,925,892**	**Total assets**		**494,717,416**	**245,106,892**
		LIABILITIES			
-	-	Customer deposits	34	378,237,043	196,527,724
-	-	Due to banking institutions	35	10,892,910	5,446,410
-	15,850	Due to group companies	43	-	-
119,921	48,449	Other liabilities	36	11,508,778	4,540,718
-	-	Borrowings	37	22,081,245	7,962,958
5,623	-	Current income tax	15	13,027	-
-	-	Deferred income tax	30	21,340	21,271
37,819	42,986	Unclaimed dividends		37,819	-
-	-	Lease liability	38	4,665,429	-
163,363	107,285	**Total liabilities**		427,457,591	214,499,081
		SHAREHOLDERS' EQUITY			
7,488,725	3,519,701	Share capital	39	7,488,725	3,519,701
22,179,426	2,373,994	Share premium	40	22,179,426	2,373,994
-	-	Revaluation reserve	41	(288,240)	81,459
30,877,995	23,044,987	Retained earnings		35,962,429	23,215,651
-	-	Foreign currency translation reserve		(795,729)	(1,077,764)
-	-	Statutory loan loss reserve	42	199,378	829,290
2,246,618	879,925	Proposed dividend		2,246,618	1,665,480
62,792,764	29,818,607	**Total capital and reserves attributable to equity holders of the Group**		66,992,607	30,607,811
-	-	Non-controlling interests		267,218	-
62,792,764	29,818,607	**Total equity**		67,259,825	30,607,811
62,956,127	**29,925,892**	**Total liabilities and equity**		**494,717,416**	**245,106,892**

The financial statements on pages 100 to 185 were approved and authorised for issue by the Board of Directors on 24 March 2020 and were signed on its behalf by:

J P M Ndegwa	J Gachora	M K R Shah	L.Murage
Chairman	Group Managing Director	Director	Group Company Secretary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

Year ended 31 December 2018	Share capital Shs '000	Share premium Shs '000	Revaluation reserve Shs '000	Revenue reserve Shs '000	Foreign currency translation reserve Shs '000	Statutory loan loss reserve Shs '000	Proposed dividend Shs '000	Capital and reserves attributable to equity holders of the Group Shs '000	Non-controlling interests Shs '000	Total equity Shs '000
At start of year	**5,755,468**	**5,036,649**	**(107,689)**	**16,699,519**	**(824,137)**	**2,148,227**	**1,421,677**	**30,129,714**	-	**30,129,714**
Impact of initial application of IFRS 9	-	-	-	(1,650,567)	-	-	-	(1,650,567)	-	**(1,650,567)**
Total comprehensive income for the year										
Profit for the year	-	-	-	5,003,319	-	-	-	5,003,319	-	**5,003,319**
Gain on revaluation of financial instruments at FVOCI	-	-	193,692	-	-	-	-	193,692		**193,692**
Currency translation differences	-	-	(4,544)	-	(253,627)	(22,891)	-	(281,062)	-	**(281,062)**
Total comprehensive income	-	-	**189,148**	**5,003,319**	**(253,627)**	**(22,891)**	-	**4,915,949**	-	**4,915,949**
Appropriation from statutory reserve	-	-	-	1,296,046	-	(1,296,046)	-	-	-	-
Transactions with owners recorded directly in equity										
Effects of Business Combination	(2,235,767)	(2,662,655)	-	4,898,422	-	-	-	-	-	-
Dividends:										
- Final 2017 paid	-	-	-	-	-	-	(1,421,677)	(1,421,677)	-	**(1,421,677)**
- Interim dividend 2018 paid	-	-	-	(1,365,608)	-	-	-	(1,365,608)	-	**(1,365,608)**
- Proposed final dividend 2018	-	-	-	(1,665,480)	-	-	1,665,480	-	-	-
Total transactions with owners	**(2,235,767)**	**(2,662,655)**	-	**1,867,334**	-	-	**243,803**	**(2,787,285)**	-	**(2,787,285)**
At end of year	**3,519,701**	**2,373,994**	**81,459**	**23,215,651**	**(1,077,764)**	**829,290**	**1,665,480**	**30,607,811**	-	**30,607,811**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the year ended 31 December 2019

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

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total equity Shs'000
At 1 January 2018	**3,199,728**	**2,700,017**	**23,783,718**	**639,946**	**30,323,409**
Profit for the year	-	-	141,194	-	141,194
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**141,194**	**-**	**141,194**
Transactions with owners, recorded directly through equity					
Bonus issue 2018	319,973	(319,973)	-	-	-
Bonus issue Expenses	-	(6,050)	-	-	(6,050)
Dividends paid – final for 2017	-	-	-	(639,946)	(639,946)
Dividends proposed – final for 2018	**-**	**-**	**(879,925)**	**879,925**	**-**
At 31 December 2018	**3,519,701**	**2,373,994**	**23,044,987**	**879,925**	**29,818,607**
At 1 January 2019	**3,519,701**	**2,373,994**	**23,044,987**	**879,925**	**29,818,607**
Effects of business combination	3,969,024	19,805,432	-	-	23,774,456
Profit for the year	-	-	10,255,610	-	10,255,610
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**10,255,610**	**-**	**10,255,610**
Transactions with owners, recorded directly through equity					
Dividends paid - final for 2018	-	-	-	(879,925)	(879,925)
Dividends paid - interim 2019	-	-	(175,984)	-	(175,984)
Proposed dividend - final 2019	-	-	(2,246,618)	2,246,618	-
At 31 December 2019	**7,488,725**	**22,179,426**	**30,877,995**	**2,246,618**	**62,792,764**

The notes on pages 107 to 185 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

COMPANY 2019 Shs'000	COMPANY 2018 Shs'000		Note	GROUP 2019 Shs'000	GROUP 2018 Shs'000
(69,776)	29,075	Cash generated from operating activities	45	27,776,689	2,746,121
(26,570)	(16,222)	Income tax paid	15	(3,240,340)	(2,167,922)
(96,346)	**12,853**	**Net cash generated from/(used in) operating activities**		**24,536,349**	**4,914,043**
				-	-
		Cash flows from investing activities			
-	(450,000)	Investment in subsidiaries		-	-
-	-	Dividends from associates		99,900	99,900
-	-	Purchase of government securities Proceeds from disposal of government		(54,857,407)	(37,070,427)
-	-	securities		48,110,103	28,648,208
-	-	Purchase of software		(910,057)	(296,824)
-	-	Purchase of property and equipment	29	(1,314,108)	(422,114)
-	-	Purchase of investment securities	23	(5,410,809)	(1,308,283)
-	-	Proceeds of investments	23	598,167	-
-	-	Proceeds on sale of equipment	29	239,718	59,648
(50,000)	-	Effects of merger transaction		-	-
(50,000)	**(450,000)**	**Net cash used in investing activities**		**(13,444,491)**	**(10,289,892)**
		Cash flows from financing activities			
1,300,000	200,000	Dividends received		-	-
-	-	Interest payment on borrowed funds		-	(872,912)
(1,055,909)	(619,348)	Dividends paid		(3,070,672)	(2,787,285)
-	-	Repayment of long-term borrowings	37(b)	(1,993,450)	-
-	-	Additional borrowings	37(b)	6,652,635	-
-	(6,050)	Issue of shares		-	-
244,091	**(425,398)**	**Net cash used in financing activities**		**1,588,513**	**(3,660,197)**
97,745	**(862,545)**	**Net increase/(decrease) in cash and cash equivalents**		**12,680,371**	**(9,036,046)**
337,455	1,200,000	Cash and cash equivalents at 1 January	44	28,695,718	37,731,764
435,200	**337,455**	**Cash and cash equivalents at 31 December**	**44**	**41,376,089**	**28,695,718**

The notes on pages 107 to 185 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1) General Information

On 1 October 2019, NIC Group PLC (NIC) and Commercial Bank of Africa Limited (CBA) completed the merger process of the two entities after obtaining applicable shareholder and regulatory approvals. The merger was executed through a share swap, with the shareholders of CBA exchanging their shares in CBA for new shares in NIC, the surviving holding company of the merged businesses and remaining a publicly listed company quoted on the Nairobi Securities Exchange.

The shareholders of NIC and CBA approved a change in the respective articles of association to empower the directors to change the name of the company from time to time. The Directors of NIC approved to change the name of the holding company to NCBA Group PLC.

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

The address of its registered office is as follows:

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

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

2) Significant accounting policies

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

i) Compliance with IFRS

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

(ii) Use of estimates

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

2) Significant accounting policies (continued)

2.1 Basis of preparation (continued)

iv) Changes in accounting policy and disclosures (continued)

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

A number of new standards and interpretations have been published that are not mandatory for annual periods commencing 1 January 2019 and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is as follows:

IAS 1 and IAS 8 - 'Presentation of financial statements' and 'Accounting policies, changes in accounting estimates and errors' on the definition of material

These amendments become effective for annual periods beginning on or after 1 January 2020. The amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

- use a consistent definition of materiality through IFRSs and the conceptual framework for financial reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The change is not expected to have any material impact to the accounts.

IFRS 3 - Business combinations

The standard becomes effective for annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions.

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

(ii) New and amended standards effective and adopted by the Group.

IFRS 16: Leases

This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

2) Significant accounting policies (continued)

2.1 Basis of preparation (continued)

iv) Changes in accounting policy and disclosures (continued)

IFRS 16: Leases (continued)

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 12.15% on all its operating leases denominated in Kenya shillings (Shs), 5.3% on those denominated in Tanzania Shillings (TZS), 5.25% on those denominated in USD and 11.8% for those in Rwandese Franc (RwF).

The transition provisions of IFRS 16 allow an entity not to restate comparatives. The Group elected not to restate comparatives but instead adopt IFRS 16 on 1 January 2019 using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 was recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The adjustment to retained earnings as at 1 January 2019 was Shs 160 million.

The associated right-of-use assets for property leases were measured at discounted basis. The movement in right-of- use asset is analysed under note 33.

Additionally, the Group elected to apply the practical expedient to grandfather the definition of a lease on transition. Therefore, it applied IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The Group's accounting policy for leases where the Group was the lessee, up to 31 December 2018, as follows:-

Leases where the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease payment is allocated between the liability and finance cost using the interest rate implicit in the lease. The finance cost is charged to the profit or loss account in the year in which it is incurred. Property and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset. The Group did not have such leases.

Leases of assets where a significant proportion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss account on a straight-line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

Various amendments with no or immaterial impact became effective in the year as below:

- Amendments to IFRS 9 – 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities.
- Amendments to IAS 28, 'Investments in associates and joint ventures' – long-term interests in associates and joint ventures.

2) Significant accounting policies (continued)

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 2019 (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 (including structured entities) 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 is carried in the Group'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.

2.3 Interest income and expense recognition

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

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

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

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

2) Significant accounting policies (continued)

2.4 Fee and commission income

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 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-apportionate 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, and re- measurement gains and losses from contingent consideration on disposals and purchases.

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

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 available-for-sale financial assets, are included in other comprehensive income.

2) Significant accounting policies (continued)

2.7 Financial assets

a) Debt instrument

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 amortised cost; and
- Financial assets at fair value through other comprehensive income ("FVTOCI").

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

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

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

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

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

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

2) Significant accounting policies (continued)

2.7 Financial assets (continued)

a) Debt instrument (continued)

ii) Modification of loans (continued)

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, 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 derecognition 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 derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

iv) Impairment of financial assets

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

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

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

2) Significant accounting policies (continued)

2.7 Financial assets (continued)

b) Equity Instruments

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

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

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

2.8 Financial liabilities

i) Classification and subsequent measurement

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

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

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

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

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).

2) Significant accounting policies (continued)

2.8 Financial liabilities (continued)

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 realise the asset and settle the liability simultaneously.

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

2.10 Property and equipment

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

Costs incurred in the process of acquiring or constructing an item of property and equipment are 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 put into use.

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

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

2) Significant accounting policies (continued)

2.10 Property and equipment (continued)

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.

2.11 Intangible assets

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

i) Software

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

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

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

ii) Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. 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.

2) Significant accounting policies (continued)

2.11 Intangible assets (continued)

ii) Goodwill (continued)

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.

iii) Other intangible assets

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

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

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

- Customer relationships 4 years
- Core deposits 1 years

2.12 Cash and cash equivalents

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

2.13 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

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.

i) 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.

ii) Deferred income tax

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

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

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

2) Significant accounting policies (continued)

2.16 Derivative financial instruments

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

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

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

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

2.17 Leases

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

i) The Group is the lessee

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

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

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

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

2) Significant accounting policies (continued)

2.17 Leases (continued)

i) The Group is the lessee (continued)

All right-of-use assets are subsequently measured at cost less accumulated depreciatiom and any accumulated impairment losses, adjusted for any remeasurement of the lease liabilities. Depreciation is calculated using the staright-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 2019.

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 repledge the collateral; the counterparty liability is included in amounts due to other banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

2.19 Dividends

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

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

2.20 Share capital

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

2.21 Letters of credit, acceptances and guarantees

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

2) Significant accounting policies (continued)

2.22 Fiduciary activities

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

2.23 Statutory loan loss reserve

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

2.24 Segment reporting

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

2.25 Earnings per share

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

2.26 Comparatives

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

3) Financial risk management

3.1 Risk management framework

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

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

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

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

3.2 Credit risk

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

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

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

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

3) Financial risk management (continued)

3.2 Credit risk (continued)

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 authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than loans and advances.

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

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

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

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

- The Group exercise stringent controls over the granting of new loans.
- 73% (2018: 76%) of the loans and advances portfolio are neither past due nor impaired.
- 94% (2018: 94%) of the debt securities are government securities.

b) Loans and advances

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

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 summarised below:

- **Stage 1:**

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

- **Stage 2:**

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

- **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	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 organisational 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).

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

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

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

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

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

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

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

- For amortising products or bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayments/refinance assumptions are also incorporated.
- For revolving products, the exposure at default is predicted by taking the current drawn-down balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.
- The 12-month and lifetime LGDs are determined based on the factors which impact the recoverable amount post default. These vary by product type:
- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and prices.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by the industry segmentation.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – 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 amortised cost based on industries such as Agriculture, Business Services, Mining and Quarrying, Manufacturing, Individuals, Building and construction, Tourism, Transport and Communication among others. The appropriateness of groupings is monitored and reviewed on a periodic basis.

