



# Q3 2023 Investor Briefing

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November 2023

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1. Despite tightening macro-economic conditions **we are on course to deliver on our 2023 plans; Q3 2023 PAT KES 14.6B (+14% Y-o-Y) with a 22.4% ROAE**

2. We are **investing for growth in-line with our strategy**

- **A bigger branch network** (109 branches in 24 counties)
- **A more digitized customer experience** (99% new accounts opened on App)

3. Significant **momentum in our underlying financial drivers**

- **Bigger balance sheet** (KES 548B deposits, +19% Y-o-Y)
- **Increased lending** (KES 341B, + 14% Y-o-Y) while improving credit risk outcomes
- **Digital disbursements continue to accelerate** (KES 775B, +31% Y-o-Y)
- **Subsidiary contribution to Group PBT has materially improved (from 1% to 16%)**

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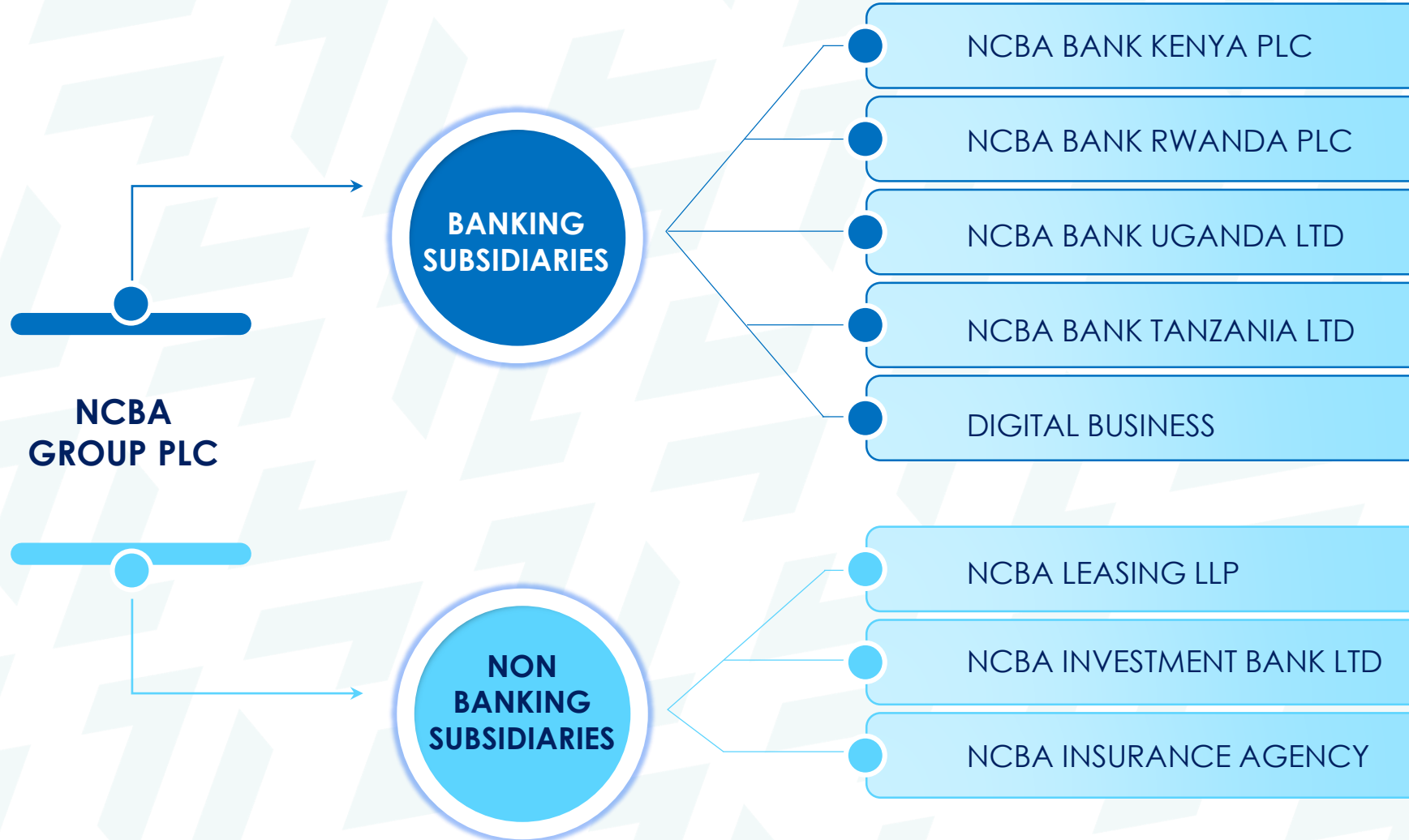
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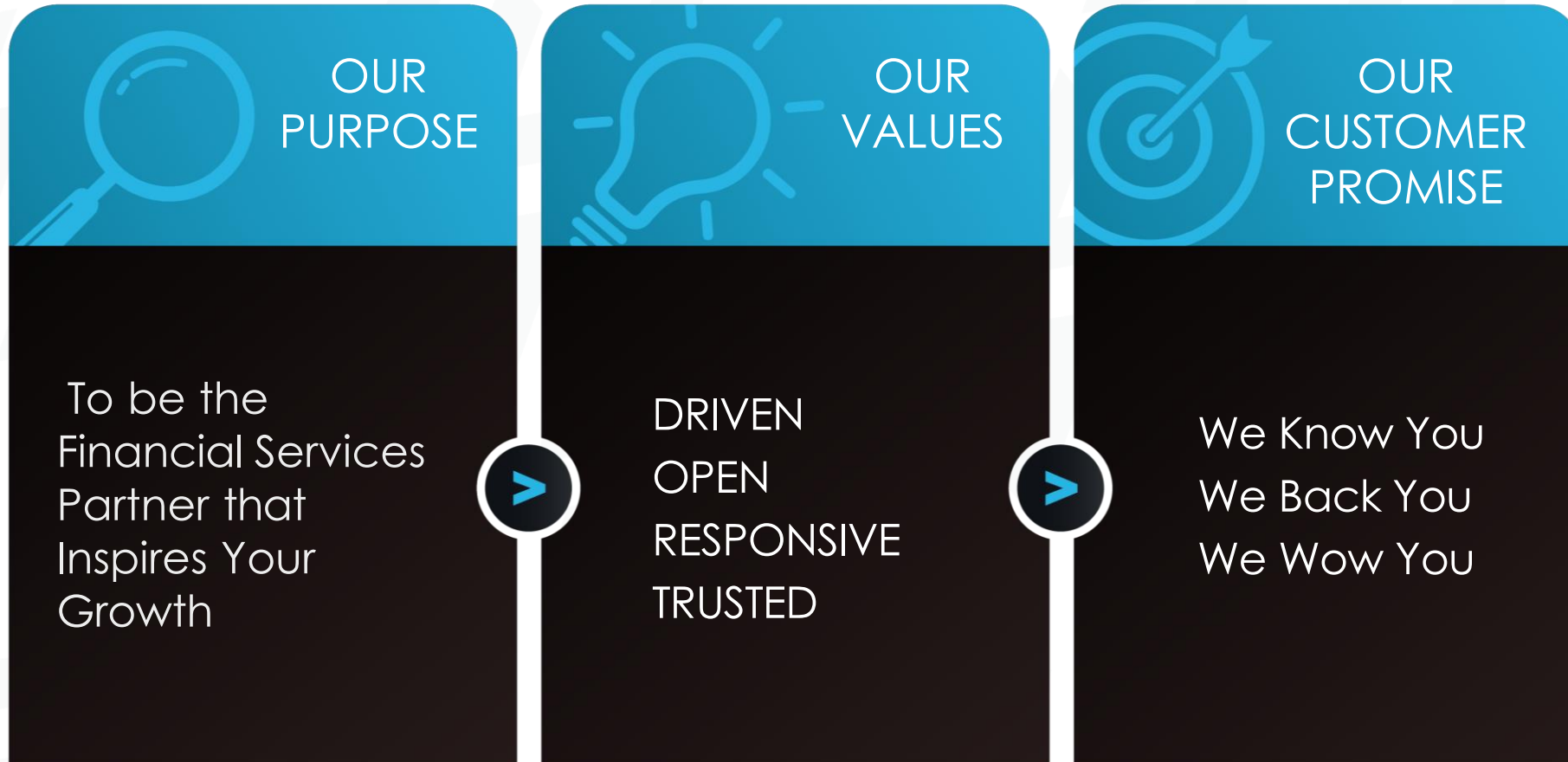
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## Our Group Structure