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

vi) Forward-looking information incorporated in the ECL models

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

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

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

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

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

vii) Write-off policy

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

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

vii) Write-off policy (continued)

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 summarised below:

Loans and advances at amortised cost less than 30 days past due date are not considered to have experienced SICR, unless other information is available to indicate the contrary.

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

	2019	2018
At 31 December 2019	**Shs' 000**	**Shs' 000**
Gross loans and advances		
Stage 1	200,817,720	98,119,556
Stage 2	38,687,882	19,275,465
Stage 3	26,961,516	9,907,826
Total gross loans advanced	**266,467,118**	**127,302,847**
Impairment allowances		
Stage 1	2,267,432	1,329,642
Stage 2	8,074,864	1,432,947
Stage 3	12,114,762	6,092,347
Impairment allowances	**22,457,058**	**8,854,936**
Fair-value		
Loan notes at FVTPL	4,875,258	3,055,500
Net loans and advances	**248,885,318**	**121,503,411**
Coverage ratio of the individually impaired	45%	61%

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

Included in loans and advances above are loan notes valued at Shs 4.9 billion (2018: Shs 3.1 billion) which were held at fair value through profit or loss. All other loans and advances are classified at amortised cost.

c) Other non-loan financial assets

ECL on non-loan financial assets such is measured as follows:

- Use of external credit ratings as proxies to infer approximate PDs;
- Assumes 100% LGDs;
- Assigns equal 'loss' and 'no loss' scenarios based on expert judgment; and
- EADs are estimated based on the expected maturities of the instruments, most of which are less than 12 months.

The other financial assets mainly relate to government securities balances held with Central Banks and other financial institutions that are highly rated and therefore considered low risk. None of these were past due or impaired except for a balance of Shs 4.1 million (2018: Shs 4.1 million).

The summarised information on other financial instrument is tabulated below:

	2019			2018		
	Balance	**Stage**	**ECL**	**Balance**	**Stage**	**ECL**
Balances with the central banks	26,361,254	1	17,677	12,060,460	1	-
Items in the course of collection	534,806	1	-	349,482	1	-
Due from banking institutions	25,570,030	1	13,706	18,481,312	1	-
Investment securities	8,395,718	1	-	3,336,301	1	-
Government securities	137,039,426	1	58,047	65,064,995	1	-
Other receivables						-
- Performing	10,119,354		4,090	2,934,826		4,090
	208,020,588		**93,520**	**102,227,376**		**4,090**

Gross maximum exposure

The following table breaks down gross maximum credit exposure at carrying amounts (without taking into account any collateral held or other credit support).

3) Financial risk management (continued)

3.2 Credit risk (continued)

c) Other non-loan financial assets (continued)

	2019	2018
	Shs '000	Shs '000
Balances with central banks	26,361,254	12,020,460
Due from banking institutions	25,570,030	18,481,312
Government securities	137,039,426	65,064,995
Investment securities	8,395,718	3,496,814
Derivatives	80,164	116,900
Customer loans and advances	248,885,318	121,503,411
Other receivables (financial)	10,119,354	2,930,735
	456,451,264	**223,614,627**
Credit risk exposures relating to off-balance seet items are as follows:		
Letters of credit	15,703,693	7,962,643
Acceptances	9,185,956	2,777,561
Guarantees	31,142,317	14,730,262
	56,031,966	**25,470,466**
Total credit risk exposure	**512,483,230**	**249,085,093**

d) Concentrations of risk

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

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

To avoid excessive concentration in any one of several industrial sectors and, by extension, the overall safety of the Group, the lending portfolio is monitored and managed at all times. Equally, care is taken to avoid over-exposure to any one borrower. There are restrictions to the maximum exposure permitted with respect to any one name based on capital and these restrictions which are strictly adhered to, are laid down by regulation. Any changes made to the portfolio management plan are subject to the approval of the Board of Directors

3) Financial risk management (continued)

3.2 Credit risk (continued)

d) Concentrations of risk (continued)

The economic sector risk concentrations within the customer loans and advances portfolios at the end of the year were as follows:

	2019 %	2018 %
Manufacturing	18	17
Private individuals	22	20
Government bodies and parastatals	5	15
Transport and communications	10	5
Wholesale, retail trade and hotels	17	8
Agricultural	4	3
Insurance and business services	6	21
Community and international organisations	1	2
Building, construction and real estate	8	8
Other	9	1
	100	**100**

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.

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.

3) Financial risk management (continued)

3.2 Credit risk (continued)

e) Collateral management (continued)

Valuation of collateral

The Group has a panel of valuers who undertake valuation of property and other assets to be used as Collateral. The valuers in the panel are qualified professional valuers with adequate experience in the field of property and machinery valuation. Valuation of collateral are performed between 3 to 5 year intervals.

Financial effect of collateral

As at 31 December 2019 the Group held collateral amounting to 55% (2018: 20%) of the value of impaired loans.

f) Credit risk exposure for Company

The company's credit exposure relates to balances due from group companies and other assets. These are classied 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:

		2019			2018	
	Balance	**Stage**	**ECL**	**Balance**	**Stage**	**ECL**
Credit exposure						
Due to group companies	519,697	1	-	337,455	1	-
Other assets	-	1	-	500	1	-
	519,697		**-**	**337,955**		**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2019

3) Financial risk management (continued)

3.3 currency risk

Group

	KES	USD	GBP	EUR	Other	Total
At 31 December 2019	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
Assets						
Cash in hand	7,700,052	1,467,406	74,047	146,913	1,463,311	**10,851,729**
Central banks balances	22,779,228	1,879,604	171,016	127,864	1,385,865	**26,343,577**
Government securities	125,879,682	3,070,320	-	-	8,089,424	**137,039,426**
Due from banking institutions	1,841,488	14,289,179	4,778,201	2,642,785	2,004,671	**25,556,324**
Investment securities	9,468,043	-	-	-	23,867	**9,491,910**
Customer loans and advances	138,458,564	94,834,104	312,108	2,616,554	12,663,988	**248,885,318**
Other Assets	36,155,046	140,718	3,715	22,529	227,124	**36,549,132**
Total assets	**342,282,103**	**115,681,331**	**5,339,087**	**5,556,645**	**25,858,250**	**494,717,416**
Liabilities						
Customer deposits	258,005,011	92,735,642	6,544,017	7,854,911	13,097,462	**378,237,043**
Due to banking institutions	1,558,647	4,965,427	2,455,954	270,859	1,642,023	**10,892,910**
Other liabilities	13,148,462	824,707	5,213	5,588	2,262,423	**16,246,393**
Borrowings	14,781,435	7,299,810	-	-	-	**22,081,245**
Total liabilities	**287,493,555**	**105,825,586**	**9,005,184**	**8,131,358**	**17,001,908**	**427,457,591**
Net on-balance sheet position	**54,788,548**	**9,855,745**	**(3,666,097)**	**(2,574,713)**	**8,856,342**	**67,259,825**

3) Financial risk management (continued)

3.3 currency risk (continued)

Group	KES	USD	GBP	EUR	Other	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
At 31 December 2018						
Assets						
Cash in hand	5,041,824	478,234	39,614	111,010	797,158	**6,467,840**
Central banks balances	8,899,006	803,989	468,732	224,308	1,624,425	**12,020,460**
Government securities	59,193,907	982,810	-	-	4,888,278	**65,064,995**
Due from banking institutions	409,635	10,661,515	2,866,190	2,795,374	1,748,598	**18,481,312**
Investment securities	3,996,498	-	-	-	-	**3,996,498**
Customer loans and advances	67,822,706	45,126,755	17,666	2,018,494	6,517,790	**121,503,411**
Other assets	17,094,037	14,781	-	-	463,558	**17,572,376**
Total assets	**162,457,613**	**58,068,084**	**3,392,202**	**5,149,186**	**16,039,807**	**245,106,892**
Liabilities						
Customer deposits	128,563,674	51,318,239	3,386,454	3,887,133	9,372,224	**196,527,724**
Due to banking institutions	140,271	2,389,423	70025	229,055	2,617,636	**5,446,410**
Other liabilities	3,941,233	189,927	-	-	430,829	**4,561,989**
Borrowings	7,036,779	-	-	926,179	-	**7,962,958**
Total liabilities	**139,681,957**	**53,897,589**	**3,456,479**	**5,042,367**	**12,420,689**	**214,499,081**
Net on-balance sheet position	**22,775,656**	**4,170,495**	**(64,277)**	**106,819**	**3,619,118**	**30,607,811**

** 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

3) Financial risk management (continued)

3.4 Interest rate risk

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

Group

As At 31 December 2019	Up to 1 month Shs '000	1 to 3 months Shs '000	3 to 12 months Shs '000	1 to 5 years Shs '000	Over 5 years Shs '000	Non - interest bearing Shs '000	Total Shs '000
Assets							
Cash in hand	-	-	-	-	-	10,851,729	**10,851,729**
Central bank balances	-	-	-	-	-	26,343,577	**26,343,577**
Government securities	494,256	8,359,990	25,720,936	45,166,083	57,298,161	-	**137,039,426**
Due from banking institutions	25,556,324	-	-	-	-	-	**25,556,324**
Investment securities	8,783,788	-	-	-	-	-	**8,783,788**
Customer loans and advances	248,885,318	-	-	-	-	-	**248,885,318**
Other assets	-	-	-	-	-	36,549,132	**36,549,132**
Total assets	**283,719,686**	**8,359,990**	**25,720,936**	**45,166,083**	**57,298,161**	**73,744,438**	**494,009,294**
Liabilities							
Customer deposits	210,853,201	104,774,036	60,511,941	808,775	1,289,090	-	**378,237,043**
Due to banking institutions	10,496,584	396,326	-	-	-	-	**10,892,910**
Other liabilities	-	-	-	-	-	16,246,393	**16,246,393**
Borrowings	-	-	-	7,296,431	14,784,814	-	**22,081,245**
Total liabilities	**221,349,785**	**105,170,362**	**60,511,941**	**8,105,206**	**16,073,904**	**16,246,393**	**427,457,591**
Interest sensitivity gap	**63,078,023**	**(96,810,372)**	**(34,791,005)**	**37,060,877**	**41,224,257**	**57,498,045**	**67,259,825**

3) Financial risk management (continued)

3.4 Interest rate risk risk (continued)

Group

As At 31 December 2018	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		-	-	-	-	6,467,840	**6,467,840**
Central banks balances	-	-	-	-	-	12,020,460	**12,020,460**
Government securities	3,512,718	4,167,828	26,688,474	12,760,811	17,935,164	-	**65,064,995**
Balance due from banking institutions	17,263,067	1,020,629	102,025	-	-	95,591	**18,481,312**
Investment securities	50,030	96,090	3,336,301	-	514,077	-	**3,996,498**
Customer loans and advances	113,669,894	768,634	1,295,871	3,494,248	2,274,764	-	**121,503,411**
Other assets	-	-	-	-	-	17,572,376	**17,572,376**
Total assets	**134,495,709**	**6,053,181**	**31,422,671**	**16,255,059**	**20,724,005**	**36,156,267**	**245,106,892**
Liabilities							
Customer deposits	117,614,696	62,544,201	15,480,730	888,097	-	-	**196,527,724**
Due to banking institutions	2,706,303	2,638,082	102,025	-	-	-	**5,446,410**
Other liabilities	-	-	-	-	-	4,561,989	**4,561,989**
Borrowings	-	-	926,179	7,036,779	-	-	**7,962,958**
Total liabilities	**120,320,999**	**65,182,283**	**16,508,934**	**7,924,876**	**-**	**4,561,989**	**214,499,081**
Interest sensitivity gap	**14,174,710**	**59,129,102**	**14,913,737**	**8,330,183**	**20,724,005**	**31,594,278**	**30,607,811**

Company

The Company is a holding company and does not have interest earning assets or interest bearing liabilities. The company exposure to interest rate risk is therefore nil.

3) Financial risk management (continued)

3.5 Liquidity risk

The Group is exposed to daily calls on its available cash resources arising from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The maturity of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group. The Assets and Liabilities Committee reviews 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 analyse assets and liabilities of the Group into relevant maturity groupings based on the remaining period to contractual maturity date as at the reporting date

3) Financial risk management (continued)

3.5 Liquidity risk (continued)

Group

As At 31 December 2019	Up to 1 month Shs '000	1 to 3 months Shs '000	3 to 12 months Shs '000	1 to 5 years Shs '000	Over 5 years Shs '000	Total Shs '000
Assets						
Cash in hand	10,851,729	-	-	-	-	10,851,729
Central banks balances	27,218,655	-	-	-	-	27,218,655
Government securities	277,535	7,855,458	27,234,989	59,788,918	87,974,273	183,131,173
Due from banking institutions	23,517,006	304,410	206,821	80,908	357,175	24,466,320
Investment securities	9,126,591	-	-	517,000	776,787	10,420,378
Customer loans and advances	89,269,977	10,497,595	23,062,203	118,173,076	88,513,024	329,515,875
Other financial assets	36,534,384	-	-	-	-	36,534,384
Total assets	**196,795,877**	**18,657,463**	**50,504,013**	**178,559,902**	**177,621,259**	**622,138,514**
Liabilities						
Customer deposits	208,273,935	106,517,930	65,127,895	1,362,187	6,827,574	388,109,521
Due to banking institutions	11,628,869	397,900	-	-	13,027	12,039,796
Other financial liabilities	16,246,392	-	-	-	-	16,246,392
Borrowings	1,005,479	434,479	10,883,114	10,195,381	1,779,170	24,297,623
Total financial liabilities	**237,154,675**	**107,350,309**	**76,011,009**	**11,557,568**	**8,619,771**	**440,693,332**
Net on- balance sheet liquidity gap	**(40,358,798)**	**(88,692,846)**	**(25,506,996)**	**167,002,334**	**169,001,488**	**181,445,182**
Un-recognised financial instruments						
Letters of credit, acceptances and Guarantees	(11,777,339)	(7,399,296)	(25,023,580)	(11,252,715)	(579,036)	(56,031,966)
Irrevocable un-utilised facilities	(20,464,567)	31,187	-	12,276	-	(20,421,104)
Total off-balance sheet notional position	**(32,241,906)**	**(7,368,109)**	**(25,023,580)**	**(11,240,439)**	**(579,036)**	**(76,453,070)**
Total on and off-balance sheet net liquidity gap	**(72,600,704)**	**(96,060,955)**	**(50,530,576)**	**155,761,895**	**168,422,452**	**104,992,112**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2019

3) Financial risk management (continued)

3.5 Liquidity risk (continued)

Group

As At 31 December 2018	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	6,414,414	-	-	-	-	6,414,414
Central banks balances	12,073,886	-	-	-	-	12,073,886
Government securities	3,542,062	4,254,638	29,472,921	17,576,876	26,341,489	81,187,986
Due from banking institutions	17,626,936	1,028,379	102,025	-	-	18,757,340
Investment securities	564,107	-	3,770,020	-	-	4,334,127
Customer loans and advances	30,831,650	9,234,836	13,784,298	42,549,682	58,000,560	154,401,026
Other financial assets	3,918,508	303,098	-	-	90,292	4,311,898
Total financial assets	**74,971,563**	**14,820,951**	**47,129,264**	**60,126,558**	**84,432,341**	**281,480,677**
Liabilities						
Customer deposits	118,865,739	63,263,020	15,112,533	882,065	-	198,123,357
Due to banking institutions	2,747,018	2,676,802	46,604	-	-	5,470,424
Other financial liabilities	4,553,328	-	67,290	-	-	4,620,618
Borrowings	926,179	-	-	10,171,577	-	11,097,756
Total financial liabilities	**127,092,264**	**65,939,822**	**15,226,427**	**11,053,642**	**-**	**219,312,155**
Net on- balance sheet liquidity gap	**(52,120,701)**	**(51,118,871)**	**31,902,837**	**49,072,916**	**84,432,341**	**62,168,522**
Un-recognised financial instruments						
Letters of credit, acceptances and Guarantees	(22,561,785)	(275,226)	(2,217,770)	(38,848)	-	(25,093,629)
Irrevocable un-utilised facilities	(6,163,341)	-	-	-	-	(6,163,341)
Total off-balance sheet notional position	**(28,725,126)**	**(275,226)**	**(2,217,770)**	**(38,848)**	**-**	**(31,256,970)**
Total on and off-balance sheet net liquidity gap	**(80,845,827)**	**(51,394,097)**	**29,685,067**	**49,034,068**	**84,432,341**	**30,911,552**

The maturity analysis of borrowings above is based on the contractual maturities under the respective loan agreements. The component of borrowings classified as current is in accordance with the accounting standards

3) Financial risk management (continued)

3.5 Liquidity risk (continued)

Company

At 31 December 2019	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	-	519,697	-	519,697
Investment in subsidiaries	-	-	62,420,446	62,420,446
Total financial assets	**-**	**519,697**	**62,420,446**	**62,940,143**
Liabilities				
Other liabilities	119,921	-	-	119,921
Current income tax	-	5,623	-	5,623
Unclaimed dividends	37,819	-	-	37,819
Total financial liabilities	**157,740**	**5,623**	**-**	**163,363**
Net on- balance sheet liquidity gap	**(157,740)**	**514,074**	**62,420,446**	**62,776,780**
At 31 December 2018				
Assets				
Other assets	500	-	-	500
Due from group companies	-	337,455	-	337,455
Investment in subsidiaries	-	-	29,568,705	29,568,705
Current income tax	-	19,232	-	19,232
Total financial assets	**500**	**356,687**	**29,568,705**	**29,925,892**
Liabilities				
Due to group companies	-	15,850	-	15,850
Other liabilities	48,449	-	-	48,449
Unclaimed dividends	42,986	-	-	42,986
Total financial liabilities	**91,435**	**15,850**	**-**	**107,285**
Net on- balance sheet liquidity gap	**(90,935)**	**340,837**	**29,568,705**	**29,818,607**

3) Financial risk management (continued)

3.6 Market risk sensitivity analysis

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control risk exposures within acceptable limits, while optimising return. Overall responsibility for the management of market risk rests with the Assets and Liabilities Committee. 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 2019, the effect of a 100 basis points change in net interest margin would have resulted in an increase or decrease of Shs 97.6 million (2018 - Shs 9.9 million) on the profit after income tax expense.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations. Foreign exchange risk arising from future commercial transactions and recognised assets and liabilities are managed through use of forward contracts. Currency exposure arising from the net assets of foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 31 December 2019, if the functional currencies in the economic environment in which the Group operates i.e. the Kenya Shilling had weakened or strengthened by 10% against the world's major currencies, with all other variables held constant, consolidated profit before income tax expense would have been higher or lower as depicted in below table.

	2019	2018
	Shs '000	Shs '000
10% depreciation/appreciation		
USD	985,557	417,049
GBP	366,610	6,427
EUR	257,471	10,682
Total	**1,609,638**	**434,158**

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

IAS 32 Financial Instruments: Presentation (IAS 32) requires financial assets and financial liabilities to be offset and the net amount presented in the statement of financial position when, and only when, the Group has a current legally enforceable right to set off recognised amounts, as well as the intention to settle on a net basis or to realise 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 2019 were below 1% (2018: <1%) of Group total assets and have been measured at fair value in the statement of financial position. No netting has been applied.

3) Financial risk management (continued)

3.8 Fair value hierarchy

Financial instruments measured at fair value

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

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

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

Group	**Level 1**	**Level 2**	**Total**
At 31 December 2019	**Shs '000**	**Shs '000**	**Shs000**
Financial assets at fair value through profit or loss			
Equity securities – listed (note 23)	708,122	-	708,122
Loan notes at fair value through profit or loss	-	4,875,258	4,875,258
Derivative assets	-	80,164	80,164
Unit trusts and other investment securities (note 23)	68,665	-	68,665
Financial assets at FVOCI			
Fixed rate treasury bonds – FVOCI (note 22)	-	51,690,279	51,690,279
Total assets	**776,787**	**56,645,701**	**57,422,488**
At 31 December 2018			
Financial assets at fair value through profit or loss			
Equity securities – listed (note 23)	499,684	-	499,684
Loan notes at fair value through profit or loss	-	3,055,500	3,055,500
Derivative assets	-	116,900	116,900
Unit trusts and other investment securities (note 23)	64,424	-	64,424
Financial assets at FVOCI			
Fixed rate treasury bonds – FVOCI (note 22)	-	16,798,063	16,798,063
Total assets	**564,108**	**19,970,463**	**20,534,571**

Company
The Company does not have assets that are measured at fair value.

3) Financial risk management (continued)

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

iii) Due to banking institutions

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

iv) Customer loans and advances

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted 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 2019					
Assets					
Cash and balances with CBK	-	-	37,195,306	37,195,306	37,195,306
Items in course of collection	-	-	534,806	534,806	534,806
Loans and advances to Customers	-	-	248,885,318	248,885,318	248,885,318
Balances due from banking institutions	-	-	25,556,332	25,556,332	25,556,324
Government securities – Amortised cost	-	85,873,464	-	85,873,464	85,317,192
Investment securities	-	-	9,461,872	9,461,872	9,491,910
Other assets	-	-	9,584,548	9,584,548	9,584,548
Total	**-**	**85,873,464**	**331,218,182**	**417,091,646**	**416,565,404**
Liabilities					
Customer deposits	-	-	378,832,124	378,832,124	378,832,124
Due to banking institutions	-	-	10,893,062	10,893,062	10,892,910
Borrowings	-	-	21,754,767	21,754,767	22,081,245
Other Liabilities	-	-	11,508,778	11,508,778	11,508,778
Total	**-**	**-**	**422,988,731**	**422,988,731**	**422,719,976**

3) Financial risk management (continued)

3.8 Fair value hierarchy (continued)

Financial instruments not measured at fair value

Group	Level 1	Level 2	Level 3	Fair value	Carrying value
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 31 December 2018					
Assets					
Cash and balances with CBK	-	-	18,488,300	18,488,300	18,488,300
Loans and advances to Customers	-	-	117,219,442	117,219,442	121,503,411
Balances due from banking institutions	-	-	18,700,209	18,700,209	18,481,312
Government securities – Amortised cost		47,434,362	-	47,434,362	48,266,932
Investment securities	-	3,996,842	-	3,996,842	3,996,498
Total	**-**	**51,431,204**	**154,407,951**	**205,839,155**	**210,736,453**
Liabilities					
Customer deposits	-	-	196,687,595	196,687,595	196,527,724
Due to banking institutions	-	-	5,437,251	5,437,251	5,446,410
Borrowings	-	-	7,524,034	7,524,034	7,962,958
Total	**-**	**-**	**209,648,880**	**209,648,880**	**209,937,092**

Company	Level 3	Fair Value	Carrying value
	Shs' 000	Shs'000	Shs'000
At 31 December 2019			
Assets			
Investment in subsidiaries	62,420,446	62,420,446	62,420,446
Liabilities			
Other liabilities	119,921	119,921	119,921
Unclaimed dividends	37,819	37,819	37,819
Total	**157,740**	**157,740**	**157,740**
At 31 December 2018			
Assets			
Investment in subsidiaries	29,568,705	29,568,705	29,568,705
Liabilities			
Other liabilities	48,449	48,449	48,449
Unclaimed dividends	42,986	42,986	42,986
Total	**91,435**	**91,435**	**91,435**

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

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

In Kenya, the Central Bank (CBK) requires each banking institution to:
- hold a minimum level of regulatory capital of Shs 1 billion;
- maintain a ratio of core capital to the risk-weighted assets at a minimum of 10.5%;
- maintain a ratio of core capital to total deposit liabilities at a minimum of 8%; and
- maintain a ratio of total capital to risk-weighted assets at a minimum of 14.5%.

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

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

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

4. Capital management (continued)

The table below summarises the composition of regulatory capital and capital adequacy ratios of Group as at 31 December 2019.

	Kenya	Tanzania	Uganda	Rwanda
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Tier I capital	62,561	2,478	1,995	642
Tier II capital	2,621	-	77	55
Total capital	**65,182**	**2,478**	**2,072**	**697**
Risk-weighted assets				
Credit risk weighted assets	273,220	13,669	14,855	2,811
Market risk weighted assets equivalent	17,894	563	854	33
Operational risk equivalent assets	59,767	1,988	-	194
Total risk-weighted assets (TRWA)	**350,881**	**16,220**	**15,709**	**3,038**
Core capital / TRWA	17.83%	15.28%	12.70%	21.13%
Total capital / TRWA	18.58%	15.28%	13.19%	22.94%

Capital adequacy ratios	**2019**	**2018**
Tier I (CBK minimum – 10.5%)	17.54%	15.70%
Total capital (CBK minimum – 14.5%)	18.25%	17.85%

The increase of the capital ratios is mainly due to the merger and current-year profit.

5. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are continually evaluated and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Impairment losses on financial assets at amortised cost and FVOCI

The Group reviews its financial assets especially the loan and receivables portfolio to assess impairment on a continuous basis. The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area where the Group requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

5. Critical accounting estimates and judgements in applying accounting policies (continued)

a) Impairment losses on financial assets at amortised cost and FVOCI

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 2019, were the net present value of estimated cash flows differ by +/-1%, the impairment loss is estimated to be Shs 148 million higher or lower (2018: Shs 66 million).

The most significant period-end assumptions used for the ECL estimate as at 31 December 2019 was cost of recovery. The estimated impact of movement in cost of recovery by 100 basis points would result in a higher or lower impairment charge by Shs 183 million (2018: Shs 70 million).

b) Amortised cost investments

The Group follows the guidance of IFRS 9 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturities as financial investments at amortised cost. 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 amortised cost. If all financial investments at amortised cost were to be so reclassified, the carrying value would increase by Shs 556.2 million (2018: decrease by Shs 467.1 million), with a corresponding entry in the fair value reserves in shareholders' equity.

c) Income taxes

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

5. Critical accounting estimates and judgements in applying accounting policies (continued)

c) Income taxes (continued)

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

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

d) Valuation of loan notes held at fair value

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

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

To determine the value of the shares, the Group utilises complex valuation models that incorporate both observable and unobservable inputs such as quoted prices and/or suitable proxies. These prices are then subjected to valuation adjustments which include, but are not limited to liquidity adjustments and correlation between risk factors. 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 2019, the fair value of the loan notes would have been estimated at:

- Shs 545 million higher if the valuation-determined share price was assumed to be 25% higher (2018 – Shs 61); and
- Shs 889 million lower if the valuation-determined share price was assumed to be 25% lower (2018 - Shs 65).