## Our Purpose and Values

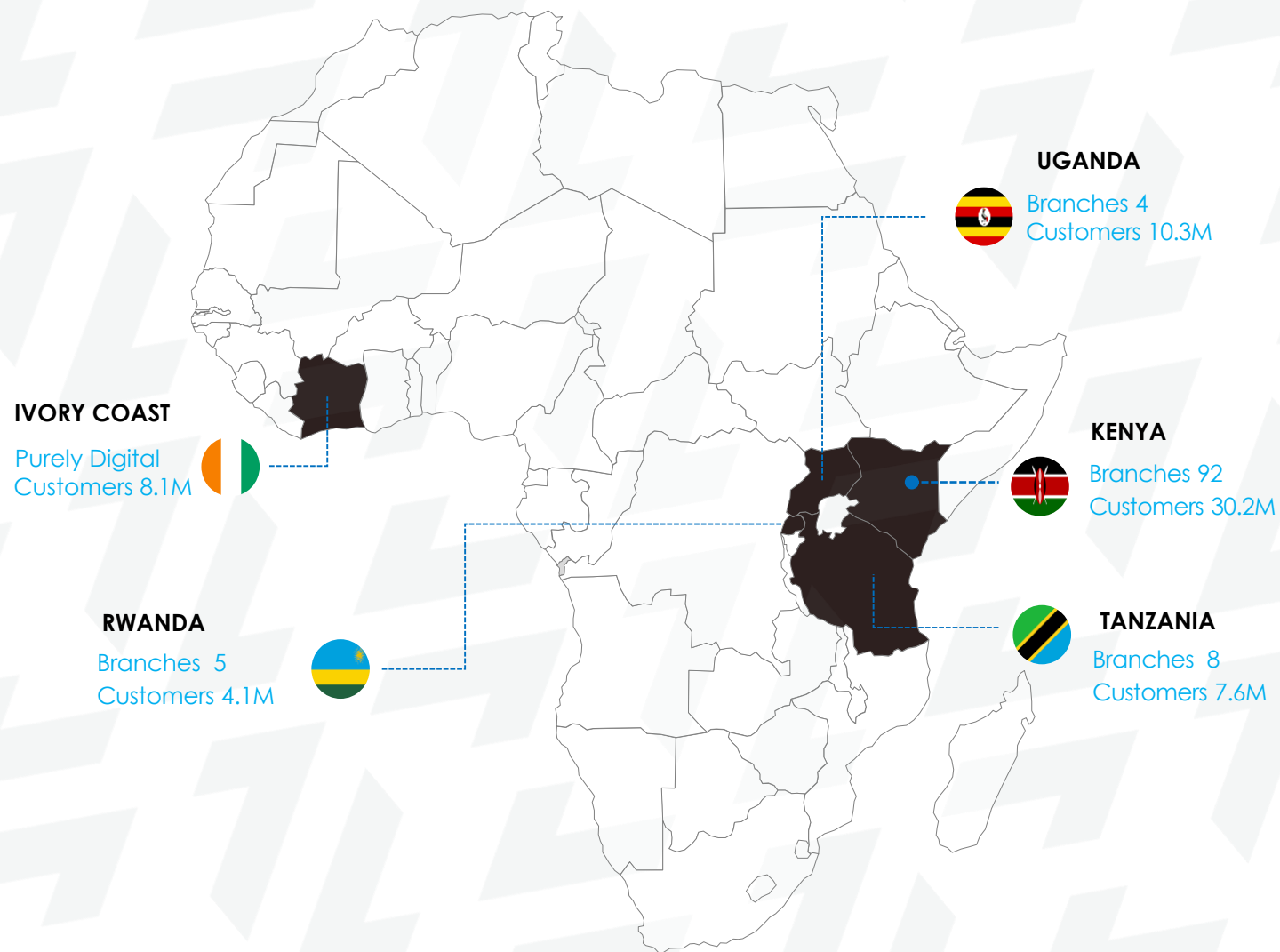


Welcome to the bank that says go for it.

Welcome to the bank that banks on your ambition.

**Welcome to NCBA**

## Our Regional Footprint



### KEY GROUP HIGHLIGHTS

#### CUSTOMERS

 60.3M

#### STAFF

 3315

#### BRANCHES

 109

#### ATMs

 94

#### CASH DEPOSIT MACHINES

 98

#### DR & CR CARDS

 150K+

\* 52 Corporate CDMs



## Awards & Accolades



### Brand and Customer Experience

- **Winner, Best Customer Experience Strategy** by Institute of Customer Experience
- **Winner, Best Customer Service Week Innovation** by Institute of Customer Experience
- **Winner, Top 25 Most Customer Obsessed Brands 2023** by Business Monthly East Africa ed.
- **3rd Best in Best Use of Technology** –Institute of Customer Experience



### ESG

- **Gold Seal Certification in Gender Equality** by Prime Minister's Gender Monitoring Office (Rwanda)
- **Best Bank Corporate Governance** by Institute of Corporate Governance of Uganda
- **Winner, Finance and Investment Sector Category** - Nairobi Legal Awards



### Business Units Recognition

- **Winner, Private Sector Legal Department of the Year** - Nairobi Legal Awards
- **3rd Best, Great Workplace Environment Category** - Employer of the Year Awards (EYA)
- **Most Preferred Asset Finance Bank in Kenya** by Annual Road Safety Awards
- **Preferred Bank in Asset Finance** by Transport & Logistics Excellence Awards
- **Best Digital Bank in Tanzania** by Global Banking and Finance Review