6. Interest and credit related income

COMPANY			GROUP	
2019 Shs'000	2018 Shs'000		2019 Shs'000	2018 Shs'000
-	-	Government securities:		
-	-	- Amortised cost	6,615,304	5,200,017
-	-	- Fair value through OCI	2,559,458	2,185,550
-	-	Customer loans and advances	15,675,457	11,463,363
-	-	Credit related fees	8,527,859	6,123,067
38,109	59,124	Due from banking institutions	550,790	407,209
-	-	Investment securities	116,897	130,650
38,109	**59,124**		**34,045,765**	**25,509,856**

7. Interest expense

-	-	Customer deposits	10,545,410	8,521,652
-	-	Deposit from other banking institutions	293,110	318,606
-	-	Long term debt	1,302,408	900,047
-	-	Finance cost	368,195	-
-	**-**		**12,509,123**	**9,740,305**

8. Credit impairment charge

-	-	Stage 1	(19,343)	(17,336)
-	-	Stage 2	1,731,612	(447,937)
-	-	Stage 3	4,409,122	4,347,926
-	-	Bad debts Recoveries	(486,083)	(173,425)
-	**-**	**Total Impairment charges**	**5,635,308**	**3,709,228**
		Total impairment charges, may be analysed as follows:		
-	-	Loans and advances to customers	5,635,308	3,709,228
-	**-**		**5,635,308**	**3,709,228**

9. Net fee and commission income

COMPANY 2019 Shs'000	COMPANY 2018 Shs'000		GROUP 2019 Shs'000	GROUP 2018 Shs'000
-	-	Service and transaction fees	2,205,778	2,107,724
-	-	Fees and commission on bills, letters of credit and guarantees	836,304	422,271
-	**-**		**3,042,082**	**2,529,995**

10. Foreign exchange income

-	-	Realised gains	2,822,467	2,365,707
-	-	Unrealised gains	19,860	73,875
-	**-**		**2,842,327**	**2,439,582**

11. Net gains on disposal of financial assets

-	**-**	Net gain on disposal of financial instruments	**189,750**	**65,400**

12. Other income

1,300,000	200,000	Dividends from subsidiaries	-	-
-	-	Insurance and wealth management commissions	422,805	178,980
-	-	Fair value gain on equity securities at fair value through profit or loss (note 23)	208,438	61,295
-	-	Fair value of Loan note through profit and loss	(200,000)	-
247,698	145,811	Management fees (Group recharges)	-	-
-	-	Gain on disposal of fixed assets	371	-
63	-	Other	185,186	155,768
1,547,761	**345,811**		**616,800**	**396,043**

13. Expenses by nature

COMPANY 2019 Shs'000	COMPANY 2018 Shs'000		GROUP 2019 Shs'000	GROUP 2018 Shs'000
219,725	200,632	Employee benefits (note 14)	5,923,557	4,065,290
1,286	-	Premises expenses	1,211,791	1,182,687
-	-	Equipment expenses	3,442,453	2,136,026
-	-	Marketing and business development expenses	696,347	598,994
-	-	Security and insurance expenses	371,946	335,842
-	-	Amortization of intangibles (merger related)	220,625	-
-	-	Merger transaction related costs	735,561	-
101,093	31,297	Other expenses	2,981,683	2,722,295
322,104	**231,929**		**15,583,963**	**11,041,134**

14. Employee benefits

190,312	198,805	Salaries and allowances	4,877,546	3,204,041
12,013	656	Contribution to defined contribution scheme	330,895	214,446
-	-	Training	65,358	140,053
17,400	-	Medical	267,468	188,425
-	1,171	Other	382,290	318,325
219,725	**200,632**		**5,923,557**	**4,065,290**

15. Income tax expense

COMPANY 2019 Shs'000	COMPANY 2018 Shs'000		GROUP 2019 Shs'000	GROUP 2018 Shs'000
		Current tax		
52,044	32,081	Income tax based on taxable profit for the year at 30%	2,990,224	2,240,057
(619)	(269)	Prior year under/(over) provision of current tax	65,138	(137,290)
		Deferred tax:		
-	-	Deferred income tax charge/(credit) (note 30)	474,965	(417,350)
(15,984)	-	(Over)/under provision of deferred tax in prior year	(58,544)	45,452
35,441	**31,812**		**3,471,783**	**1,730,869**
10,291,051	173,006	**Profit before tax**	11,313,560	6,734,188
3,087,315	51,902	Income tax - at the statutory rate of 30% (2018: 30%)	3,394,067	2,020,256
46,929	40,179	Expenses not deductible for tax purposes	654,217	447,880
(3,098,184)	(60,000)	Income not assessable for tax purposes	(1,925,545)	(660,260)
-	(269)	Under/(over) provision of current tax in prior year	65,138	(137,290)
(619)	-	(Over)/under provision of deferred tax in prior year	(58,544)	45,452
-	-	Deferred income tax not recognised	1,342,450	14,831
35,441	**31,812**		**3,471,783**	**1,730,869**
(19,232)	(34,822)	**At 1 January**	(70,075)	(4,920)
52,044	32,081	Tax charge - current year	2,990,224	2,240,057
(619)	(269)	Tax charge – prior year	65,138	(137,290)
(26,570)	(16,222)	Income taxation paid	(3,240,340)	(2,167,922)
5,623	**(19,232)**	**At 31 December**	**(255,053)**	**(70,075)**
		Comprising:		
-	19,232	Current income tax recoverable	268,080	70,075
(5,623)	-	Current income tax payable	(13,027)	-
(5,623)	**19,232**	**At 31 December**	**255,053**	**70,075**

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 2020, a final dividend in respect of the year ended 31 December 2019 of Shs 1.50 is to be proposed, making total dividend for the year Shs 1.75 (2018: Shs 1.25 per share). During the year, an interim dividend of Shs 175 million was paid (2018: Shs nil).

Dividends paid are subject to withholding tax at the rate of 5% and 10% for residents and non-residents respectively where applicable:

17. Earnings per share (EPS)

Earnings per share (EPS) is based on 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 2019 or 2018. Diluted earnings per share are therefore equal to basic earnings per share

COMPANY			GROUP	
2019 Shs'000	2018 Shs'000		2019 Shs'000	2018 Shs'000
10,255,610	141,194	Group net profit	7,821,490	5,003,319
		Weighted average number of ordinary shares		
703,940	703,940	Number of shares issued/deemed to be outstanding 1 Jan ('000)	703,940	703,940
198,451	-	Weighted average number of shares issued on merger ('000)	198,451	-
902,391	703,940	Weighted average numbers 3 of shares ('000) 31 Dec	902,391	703,940
11.36	0.20	Basic EPS (Shs)	8.67	7.11

18. Cash and balances with Central Bank

COMPANY 2019	COMPANY 2018		GROUP 2019	GROUP 2018
-	-	Cash in hand	10,851,729	6,467,840
-	-	Balances with central banks	8,035,338	2,439,792
-	-	**Included in cash and cash equivalent**	**18,887,067**	**8,907,632**
-	-	Mandatory reserve deposits	18,325,916	9,580,668
-	-	Less: Impairment loss allowance	(17,677)	-
-	**-**		**37,195,306**	**18,488,300**

19. Items in the course of collection

COMPANY 2019	COMPANY 2018		GROUP 2019	GROUP 2018
-	-	Clearing account balances	534,806	349,482

20. Due from banking institutions

COMPANY			GROUP	
2019 Shs'000	2018 Shs'000		2019 Shs'000	2018 Shs'000
-	-	Current accounts, overnight and call deposits	12,377,138	10,450,148
-	-	Time deposits	13,192,892	8,031,164
-	-	Impairment	(13,706)	-
-	**-**		**25,556,324**	**18,481,312**

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

-	-	Derivative assets	80,164	116,900

The amount represents the fair value of forward foreign exchange contracts. These derivative assets and liabilities are measured at fair value through profit or loss. Notional principal amounts are the amounts underlying the contract at the reporting date. Derivative liabilities/ (assets) are current.

22. Government securities

COMPANY			GROUP	
2019 Shs'000	2018 Shs'000		2019 Shs'000	2018 Shs'000
-	-	Treasury bills – amortised cost	26,021,013	25,248,738
-	-	Fixed rate Treasury bonds - FVOCI	51,690,279	16,798,063
-	-	Fixed rate Treasury bonds – FVTPL	31,955	-
-	-	Fixed rate Treasury bonds – amortised cost	59,296,179	23,018,194
-	**-**		**137,039,426**	**65,064,995**
-	-	Treasury bills and bonds maturing within 91 days from date of acquisition	7,843,285	7,687,358
-	-	Treasury bills and bonds maturing after 91 days but within 360 days from date of acquisition	27,550,142	21,395,072
-	-	Treasury bills and bonds maturing after 360 days from date of acquisition	101,645,999	35,982,565
-	**-**		**137,039,426**	**65,064,995**
		The movement in FVOCI Treasury bonds was as follows:		
-	-	At start of year	16,798,063	21,659,428
-	-	Transfer from NIC Group	36,824,273	-
-	-	Additions during the year	4,318,998	7,381,197
-	-	Maturities and disposals	(5,722,914)	(12,519,265)
-	-	Changes in fair value (note 41)	(528,141)	276,703
-	-	**At end of year**	**51,690,279**	**16,798,063**

22. Government securities (continued)

COMPANY 2019 Shs'000	COMPANY 2018 Shs'000		GROUP 2019 Shs'000	GROUP 2018 Shs'000
		The movement in held-to-maturity fixed rate Treasury bonds was as follows:		
-	-	At start of year	23,018,194	26,051,414
-	-	Transfer from NIC Group	26,601,177	-
-	-	Additions during the year	15,330,773	13,095,723
-	-	Maturities	(5,653,965)	(16,128,943)
-	-	At end of year	**59,296,179**	**23,018,194**
		The movement in held-to-maturity fixed rate Treasury bills was as follows:		
-	-	**At start of year**	25,248,738	16,142,572
-	-	Transfer from NIC Group	2,297,863	-
-	-	Additions during the year	35,207,636	30,242,715
-	-	Maturities	(36,733,224)	(21,136,549)
-	-	At end of year	**26,021,013**	**25,248,738**

23. Investment securities

COMPANY 2019 Shs'000	COMPANY 2018 Shs'000		GROUP 2019 Shs'000	GROUP 2018 Shs'000
-	-	Equity securities – listed, at fair value through profit or loss	708,122	499,684
-	-	Unit trusts – FVOCI	54,269	50,028
-	-	Other investment securities - FVTPL	14,396	14,396
-	-	Financial assets – Amortised cost	8,715,123	3,432,390
-	-		**9,491,910**	**3,996,498**
		The movement in financial assets held at amortised cost was as follows:		
-	-	At start of year	3,432,390	2,688,215
-	-	Transfer from NIC Group through merger	470,091	-
-	-	Additions	5,410,809	744,175
-	-	Maturities	(598,167)	-
-	-	**At end of year**	**8,715,123**	**3,432,390**
		The movement in equity securities was as follows:		
-	-	At start of year	499,684	438,389
-	-	Fair value gain on equity securities at fair value through profit or loss	208,438	61,295
-	-	**At end of year**	**708,122**	**499,684**
-	-	Current	8,020,048	3,482,421
-	-	Non-current	1,471,862	514,077
-	-		**9,491,910**	**3,996,498**

23. Investment securities (continued)

Price risk

Equity securities comprise of shares quoted in the New York Stock Exchange ("NYSE"), "listed shares" and are stated at their fair value on the last day of business in the year. These values are subject to frequent variations due to changes in their market prices.

At 31 December 2019, 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 35.4 million higher or lower (2018: Shs 25.0 million).

24. Customer loans and advances - Group

i) Summary of customer loans and advances

	2019 Shs'000	2018 Shs'000
Loans and advances classified as:		
a) Loans and receivables (amortised cost)	244,010,060	118,447,911
b) Fair value through profit or loss	4,875,258	3,055,500
	248,885,318	**121,503,411**
(a) Loans and advances at amortised cost		
Overdrafts	39,849,831	18,242,280
Term loans	213,253,157	106,507,555
Credit cards	1,232,768	440,215
Bills discounted	12,131,362	2,112,797
	266,467,118	**127,302,847**
Provisions for impairment		
Stage 1	(2,267,432)	(1,329,642)
Stage 2	(8,074,864)	(1,432,947)
Stage 3	(12,114,762)	(6,092,347)
Net loans and advances at amortised cost	**244,010,060**	**118,447,911**
(b) Loan notes at fair value through profit or loss		
Loans notes	4,875,258	3,055,500
At start of year	3,055,500	3,055,500
Transfer from NIC Group	2,077,204	-
Fair value loss and foreign currency exchange rate movements	(257,446)	-
At end of year	**4,875,258**	**3,055,500**
(c) Analysis of net loans and advances by maturity		
Maturing		
within one year	99,191,707	52,444,041
one year to three years	86,847,264	12,089,799
three years to five years	-	16,516,891
over five years	62,846,347	40,452,680
	248,885,318	**121,503,411**

24. Customer loans and advances – Group (continued)

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

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

	Stage 1 12-month ECL Shs 000	Stage 2 Lifetime ECL Shs 000	Stage 3 Lifetime ECL Shs 000	Total Shs 000
Gross carrying amount as at 01 January 2019	98,119,556	19,275,465	9,907,826	127,302,847
Changes in the gross carrying amount				-
Transfer from NIC Group	93,972,559	21,430,376	14,115,287	129,518,222
Transfer to stage 1	6,602,990	(6,482,849)	(120,141)	-
Transfer to stage 2	(10,244,781)	10,429,234	(184,453)	-
Transfer to stage 3	(993,149)	(2,735,261)	3,728,410	-
Net new financial assets originated or purchased	21,520,570	(1,795,199)	4,196,770	23,922,141
Foreign exchange and other changes	(8,160,025)	(1,134,980)	(5,708)	(9,300,713)
Write-offs	-	(298,904)	(4,676,474)	(4,975,378)
Gross carrying amounts as at 31 December 2019	**200,817,720**	**38,687,882**	**26,961,516**	**266,467,118**
Gross carrying amount as at 01 January 2018	86,775,684	20,173,296	10,026,995	116,975,975
Changes in the gross carrying amount	-	-	-	-
Transfer to stage 1	930,482	(906,340)	(24,142)	-
Transfer to stage 2	(1,331,385)	1,348,084	(16,699)	-
Transfer to stage 3	(1,574,311)	(1,686,024)	3,260,335	-
Net new financial assets originated or purchased	13,753,587	803,519	992,400	15,549,506
Foreign exchange and other changes	(377,131)	(358,736)	(100,901)	(836,768)
Write-offs	(57,370	98,334	(4,230,162)	(4,385,866)
Gross carrying amounts as at 31 December 2018	**98,119,556**	**19,275,465**	**9,907,826**	**127,302,847**

Impairment of financial assets

The loss allowance recognised in the period is impacted by a variety of factors as follows:

- Transfers between Stage 1 and Stage 2 or stage 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent "step up" or "step down" between 12-month and lifetime ECL;
- Additional allowance for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

24. Customer loans and advances – Group (continued)

	Stage 1 12-month ECL Shs 000	Stage 2 Lifetime ECL Shs 000	Stage 3 Lifetime ECL Shs 000	Total Shs 000
At start of year	1,329,642	1,432,947	6,092,347	8,854,936
Transfer from NIC Group	957,133	4,984,538	5,884,125	11,825,796
Changes in the loss allowance				-
Transfer to stage 1	281,017	(148,555)	(132,462)	-
Transfer to stage 2	(192,148)	3,465	188,683	-
Transfer to stage 3	(11,926)	(216,373)	228,299	-
Net new impairments created/(released)	272,415	(761,474)	2,945,749	2,456,690
Changes in models/risk parameters	(330,021)	2,523,659	1,209,068	3,402,706
Foreign exchange and other movements	(38,679)	330,891	(30,216)	261,996
Total charge to profit or loss	**(19,343)**	**1,731,612**	**4,409,122**	**6,121,391**
Write-offs	-	(74,233)	(4,270,832)	(4,345,065)
At 31 December 2019	**2,267,432**	**8,074,864**	**12,114,762**	**22,457,058**
At start of year	345,491	527,870	5,562,276	6,435,637
Impact of initial application of IFRS 9	1,004,508	1,353,444	-	2,357,952
Changes in the loss allowance	(57,370	98,334	(4,230,162)	(4,385,866)
Transfer to stage 1	125,741	(93,353)	(32,388)	-
Transfer to stage 2	(46,059)	86,413	(40,354)	-
Transfer to stage 3	(20,319)	(194,885)	215,204	-
Net new impairments created/(released)	139,436	(164,062)	2,899,867	2,875,241
Changes in models/risk parameters	(81,456)	(211,934)	1,050,455	757,065
Foreign exchange and other movements	(134,679)	129,884	81,717	76,922
Total charge to profit or loss	**(17,336)**	**(447,937)**	**4,174,501**	**3,709,228**
Write-offs	(3,021)	(430)	(3,644,430)	(3,648,881)
At 31 December 2018	**1,329,642**	**1,432,947**	**6,092,347**	**8,854,936**

25. Other assets

COMPANY			GROUP	
2019 Shs'000	**2018 Shs'000**		**2019 Shs'000**	**2018 Shs'000**
-	500	Deposits, prepayments and other deferred charges	1,757,663	2,624,777
-	-	Balances due from subsidiaries	1,220,870	-
-	-	Dividend receivable	40,000	-
-	-	Mobile banking control accounts	3,828,031	662,138
-	-	Other receivables	2,742,074	358,841
-	**500**		**9,588,638**	**3,645,756**
-	-	Credit loss allowances	(4,090)	(4,090)
-	**500**		**9,584,548**	**3,641,666**

26. Investment in associates

Group	Effective interest	2019 Shs 000	2018 Shs 000
CBA Mutuya Property Group Limited	**23.34%**		
As start of the year		2,779,744	2,636,662
Share of associate's profits		58,785	143,082
At end of year		**2,838,529**	**2,779,744**
AIG Kenya Insurance Company Limited	**33.33%**		
At start of the year		**945,231**	**904,234**
Share of associate's profits		85,095	140,897
Dividends received		(99,900)	(99,900)
At end of year		**930,426**	**945,231**
Total investment in associates		**3,768,955**	**3,724,975**

Summarised statement of financial position

	CBA Mutuya Property Group Limited		AIG Kenya Insurance Limited	
	2019 Shs 000	2018 Shs 000	2019 Shs 000	2018 Shs 000
Current				
Assets	1,705,853	1,526,991	3,779,155	4,607,339
Liabilities	170,591	177,747	3,557,226	3,272,907
Net current assets	1,535,262	1,349,244	221,929	1,334,432
Non-current				
Assets	12,640,989	12,626,734	4,164,369	3,513,531
Liabilities	498,481	516,331	2,242,414	2,618,816
Net non-current liabilities	12,142,508	12,110,403	1,921,955	894,715
Net assets	**13,677,770**	**13,459,647**	**2,143,884**	**2,229,147**
Summarised statement of comprehensive income				
Revenue	**410,673**	**410,424**	**2,327,930**	**2,227,632**
Profit for the period	251,820	612,930	255,285	422,692
Other comprehensive income	-	-	-	-
Total comprehensive income	**251,820**	**612,930**	**255,285**	**422,692**
Share of associate's profit for the period	**58,785**	**143,082**	**85,095**	**140,897**
Share of CBA Mutuya Property Group Limited's profits			58,785	143,082
Share of AIG Kenya Insurance Limited's profits			**85,095**	**140,897**
			143,880	**283,979**

26. Investment in associates (continued)

The associates are unlisted and incorporated in Kenya.

- AIG Kenya Insurance Limited is an insurance company which underwrites all classes of general insurance risks as defined by the Insurance Act.
- CBA Mutuya Property Group Limited is a property holding company which invests in investment property for rental income.

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

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

Company name	Country of incorporation	Principal activity	Percentage of ownership interest (%)	2019 Shs '000	2018 Shs '000
NCBA Bank Kenya PLC	Kenya	Banking	100	23,774,456	-
NIC Bank Kenya PLC	Kenya	Dormant	100	33,473,289	24,446,004
NIC Bank Tanzania Limited	Tanzania	Banking	75.91	2,042,462	2,042,462
NC Bank Uganda Limited	Uganda	Banking	100	1,828,738	1,828,738
NIC Properties Limited	Kenya	Property	100	550,000	550,000
NCBA Investment Bank Limited	Kenya	advisory	100	500,000	500,000
NCBA Leasing LLP	Kenya	Leasing	100	200,000	150,000
Mercantile Finance Company Limited	Kenya	Dormant	100	50,000	50,000
NCBA Insurance Agency Limited	Kenya	Insurance agency	100	1,000	1,000
National Industrial Credit Trustees	Kenya	Dormant	100	500	500
NIC Ventures Limited	Kenya	Financial Innovation	100	1	1
				62,420,446	**29,568,705**

The changes in the investments in subsidiaries relating to NCBA ank Kenya PLC and NIC Bank Kenya PLC are furher explained in Note 46.

27. Investment in subsidiaries (continued

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

Company name	Country of incorporation	Percentage of ownership interest (%)	2019 Shs '000	2018 Shs '000
CBA Capital Limited	Kenya	100	400,000	400,000
Syndicate Nominees Limited	Kenya	100	2	2
CBA Insurance Agency Limited	Kenya	100	-	-
Commercial Bank of Africa (Tanzania) Limited	Tanzania	100	4,349,738	4,349,738
Commercial Bank of Africa (Uganda) Limited	Uganda	100	2,283,708	2,130,758
First American Bank of Kenya Limited	Kenya	100	-	-
First American Finance Company Limited	Kenya	100	-	-
First Investment Limited	Kenya	100	23,000	23,000
NCBA Bank Rwanda PLC	Rwanda	100	1,498,096	1,338,076
			8,554,544	**8,241,574**

Following the merger of NIC Group PLC and Commercial Bank of Africa (CBA) in the year, the businesses of NIC Bank Kenya PLC and the Kenyan banking business of Commercial Bank of Africa Limited were amalgamated to form a merged operating bank NCBA Bank Kenya PLC (previously CBA). The process of amalgamating the subsidiary businesses, both in Kenya and the East African region, and the adoption of the name NCBA and brand identity by each is currently ongoing and, subject to regulatory approvals. This process is expected to be completed in 2020.

The above subsidiaries remain wholly owned subsidiaries of NCBA Bank Kenya PLC (Previously Commercial Bank of Africa Limited). The ultimate Parent company is now NCBA Group PLC.

The investments in wholly owned companies listed are carried at cost less impairment. First American Bank of Kenya Limited, First American Finance Company Limited and First Investment Limited were dormant.

Upon the merger of NIC Group PLC, NIC Bank Kenya PLC and Commercial Bank of Africa Limited, a business transfer agreement was entered into between CBA Capital Ltd, NIC Securities Limited and NIC Capital Ltd (the BATA) to transfer the business and assets of CBA Capital to NIC Capital. The board also approved a change of name of NIC Capital to NCBA Investment Bank Ltd.

In addition, post-merger, CBA Insurance Agents Limited is being rundown with new banc assurance business undertaken under NCBA Insurance Agents Limited.

In the current year, the Bank injected Shs 153 million and Shs 160 million as investment in Commercial Bank of Africa (Uganda) Limited and NCBA Bank Rwanda PLC respectively in line with the Bank's growth and investment strategy.

Investment in subsidiaries is classified as non-current asset.

28) Intangible assets – Group

	2019 Shs'000	2018 Shs'000
Software	4,865,527	3,332,803
Other intangible assets	2,109,375	-
	6,974,902	**3,332,803**

Intangible assets are classified as noncurrent.

a) Software

At start of year	3,332,803	3,280,536
Additions during the year	338,303	60,233
Transfer from NIC Group - cost	3,293,944	-
Transfer from NIC Group - accumulated depreciation	(1,791,003)	-
Capitalisation of work in progress – transfer from property and equipment	12,784	433,352
Work in progress	571,754	236,591
Amortisation charge for the year	(893,033)	(675,799)
Forex movement on consolidation	(25)	(2,110)
At end of year	**4,865,527**	**3,332,803**
Cost	9,024,618	6,598,836
Accumulated amortisation	(4,139,481)	(3,246,448)
Foreign currency exchange rate movement on consolidation	(19,610)	(19,585)
	4,865,527	**3,332,803**

b) Other intangible assets

Customer relationships	1,930,000	-
Core deposit	400,000	-
	2,330,000	-
Amortisation	(220,625)	-
	2,109,375	**-**

Software comprises capitalised computer software costs, mainly relating to business software developments, generated internally with the support of external vendors. The capitalised costs are amortised over the estimated useful lives of three to ten years. Remaining useful lives of these intangible assets vary but do not exceed ten years.

The other intangibles assets arose in the merger transaction between NIC Group PLC and Commercial Bank of Africa Limited.

26) Property and equipment - Group

At 1 January 2019	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	1,763,709	2,179,113	50,530	910,055	4,903,407
Accumulated depreciation	(1,179,198)	(1,377,142)	(43,584)	-	(2,599,924)
Net book amount	**584,511**	**801,971**	**6,946**	**910,055**	**2,303,483**
Year ended 31 Dec 2019					
Opening net book amount	**584,511**	**801,971**	**6,946**	**910,055**	**2,303,483**
Asset additions - at cost	97,955	357,413	33,813	824,927	1,314,108
Exchange movements	765	26	10	-	801
Capitalisation of work in progress	120,322	352,561	14,732	(487,615)	-
Transfer from NIC Group at cost	606,837	2,886,714	86,345	69,246	3,649,143
Transfer from NIC Group - accumulated depreciation	(54,091)	(2,311,457)	(49,671)	-	(2,415,219)
Transfers to intangible assets				(12,784)	(12,784)
Asset disposals	(103,113)	(227,821)	(26,873)	-	(357,807)
Depreciation eliminated on disposals	-	109,355	9,105.00	-	118,460
Depreciation charge	(188,572)	(554,630)	(12,906)	-	(756,108)
Closing net book amount	**1,064,614**	**1,414,132**	**61,501**	**1,303,828**	**3,844,075**
At 31 December 2019					
Cost	2,445,507	5,417,941	162,522	1,303,828	9,329,798
Accumulated depreciation	(1,380,894)	(4,003,808)	(101,021)	-	(5,485,723)
Net book amount	**1,064,613**	**1,414,133**	**61,501**	**1,303,828**	**3,844,075**
At 1 January 2018					
Cost	1,651,258	1,936,070	70,306	1,574,001	5,231,635
Accumulated depreciation	(1,072,691)	(1,178,850)	(66,410)	-	(2,317,951)
Net book amount	**578,567**	**757,220**	**3,896**	**1,574,001**	**2,913,684**
Year ended 31 Dec 2018					
Opening net book amount	578,567	757,220	3,896	1,574,001	2,913,684
Asset additions - at cost	82,132	178,815	7,696	153,998	422,641
Capitalisation of work in progress	165,201	204,748	-	(369,949)	-
Transfers to intangible assets	-	-	-	(433,352)	(433,352)
Asset disposals	(106,516)	(11,098)	(21,100)	(13,928)	(152,642)
Depreciation eliminated on disposals	67,432	7,880	21,100	-	96,412
Depreciation charge	(191,707)	(326,585)	(4,592)	-	(522,884)
Closing net book amount	**584,511**	**801,971**	**6,946**	**910,055**	**2,303,483**
At 31 December 2018					
Cost	1,763,709	2,179,113	50,530	910,055	4,903,407
Accumulated depreciation	(1,179,198)	(1,377,142)	(43,584)	-	(2,599,924)
Net book amount	**584,511**	**801,971**	**6,946**	**910,055**	**2,303,483**

29) Property and equipment - Group (continued)

Work in progress comprise improvements on leased properties, equipment and fittings which are to be capitalised upon completion and commissioning of respective projects, they are to be depreciated over estimated useful lives of three to eight years.

Property and equipment with a gross carrying amount of Shs 4.1billion were fully depreciated as at 31 December 2019 (2018 - Shs 1.5 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% (2018 - 30%). The movements in the deferred income tax account were as follows:

COMPANY			GROUP	
2019 Shs'000	2018 Shs'000		2019 Shs'000	2018 Shs'000
-	-	**At start of year**	3,670,382	2,583,217
-	-	Impact of initial application of IFRS 9	-	707,374
-	-	Impact of initial application of IFRS 16	68,672	-
-	-		3,739,054	3,290,591
-	-	Merger of NIC Group	3,582,958	-
15,984	-	Profit or loss credit (note 15)	(474,965)	417,350
-	-	Prior year under provision	58,544	45,452
-	-	Income tax on changes in value of FVOCI financial instruments (note 41)	158,442	(83,011)
15,984	-	**At end of year**	7,064,033	3,670,382

29) Deferred income tax (continued)

Group

Year ended 31 December 2019	At start of year Shs'000	Effect of business cobination business Shs'000	Debited to profit or loss account profit and Shs'000	Impact of initial application of IFRS 16 initial Shs'000	Credited to revaluation reserves revaluation Shs'000	At end of year At end of Shs'000
Property and equipment	(124,553)	689,883	(26,175)	68,672	-	607,827
Intangible assets recognized on merger	-	(699,000)	-	-	-	(699,000)
Accelerated depreciation	3,610	-	-	-	-	3,610
Exchange rate difference on consolidation	(111,786)	(56,616)	-	-	-	(168,402)
Provisions for staff leave and unidentified impairment losses	2,198,482	3,648,691	586,049	-	-	6,433,222
Changes in fair value of FVOCI financial instruments (note 41)	(9,061)	-	-	-	158,442	149,381
Changes in fair value of assets carried at FVTPL	**11,507**	-	-	-	-	**11,507**
Tax losses	1,702,183	-	366,154	-		2,068,337
Deferred income tax de-recognised	-	-	(1,342,449)	-	-	(1,342,449)
	3,670,382	3,582,958	(416,420)	68,672	158,442	7,064,033
Deferred tax asset						**7,085,373**
Deferred tax liability						(21,340)
Net deferred income tax asset						7,064,033

Year ended 31 December 2018	At start of year Shs'000	Credited / (debited) to profit or loss Shs'000	Credited to revaluation reserves revaluation Shs'000	At end of year At end of Shs'000
Property and equipment	(68,267)	(56,286)	-	(124,553)
Accelerated depreciation	3,610	-	-	3,610
Exchange rate difference on consolidation	(82,098)	(29,688)	-	(111,786)
Provisions for staff leave and unidentified impairment losses	2,412,778	(214,296)	-	2,198,482
Changes in fair value of FVOCI financial instruments (note 41)	**73,950**	-	**(83,011)**	**(9,061)**
Changes in value of assets carried at fair value through profit or loss	**11,507**	-	-	**11,507**
Tax losses	**939,111**	**763,072**	-	**1,702,183**
Net deferred income tax asset / (liability)	3,290,591	462,802	(83,011)	3,670,382

Company

Year ended 31 December 2019

Deferred income tax asset				
Provisions for staff leave and unidentified impairment losses	-	15,984	-	15,984

31) Goodwill - Group

	2019 Shs'000	2018 Shs'000
At start of year	362,610	362,610
Transfer from NIC Group	409,426	-
Impairment of goodwill	(738,036)	-
At year end	34,000	362,610
First American Bank of Kenya (FAB)	301,324	301,324
CBA Tanzania (CBAT)	61,286	61,286
NIC Bank Tanzania	251,996	-
NIC Securities	123,430	-
NIC Properties	34,000	-
Impairment of goodwill	(738,036)	-
	34,000	**362,610**

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. However, the business of First American Bank of Kenya Limited was subsumed into Commercial Bank of Africa Kenya Limited's business upon acquisition, hence the goodwill thereon is recognised in the Bank's standalone statement of financial position.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposals. Any impairment is 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, the Group reassessed the carrying amounts of pre-combination goodwill values existing in both Groups. These were impaired accordingly.

32) Operating lease prepayments - leasehold land

Group	2019 Shs'000	2018 Shs'000
At 1 January	-	-
Transfer from NIC Group	526,000	-
At end of year	**526,000**	**-**
Amortization		
At start of year	-	-
Transfer from NIC Group	3,469	-
Charge for the year	31	-
At end of year	3,500	-
Net book value	**522,500**	**-**

Operating lease prepayments - leasehold land is classified as non-current assets

33) Right of use asset – Group

	2019 Shs'000	2018 Shs'000
At 1 January	-	-
Impact on initial application of IFRS16	2,742,967	-
Additions during the year	549,979	-
Transfer from NIC Group	1,292,913	-
Depreciation charge for the year	(734,130)	-
Net book value	**3,851,729**	-

Right of use assets is classified as non-current assets

34) Customer deposits – Group

	2019 Shs'000	2018 Shs'000
Current accounts	179,248,601	108,052,074
Call deposits	12,621,729	6,073,120
Time deposits	171,209,591	73,941,849
Savings accounts	13,353,028	7,628,452
Others	1,804,094	832,229
	378,237,043	**196,527,724**

Right of use assets is classified as non-current assets

	2019 Shs'000	2018 Shs'000
Repayable on demand	141,052,157	98,652,087
Maturing within 12 months	233,882,829	94,520,427
Maturing after 12 months	3,302,057	3,355,210
	378,237,043	**196,527,724**

The maturity analysis is based on the remaining periods to contractual maturity from year end.

35. Due to banking institutions – Group

COMPANY			GROUP	
2019 Shs'000	2018 Shs'000		2019 Shs'000	2018 Shs'000
		Time deposits	6,642,075	4,747,764
		Call and overnight deposits	3,487,837	-
		Current account balances	762,998	698,646
			10,892,910	**5,446,410**

36. Other liabilities

COMPANY 2019 Shs'000	COMPANY 2018 Shs'000		GROUP 2019 Shs'000	GROUP 2018 Shs'000
-	-	Outstanding bankers' cheques	1,163,638	916,267
119,921	48,449	Accrued expenses and other liabilities	6,240,587	816,064
-	-	Provisions for expenses and Other items	4,104,553	2,808,387
119,921	**48,449**		**11,508,778**	**4,540,718**

Provisions for expenses and other items relate to various items where uncertainty exists as to the ultimate potential liability. The increase in the year relates mainly to additional provisions transferred from NIC Group PLC.

Other liabilities are all classified as current liabilities

37) Borrowings – Group

	2019 Shs'000	2018 Shs'000
Medium term note		
Principal amount	7,000,000	7,000,000
Accrued interest	39,231	36,779
	7,039,231	**7,036,779**
African Development Bank		
Principal amount	6,587,750	-
Accrued interest	152,354	-
	6,740,104	-
Agence Francaise de Developpement (AFD)		
Principal amount	1,004,866	858,702
Accrued interest	613	67,477
	1,005,479	**926,179**
International Finance Corporation (IFC)		
Principal amount	3,641,182	-
Accrued interest	10,520	-
	3,651,702	-
European Investment Bank (EIB)		
Principal amount	3,638,570	-
Accrued interest	6,159	-
	3,644,729	**-**
	22,081,245	**7,962,958**
Maturity Profile:		
Current	12,323,072	926,179
Non-current	9,758,173	7,036,779
	22,081,245	**7,962,958**
b) Net borrowings reconciliation		
Opening balance	7,962,958	8,019,537
Additions	6,652,635	-
Transfer from NIC Group	8,391,473	-
Accrued interest	1,289,735	900,047
Repayments (cash flow movement)	(1,993,450)	(872,912)
Foreign exchange movements	(222,106)	(83,714)
Closing balance	**22,081,245**	**7,962,958**

37. Borrowings – Group (continued)

Borrowings are financial instruments classified as a liability at amortised cost. The terms of the borrowings are as follows:

i) Subordinated debts

NCBA Bank Kenya PLC has two sets of long-term subordinated debts facilities obtained to enhance the Bank's capital base:

- US$ 20 million unsecured facility raised from IFC in December 2014, with a tenure of 7 years. Outstanding principal balance at 31 December 2019 was US$ 20 million (2018: US$ 20 million). This facility bears interest at rates referenced to the six months Libor; and
- Shs 7.0 billion raised from the Medium-Term Note issued in December 2014 at an interest rate of 12.75%, with a tenure of 6 years. Outstanding principal balance at 31 December 2019 was Shs 7 billion (2018: Shs 7 billion).

ii) Other borrowings

NCBA Bank Kenya PLC has four long-term senior loans as below:

- US$ 35 million unsecured facility raised from IFC in December 2014, with a tenure of 7 years. Outstanding principal balance at 31 December 2019 was US$ 16 million (2018: US$ 22 million);
- US$ 54 million unsecured facility raised from EIB in December 2016, with a tenure of 7 years. Outstanding principal balance as at 31 December 2019 was US$ 36 million (2018: US$ 42 million);
- The Bank entered into arrangement with Agence Francaise de Developpement (AFD), a French public entity for a revolving fund EUR 10 million with partial drawdown option.
- In the year, the bank drew US$ 66 million unsecured facility from African Development Bank. The facility is payable over a period of 7 years, including a two (2) year moratorium.

These facilities bear interest at rates referenced to the six months Libor.

38) Lease liability

	2019 Shs'000	2018 Shs'000
At 1 January	-	-
Impact on initial application of IFRS16	2,937,003	-
Additions during the year	584,262	-
Transfer from NIC Group	1,701,779	-
Interest expense accruals (Lease liability) during the year	300,043	-
Lease Liability debits (Rent paid) in the year	(857,658)	-
Net book value - 31 December 19	**4,665,429**	**-**
Comprised of:	-	-
Current	727,951	-
Non-current	3,937,478	-
Net book value - 31 December 19	**4,665,429**	**-**

39) Share capital – Group and Company

	Number of shares (thousands)	Value Shs '000
Authorised		
At 1 January 2018 and 31 December 2018	800,000	4,000,000
Additional shares authorised in the year	793,805	3,969,024
	1,593,805	**7,969,024**
Issued and fully paid		
At 1 January 2018 and 31 December 2018	703,940	3,519,701
Issue of shares in the year	793,805	3,969,024
At 31 December 2019	**1,497,745**	**7,488,725**
Unissued shares		
At 1 January 2018, 31 December 2018 and 31 December 2019	96,060	480,299

40) Share premium – Group and Company

	2019 Shs'000	2018 Shs'000
At start of year	2,373,994	2,373,994
Issue of shares in the year	19,805,432	-
At end of year	**22,179,426**	**2,373,994**

In line with IFRS 3, Business combination, the 2018 capital has been adjusted to reflect the legal capital of the company.

41. Revaluation reserve - Group

The reserve, which is non-distributable, arises from changes to fair value of financial assets at FVOCI. The movements in the reserve for the Group is shown in the statements of changes in equity; and comprise:

Changes in fair value of financial Instruments at FVOCI	2019 Shs'000	2018 Shs'000
At start of year	81,459	(107,689)
Changes in fair value of FVOCI financial instruments (note 23)	(528,141)	276,703
Deferred income tax on changes in fair value of FVOCI financial instruments (note 30)	158,442	(83,011)
Exchange rate impact on opening balance	-	(4,544)
At end of year	**(288,240)**	**81,459**

42. Statutory loan loss reserve

The reserve represents an appropriation from retained earnings to comply with 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:

	2019 Shs'000	2018 Shs'000
Due to group companies - Company		
Deposits with NCBA Bank Kenya	435,200	337,455
Receivable from NCBA Bank Kenya	84,497	-
	519,697	**337,455**
Due to group companies - Company		
Due to NCBA Bank Kenya	-	15,850
Loans and advances to directors - Group		
At start of year	131,626	142,284
Advanced during the year	208,319	40,667
Repaid during the year	(128,921)	(51,325)
At end of year	**211,024**	**131,626**
Loans and advances to other key management personnel - Group		
Loans and advances to other key management personnel	577,211	187,352
Loans and advances / facilities to companies controlled by directors, common shareholders or their associates - Group		
On-balance sheet	12,596,930	5,118,593
Off-balance sheet	1,599,885	361,714
Income earned on related party loans and advances - Group		
Interest income earned on related party loans and advances during the year	344,851	375,912
Commissions earned on related party loans and advances during the year	**61,150**	**58,900**

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

	2019 Shs'000	2018 Shs'000
Related party deposits	7,591,245	2,694,438
Interest expense incurred on related party deposits during the year	**292,315**	**195,821**

The above deposits are from directors, companies on whose boards the directors serve and from companies with common shareholders as the Group

43. Related parties (continued)

Key management personnel compensation

COMPANY 2019 Shs'000	COMPANY 2018 Shs'000		GROUP 2019 Shs'000	GROUP 2018 Shs'000
197,447	193,922	Salaries and other short term employment benefits	832,400	512,301
10,738	9,109	Post-employment benefits	64,503	31,020
208,185	**203,031**		**896,903**	**543,321**

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.

Fees for services as directors

COMPANY 2019 Shs'000	COMPANY 2018 Shs'000		GROUP 2019 Shs'000	GROUP 2018 Shs'000
6,000	3,750	Fees for services as directors	91,792	32,005
144,537	128,908	Other emoluments (included in key management compensation above)	313,135	111,072
150,537	**132,658**		**404,927**	**143,077**

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 Bank, Treasury bills and bonds and amounts due from and / or to banking institutions.

COMPANY 2019 Shs'000	COMPANY 2018 Shs'000		GROUP 2019 Shs'000	GROUP 2018 Shs'000
-	-	Cash and balances with Central Banks (note 18)	37,195,306	18,488,300
-	-	Less: Cash reserve requirement (see comment below)	(18,325,916)	(10,514,842)
			18,869,390	**7,973,458**
435,200	337,455	Due from banking institutions (note 20)	25,556,324	18,481,312
-	-	Due to banking institutions (note 35)	(10,892,910)	(5,446,410)
-	-	Government securities	7,843,285	7,687,358
435,200	**337,455**		**41,376,089**	**28,695,718**

45. Cash generated from operations

COMPANY			GROUP	
2019 Shs'000	2018 Shs'000		2019 Shs'000	2018 Shs'000
		Reconciliation of profit before taxation to cash generated from operations		
10,291,051	**173,006**	**Profit before income tax**	**11,313,559**	**6,734,188**
-	-	Share of profit from subsidiaries	(143,880)	(283,979)
(1,300,000)	-	Divided income received	-	-
(9,027,285)	-	Gain on remeasurement of investment in subsidiary	-	-
-	-	Gain/loss on disposal property & equipment	(371)	3,418
-	-	Depreciation charge on property & equipment	756,108	522,884
-	-	Amortisation of software	893,033	675,799
-	-	Accrued interest on borrowings	1,289,735	900,047
-	-	Bargain purchase gain	(4,161,349)	-
-	-	Write off of goodwill	738,036	-
-	-	Amortisation of lease prepayments	31	-
-	-	Amortisation of other intangible assets	220,625	-
-	-	Depreciation on right of use assets	734,130	-
-	-	Interest expense accruals (lease liability) during the year	300,043	-
(36,234)	**173,006**	**Cash flows from operating activities before changes in operating assets and liabilities**	**11,939,700**	**8,569,086**
-	-	Increase in balances held with Central Bank of Kenya - mandatory reserves	(7,811,074)	(678,866)
-	-	Cash transferred from NIC Group PLC	11,062,594	-
-	-	Decrease in derivative assets	36,736	78,501
-	-	Increase in loans and advances	(9,689,481)	(7,861,073)
500	(500)	Increase in other assets	(2,757,554)	(582,761)
(84,497)	53,955	Increase / decrease due from group companies	-	-
(15,850)	(45,835)	Decrease due to group companies	-	-
-	-	Increase in customer deposits	23,474,833	2,760,569
71,472	48,449	Increase in other liabilities	4,482,851	477,394
(5,167)	-	Increase in unclaimed dividends	(2,577)	-
-	-	Increase in right of use asset	(3,292,946)	-
-	-	Decrease in lease liability	3,521,265	-
-	-	Lease Liability debits (Rent paid) in the year	(857,658)	-
-	-	Increase in other intangible assets	(2,330,000)	-
-	(200,000)	Dividends received	-	-
(69,776)	**29,075**	**Cash generated from operations**	**27,776,689**	**2,746,121**

46. Business combination

On 1 October 2019 NIC Group PLC (NIC) and Commercial Bank of Africa Limited (CBA) completed the merger of both institutions through a share exchange. The merger was executed through a share swap, with the shareholders of CBA exchanging their shares in CBA for new shares in NIC in the ratio of 53:47 between the former CBA and NIC shareholders respectively.

NIC (renamed to NCBA Group PLC) is the surviving holding company of the merged businesses and remains a publicly listed company quoted on the Nairobi Securities Exchange.

The merger transaction falls within the scope of IFRS 3 Business Combinations (IFRS 3 and has been accounted for using the acquisition method with the impact below:

- The standalone/Company financial statements are those of former NIC Group PLC (now NCBA Group PLC) being the surviving holding Company;
- The consolidated financial statements are those of former CBA with an adjustment to share capital and share premium to reflect the legal capital of former NIC Group PLC. Therefore, the pre-merger income, expenses and prior year comparatives are those of former CBA.
- The fair value of the consideration for the merger was Shs 33,473,289,000. This was was determined based on a valuation of CBA as at the 30 September 2019 and applying the relative valuation of 53:47 of CBA Group and NIC Group respectively.
- The fair value of the identifiable assets acquired and the liabilities assumed was determined as at 30 September 2019 based on a Purchase Price Allocation (PPA) exercise performed on NIC Group PLC. Intangible assets identified as part of the PPA exercise have been disclosed in note 28 and the valuation approach is further described in the following pages.

The following table summarizes the fair value of assets transferred and liabilities assumed on the date of the merger.

a) Net identifiable assets transferred for Group	Shs '000
Assets	
Cash and balances with Central Banks	11,464,590
Balances due from banks	6,017,299
Government securities	62,663,494
Other investment securities	3,529,910
Net Advances to customers	117,692,426
Other assets	3,713,758
Deferred income tax	4,341,532
Current income tax	453,256
Fixed assets and intangibles	3,146,291
Other intangibles	1,631,000
Operating lease prepayments	522,531
Total Assets	**215,176,087**
Liabilities	
Customers deposits	(158,234,486)
Due to banking institutions	(6,419,295)
Current income tax	(1,589)
Dividends payable	(40,396)
Other liabilities	(4,207,277)
Borrowings	(8,391,473)
Total liabilities	**(177,294,516)**
Non-controlling interest	(246,933)
Total liabilities and non-controlling interest	**(177,541,449)**
Net identifiable assets transferred	**37,634,638**

46. Business combination (continued)

b) Bargain purchase gain - Group

The accounting requirement to value the consideration when compared to the net asset transferred resulted in a bargain purchase which has been reflected in the Group's statement of profit or loss.

	Shs '000
Consideration paid – being issue of shares	33,473,289
Net identifiable assets transferred	(37,634,638)
Bargain purchase gain	**(4,161,349)**

c) Gain on remeasurement of the investment in subsidiary for Company

Following the merger, NIC Bank Kenya PLC and CBA (the Kenyan banking businesses of the two entities) were combined to form a single entity, NCBA Bank Kenya PLC (former CBA). NCBA Bank Kenya PLC is therefore owned directly by NCBA Group PLC at 53% and through NIC Bank Kenya PLC at 47%.

IFRS 10 Consolidated Financial Statements requires investors to treat a loss of control event as an economic event similar to that of gaining control, thus triggering a remeasurement.

NCBA Group Plc accounted for the investment of 47% percent in the combined Kenya bank (through NIC Bank Kenya PLC) and derecognised the previous investment in subsidiary (being 100% investment in NIC Bank). This resulted in a gain, in the standalone financial statements of NCBA Group PLC recognised in the statement of profit or loss of the Company as computed below:

	Shs '000
Consideration paid – being issue of shares in the year	33,473,289
NCBA Group investment in NIC Bank Kenya	(24,446,004)
Gain on revaluation of investment in subsidiary	**9,027,285**

Integration related costs

The Group incurred Integration-related costs of Shs 1.1 billion relating to consultant and external legal fees and due diligence costs. These costs have been included in 'General, administrative and other operating expenses' in the consolidated statement of profit or loss.

Revenue and profit contribution

The former NIC Group PLC merged business contributed estimated revenues of Shs 4.2 billion and net profit of Shs 1.0 billion to the Group for the period from 1 October to 31 December 2019. If the merger had occurred on 1 January 2019, consolidated estimated revenues and profit after tax for the year ended 31 December 2019 would have been Shs 44.7 billion and Shs 8.8 billion respectively.

The contribution to the Group and estimated revenues are based on certain assumptions and have been compiled for illustrative purposes only and because of its nature, it addresses a hypothetical situation and, therefore, does not represent and may not give a true picture of the financial position and financial performance of the Group.

46. Business combination (continued)

Valuation approach and methodologies (continued)

Customer relationships

The income approach has been used in estimating the fair value of NIC's customer relationships as an intangible asset as at the Transaction Date. Under the income approach, the Multi-period excess earnings method ("MEEM") has been utilized which is a commonly accepted method for valuing customer relationships.

MEEM is a specific application of the discounted cash flow method where the value of an intangible asset is arrived at by considering non-interest revenue and interest revenue on new loans to current customers. The MEEM method measures the excess after-tax cash flows attributable to the intangible asset being valued after providing for appropriate returns on other identifiable assets.

Core deposits

The Cost savings approach is commonly used to value core deposit intangible assets. The principle behind the method is that the value of an intangible asset is equal to the present value of the net incremental after-tax cash flows arising from the difference between future costs associated with core deposits and costs associated with the next most favorable cost of finance. The value is calculated by discounting the net incremental after-tax cash flows using cost of equity.

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.

	2019 Shs'000	2018 Shs'000
Letters of credit	15,703,693	7,962,643
Acceptances	9,185,956	2,777,561
Guarantees	**31,142,317**	**14,730,262**
	25,470,466	**25,470,466**

Nature of off-balance sheet financial instruments and contingent liabilities

Letters of credit commit the Group to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

An acceptance is an undertaking by a Group to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented and reimbursement by the customer is normally immediate.

Guarantees are generally written by the Group to support performance by a customer to a third party. The Group would only be required to meet these obligations in the event of default by a customer.

47. Off-balance sheet financial instruments, contingent liabilities, commitments and operating leases (continued)

Commitments	2019 Shs'000	2018 Shs'000
Un-drawn formal standby facilities, credit lines and other commitments to lend Foreign exchange forward contracts	20,421,103	7,962,643
	5,122,892	9,343,024
Purchase of property and equipment	116,231	48,016

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 Kenya Revenue Authority 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.

No further disclosures are provided with regard to these assessments as the matters are under various resolution processes, and the Directors believe that such disclosures may compromise those processes.

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 171 billion (2018 – Shs 14 billion). Other risks that may arise from these fiduciary activities are of operational and reputational nature. These risks are managed and mitigated through the existence and continuing application of sound internal control policies and procedures that ensure the proper discharge of fiduciary duties.

49. Operating segments

The Group operations are within various geographical segments, Kenya, Uganda, Tanzania and Rwanda. Further to the geographical segmentation, Kenya operations are maintained in the following business segments for allocation of resources and assessment of performance.

i) Corporate and Institutional banking

Targets medium to large corporate clientele and institutions, with a focus on liability mobilization and asset growth.

ii) Retail banking (SME and Personal banking)

Targets the mass affluent to high net worth and business banking clientele, with a focus on becoming the customers' core deposit, transactional banker and financier. This also includes our asset finance product.

There is no single customer within the Group who accounts for more than 10% of the interest revenue.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

49. Segmental reporting (continued)

Statement of profit or loss – Year ended 31 December 2019

	Corporate business	Personal business	Total Kenya	Tanzania	Uganda	Rwanda	Group
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Interest income	18,991,631	12,308,615	31,300,246	1,735,239	613,755	396,525	34,045,765
Interest expense	(9,826,423)	(1,596,235)	(11,422,658)	(641,908)	(296,803)	(147,754)	(12,509,123)
Net interest income	**9,165,208**	**10,712,380**	**19,877,588**	**1,093,331**	**316,952**	**248,771**	**21,536,642**
Other income	8,369,561	1,030,160	9,399,721	756,230	788,081	52,161	10,996,193
Operating income	**17,534,769**	**11,742,540**	**29,277,309**	**1,849,561**	**1,105,033**	**300,932**	**32,532,835**
Credit impairment charges	(1,083,564)	(4,293,817)	(5,377,381)	122,287	(329,970)	(50,246)	(5,635,310)
Operating Expenses	(8,176,004)	(3,305,134)	(11,481,138)	(2,944,963)	(713,413)	(444,451)	(15,583,965)
Profit/(loss) before tax	**8,275,201**	**4,143,589**	**12,418,790**	**(973,115)**	**61,650**	**(193,765)**	**11,313,560**
Income tax (expense)/credit	(1,257,135)	(766,734)	(2,023,869)	(1,210,070)	(236,446)	(1,399)	(3,471,784)
Profit/(loss) for the year	**7,018,066**	**3,376,855**	**10,394,921**	**(2,183,185)**	**(174,796)**	**(195,164)**	**7,841,776**

49. Segmental reporting (continued)

Statement of profit or loss – Year ended 31 December 2018

	Corporate business Shs '000	Personal business Shs '000	Total Kenya Shs '000	Tanzania Shs '000	Uganda Shs '000	Rwanda Shs '000	Group Shs '000
Interest income	15,308,864	7,846,772	23,155,636	1,721,452	448,554	184,214	25,509,856
Interest expense	(7,276,918)	(1,527,948)	(8,804,866)	(684,974)	(186,010)	(64,455)	(9,740,305)
Net interest income	**8,045,592**	**6,318,824**	**14,364,416**	**1,036,478**	**262,544**	**106,113**	**15,769,551**
Other income	3,993,784	694,108	4,687,892	741,835	264,444	20,828	5,714,999
Operating income	**12,039,376**	**7,012,932**	**19,052,308**	**1,778,313**	**526,988**	**126,941**	**21,484,550**
Credit impairment charges	312,291	(2,423,201)	(2,110,910)	(1,547,834)	(20,845)	(29,639)	(3,709,228)
Operating Expenses	(6,674,755)	(2,463,150)	(9,137,905)	(1,040,176)	(485,846)	(377,207)	(11,041,134)
Profit/(loss) before tax	**5,676,912**	**2,126,581**	**7,803,493**	**(809,697)**	**20,297**	**(279,905)**	**6,734,188**
Income tax (expense)/credit	(1,428,396)	(497,974)	(1,926,370)	199,212	(4,881)	1,170	(1,730,869)
Profit/(loss) for the year	**4,248,516**	**1,628,607**	**5,877,123**	**(610,485)**	**15,416**	**(278,735)**	**5,003,319**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2019

49. Segmental reporting (continued)

Statement of financial position – As at 31 December 2019

	Corporate business	Personal business	Total Kenya	Tanzania	Uganda	Rwanda	Group
Asset	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
Cash and balances with Central banks	32,852,437	-	32,852,437	2,226,139	1,634,380	482,351	37,195,307
Government securities	128,950,002	-	128,950,002	4,946,834	2,366,518	776,072	137,039,426
Due from banking institutions	21,533,515	-	21,533,515	2,011,930	1,930,509	80,370	25,556,324
Customer loans and advances	143,805,324	83,440,497	227,245,821	11,837,325	7,818,398	1,983,773	248,885,317
Other assets	42,939,747	-	42,939,747	1,498,426	1,130,554	472,315	46,041,042
Total assets	**370,081,025**	**83,440,497**	**453,521,522**	**22,520,654**	**14,880,359**	**3,794,881**	**494,717,416**
Liabilities							
Customer deposits	230,129,555	123,229,418	353,358,972	12,445,523	10,229,401	2,203,147	378,237,043
Due to banking institutions	5,062,611	-	5,062,611	5,211,432	103,747	515,120	10,892,910
Other liabilities	12,324,564	-	12,324,564	1,950,143	2,132,291	(160,601)	16,246,397
Borrowings	21,928,677	-	21,928,677	152,567	-	-	22,081,244
Total liabilities	**269,445,407**	**123,229,418**	**392,674,825**	**19,759,665**	**12,465,440**	**2,557,666**	**427,457,595**
Shareholders' funds	63,616,964	-	63,616,964	1,908,061	1,025,277	709,519	67,259,821
Total liabilities and shareholders' funds	**333,062,371**	**123,229,418**	**456,291,789**	**21,667,726**	**13,490,717**	**3,267,185**	**494,717,416**
Additions to non-current assets							
Property and equipment	6,605,579	-	6,605,579	917,243	384,967	310,515	8,218,304
Intangible assets	6,828,907	-	6,828,907	41,039	124,606	14,350	7,008,902

49. Segmental reporting (continued)

Statement of financial position – As at 31 December 2018

	Corporate business	Personal business	Total Kenya	Tanzania	Uganda	Rwanda	Group
Asset	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
Cash and balances with Central banks	10,001,738	5,411,026	15,412,764	2,006,238	838,269	231,029	18,488,300
Government and investment securities	64,173,215	-	64,173,215	3,322,747	604,728	960,803	69,061,493
Due from banking institutions	15,308,597	-	15,308,597	1,388,590	1,231,271	552,854	18,481,312
Customer loans and advances	80,162,679	30,573,333	110,736,012	7,596,954	2,360,959	809,486	121,503,411
Investment in associates	3,724,975	-	3,724,975	-	-	-	3,724,975
Other assets	10,043,420	687,472	10,730,892	2,376,194	417,926	322,389	13,847,401
Total assets	**183,414,624**	**36,671,831**	**220,086,455**	**16,690,723**	**5,453,153**	**2,876,561**	**245,106,892**
Liabilities							
Customer deposits	137,222,149	45,690,736	182,912,885	8,035,888	3,685,743	1,893,208	196,527,724
Due to banking institutions	435,707	-	435,707	4,850,836	160,020	-	5,446,563
Other liabilities	1,956,179	1,994,965	3,951,144	235,075	285,077	90,540	4,561,836
Borrowings	7,962,958	-	7,962,958	-	-	-	7,962,958
Total liabilities	**147,576,993**	**47,685,701**	**195,262,694**	**13,121,799**	**4,130,840**	**1,983,748**	**214,499,081**
Shareholders' funds	24,312,328	-	24,312,328	3,405,717	1,522,313	1,367,453	30,607,811
Total liabilities and shareholders' funds	**171,889,321**	**47,685,701**	**219,575,022**	**16,527,516**	**5,653,153**	**3,351,201**	**245,106,892**
Additions to non-current assets							
Property and equipment	188,061	-	188,061	59,208	14,541	160,303	422,113
Intangible assets	41,569	-	41,569	17,543	-	1,123	60,235

NOTICE OF THE 60TH ANNUAL GENERAL MEETING

Notice is hereby given that the **60th Annual General Meeting (AGM)** of the shareholders of **NCBA Group PLC** will be held via electronic communication on **Friday, 24th July 2020** 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 2019 and the Directors' and Auditor's reports thereon.
3. To confirm the interim dividend of Shs 0.25 per ordinary share paid on 15th October 2019 (2018: first and final dividend of Shs 1.25 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 2019, and to authorize the Board to fix the remuneration of the Directors for the year 2020.
5. **To elect Directors:**
   (a) In accordance with Articles 7.18 of the Company's Articles of Association, the following Directors retire by rotation and being eligible, offer themselves for re-election:
      i) A. S. M. Ndegwa; and
      ii) E. N. Ngaine.
   (b) In accordance with Article 7.7 of the Company's Articles of Association, the following Directors having each been appointed by the Board to fill casual vacancies in the course of the year 2019 and required to hold office until the AGM following their appointment, and being eligible, offer themselves for election:
      i) D. A. Oyatsi;
      ii) J. S. Armitage;
      iii) A. H. Abdi;
      iv) M. K. R. Shah;
      v) I. O. Awuondo; and
      vi) J. I. Ngunze (Executive Director).
   (c) In accordance with the provisions of Section 769 of the Companies Act, 2015, the following Directors, being members of the Board Audit and Risk Committee, be elected to serve as members of the said Committee:
      i) M. K. R. Shah (Chairman);
      ii) A. H. Abdi; and
      iii) P. R. Lopokoiyit.
6. To appoint PricewaterhouseCoopers 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.

As Ordinary Resolutions

7. Issuance of additional shares

   THAT in accordance with section 329 of the Companies Act, Regulation 2 of the Fourth Schedule to the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 and the Company's Articles of Association and noting that the provisions of section 338 of the Companies Act are not applicable on the allotment of new shares in the Company pursuant to section 342 of the Companies Act as the new shares are to be wholly paid up otherwise than in cash, the Directors be and are hereby unconditionally authorized to:

   i) Issue, over a maximum five-year period from the date of resolution, up to a maximum of **606,195,135** new ordinary shares of Kenya Shillings five (Shs. 5) each in the Company ("Ordinary Shares"); and

ii) take any ancillary actions as may be required in connection with the allotment and issue of such Ordinary Shares, including:

a. increasing the nominal share capital of the Company from Kenya Shillings seven billion, nine hundred sixty nine million, twenty four thousand, three hundred and twenty five (Shs. 7,969,024,325) comprising of one billion, five hundred ninety three million, eight hundred four thousand, eight hundred and sixty five (1,593,804,865) Ordinary Shares, as required at the relevant time;

b. entering the new Ordinary Shares issued into the register of members of the Company against the name of each relevant shareholder; and

c. ensuring any newly allotted Ordinary Shares are admitted to trading and listing at the Nairobi Securities Exchange, provided that the Ordinary Shares so allotted shall not participate in any dividend declared by the Company for the period leading up to allotment and issuance. The authority given under this resolution (7) shall expire, unless renewed, varied or revoked by the Company, on the earlier of the completion of the allotment and issuance, and the close of business on the fifth anniversary of the date hereof but, in each case, so that the Company may make offers and enter into agreements prior to the expiration of the authority which would, or might, require shares to be allotted or rights to subscribe for shares to be granted after the authority ends and the Directors may allot shares or grant rights to subscribe for shares under any such offer or agreement as if the authority had not ended.

8. Bonus issue

To consider and if thought fit, pass the following resolution which will be proposed as an ORDINARY RESOLUTION;

'That it is desirable in pursuance of Article 12 of the Articles of Association to capitalize the sum of Shs. 748,872,515 being part of the amount standing to the credit of the share premium reserve of the Company and accordingly that such sum be capitalized and that the Directors be and are hereby authorized and directed to appropriate such sum to the holders of ordinary shares registered at the close of business on 12th May 2020, subject to receipt of the necessary consent from the relevant authorities, for an issue in proportion to the number of ordinary shares held by them respectively on 12th May 2020 and to apply such sum on behalf of such holders in paying up in full at par 149,774,503 of the shares of the capital of the Company, such shares to be allotted, distributed and credited as fully paid up to and amongst such holders in the proportion of one (1) new ordinary share for every ten (10) ordinary shares then held, and that such new shares shall rank for all purposes pari passu with the existing issued ordinary shares of the Company and that the Directors be and are hereby also authorized generally to do and effect all acts and things required to give effect to this Resolution and to deal with fractions in such manner as they think fit subject always to the Articles of Association of the Company'.

As a Special Resolution

9. That the Company's Articles of Association be amended as follows:

i) In accordance with section 22 of the Companies Act, a new clause 6.51 be inserted into the Company's Articles of Association as follows:

"Article 6.51. Notwithstanding anything contained in these Articles, if the Board calls a meeting of Shareholders or of the Board, the Board may determine that the meeting be held, subject to and in accordance with the Act or any other applicable regulations, entirely by means of telephonic, electronic or other communications facility that permits all participants to communicate adequately with each other during the meeting (multi-site, virtual, or hybrid meeting). In the event such a meeting is to be held, the Board shall, notwithstanding anything contained in these Articles, establish the procedures for the conduct thereof including, without limitation, the procedures for voting by telephonic, electronic or other communications facility. Participation in the multi-site, virtual or hybrid meeting held by telephonic, electronic or other communications facility shall constitute presence of the Members or Directors at the meeting and anything contained in these Articles requiring:

6.51.1 Members or Directors to be personally present shall be construed as including a virtual, telephonic or electronic presence; and

6.51.2 notice of a meeting to include the place of the meeting shall be construed to include the means of conduct and mechanism for accessing and participating in the meeting if it is a multi-site, hybrid or virtual meeting."

ii) To increase the maximum number of Directors:

Article 7.1 – to replace the word "thirteen" with the word "fifteen".

iii) To align the Articles to the current provisions of the Companies Act:

a. **Article 7.57** – to be deleted.

b. **Article 9 SEAL –** to be replaced by the following clause:

"Every instrument executed on behalf of the Company by two authorized signatories or by a Director in the presence of a witness, whether or not such instrument bears the Seal of the Company and which if so used shall be affixed in such manner as shall be determined by the Directors, shall be binding on the company."

10. To transact any other business of the AGM of which due notice has been received.

BY ORDER OF THE BOARD

Livingstone Murage

Group Company Secretary

Nairobi

1st July 2020

Notes:

1. Due to the ongoing restrictions on public gatherings as provided for under The Public Health (Covid-19 Restriction of Movement of Persons and Related Measures) Rules, 2020 as issued under Legal Notice No. 50 of the Public Health Act, the Company finds it impracticable to hold a physical AGM in the manner required by its Articles of Association and as envisaged under section 310 of the Companies Act 2015. Shareholders will nevertheless be able to register, access information pertaining to the Company's Annual Report and Financial Statements for the year ended 31st December 2019, and participate during the meeting (including raising questions and voting) via electronic communication in the manner detailed below.

2. NCBA Group PLC has convened and will conduct a Virtual AGM pursuant to:

   a) Section 280 of the Companies Act;

   b) The High Court of Kenya Order under Miscellaneous Application No. E680 of 29th April 2020, made under the provisions of Section 280 of the Companies Act, 2015 (the Companies Act) granting special dispensation to companies listed on the Nairobi Securities Exchange to convene and conduct a virtual general meeting;

   c) The Capital Markets Authority's Circular No. CMA/MRT/005/2020 issuing requirements for convening and conducting virtual general meetings by issuers of securities to the public; and

   d) The No Objection received from the Capital Markets Authority.

3. The Company, pursuant to Section 283 (2) (c) of the Companies Act, has availed the following documents on the Company's website *https://ncbagroup.com/investor-relations/* for Shareholder access:

   a) a copy of this Notice and the proxy form;

   b) the Company's Annual Report and Financial Statements for the year 2019;

   c) a copy of the High Court Order in Miscellaneous Application No. E680 of 2020;

d) a copy of the No Objection issued by the CMA.

e) a copy of the Registrar of Companies approval for the Company to defer holding its AGM from its due date.

4. 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 Wednesday, 22nd July 2020 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.

5. A copy of this notice, proxy form and full copy of the Group financial statements including explanatory notes are available from our website ***https://ncbagroup.com/investor-relations/***. Completed proxy forms, 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 Wednesday, 22nd July 2020 at 12:00 noon.

6. Shareholders and registered proxies wishing to participate in the meeting should register for the AGM as follows:

   a) USSD platform users should access the system through *384*047# from their mobile telephones and follow the various prompts regarding the registration process.

   b) Internet platform users should access the registration procedures and system through ***https://digital.candrgroup.co.ke.***

   c) Registration commences on Wednesday, 8th July 2020 and will conclude on Wednesday, 22nd July 2020 at 12:00 noon after which no further registration for the virtual AGM will be allowed.

   In order to register for attendance, Shareholders will need to provide their National Identification Document Number, Shares/CDSC Account Number, Telephone Number (for USSD access) and their Email Address (for web access) which shall be input as guided through the registration process. Shareholders who may require assistance during the registration process can call the helpline (020) 760 8216 between 7:00 am and 4:00 pm.

7. Shareholders wishing to raise questions or clarifications in relation to the virtual AGM may do so prior to the meeting through written submission:

   a) by email through ***digital@candrgroup.co.ke;*** or

   b) online through web access of the system at ***https://digital.candrgroup.co.ke*** and clicking the Q&A tab on the display screen; or

   c) by short message service (SMS) through *384*047# and following the menu prompts; or

   d) via formal letter, containing contact details to facilitate responses (i.e. email or postal address), which should be:

      i. physically delivered where practicable to the Company's shares registrar C & R Group, 1st Floor, Tower B, IKM Place, 5th Ngong Avenue, or to the Company's registered office at NCBA Centre, Mara and Ragati Road, Upper Hill; or

      ii. sent by registered post to the Company's shares registrar C & R Group through P. O. Box 8484 – 00100, Nairobi or the Company's postal address through P. O. Box 44599 – 00100, Nairobi.

All written submissions sent through any of the above highlighted means will be required to contain the Shareholder's full name as per official Identification Document, Identification Number and Shares/CDS Account Number, to be received by the Company not later than Wednesday, 22nd July 2020 at 12:00 noon.

The Directors of the Company will provide feedback to the requests received through the Group Company Secretary at the earliest opportunity but no later than 24 hours before the start of the virtual AGM, including publishing the full set of requests and feedback on the Company's website.

In addition to the above, Shareholders will have the opportunity to ask additional questions on the day, and within the duration, of the AGM through either the USSD or Online platforms. The Directors will thereafter address questions relating to the AGM agenda, which will be published on the Company's website within 24 hours of the conclusion of the AGM.

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' time to allow shareholders to log-in to the system through web or USSD for participation.
9. Duly registered Shareholders and proxies will be able to vote on the resolutions either via the USSD platform, or the online platform. The voting procedures have been published on our website for ease of reference. Voting will commence on Wednesday, 8th July 2020 and will conclude on Wednesday, 22nd July 2020 at 12:00 noon and Shareholders and proxies who may require assistance can call the helpline (020) 760 8216 between 7:00 am and 4:00 pm.
10. The results of the votes on the proposed resolutions as presented through the AGM Notice shall be announced during the AGM proceedings, and published within 24 hours following the conclusion of the AGM on the Company's website.

Should any changes be necessitated by any laws, regulations or circumstances, Shareholders will be updated through the registered contact details and through the Company's website.

PROXY FORM

The Group Company Secretary,

NCBA Group PLC

NCBA Centre

Mara & Ragati Road,

P. O. Box 44599 - 00100

GPO Nairobi

I/We ____of

P. O. Box ____________________________________being a member / members of NCBA Group PLC

and entitled to ________________________________votes hereby appoint __________________

____of P. O. Box ________________________

Mobile _______________________ Email: ____

or failing him ____

of P. O. Box ____ Mobile ______________________

Email: ____

as my / our Proxy to vote for me / us on my / our behalf at the Annual General meeting of the company to be held on **24th July 2020** and at any adjournment thereof.

As witness my / our hand this __________________day of __________ 2020

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 Wednesday **22nd July 2020**.

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 **24 Julai 2020** au tarehe yoyote iwapo mkutano utahairishwa. Nashuhudia kwa mkono/mikono yangu/yetu siku hii ya

Tarehe ______________________ mwezi wa __________ 2020

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**, **Jumatano 22 Julai 2020**.

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.