## We are led by an exceptional team



John Gachora

Group Managing Director



David Abwoga

Group Director, Finance



Waweru Mathenge

Group Director,  
Governance, Legal &  
Company Secretary



Monicah Kihia

Group Director,  
Human Resources & Culture



Tim Armitage

Group Director,  
Risk & Controls



Julius Kamau

Group Director,  
Technology & Operations



Louisa Wandabwa

Director of Strategy  
& Chief of Staff



Lennox Mugambi

Group Director,  
Asset Finance & Business  
Solutions



Eric Muriuki

Group Director,  
Digital Business



Tirus Mwithiga

Group Director,  
Retail Banking



Pauline Ndote

Group Director,  
Credit Risk Management



Gift Shoko

Group Director,  
Regional Business



Nelly Wainaina

Group Director,  
Marketing, Communication  
& Citizenship

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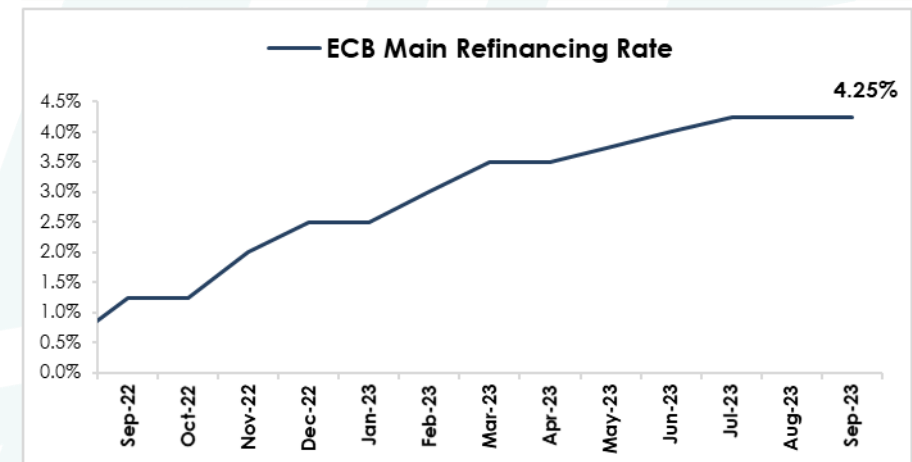
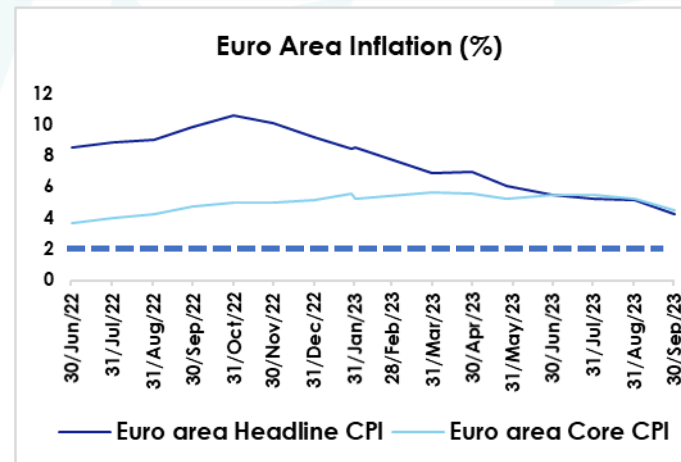
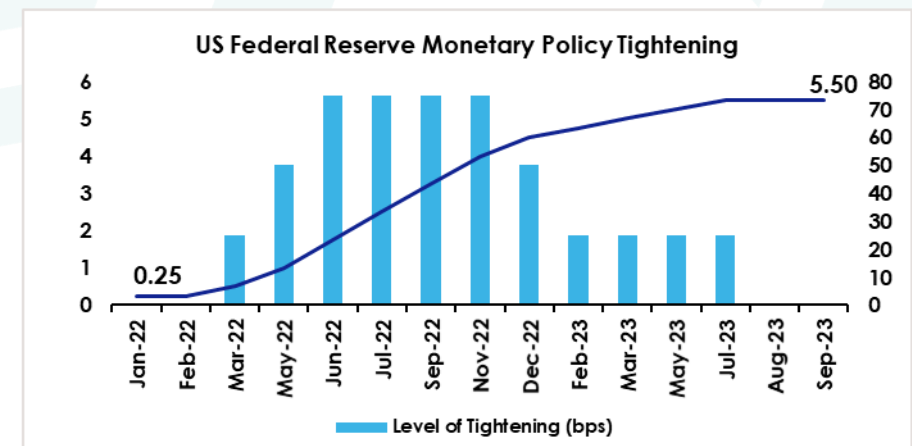
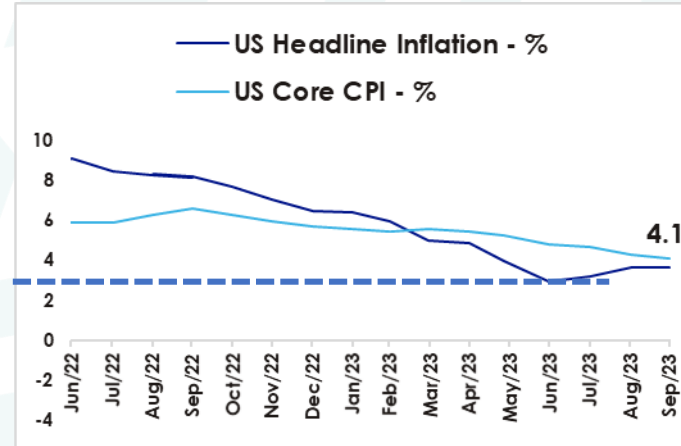
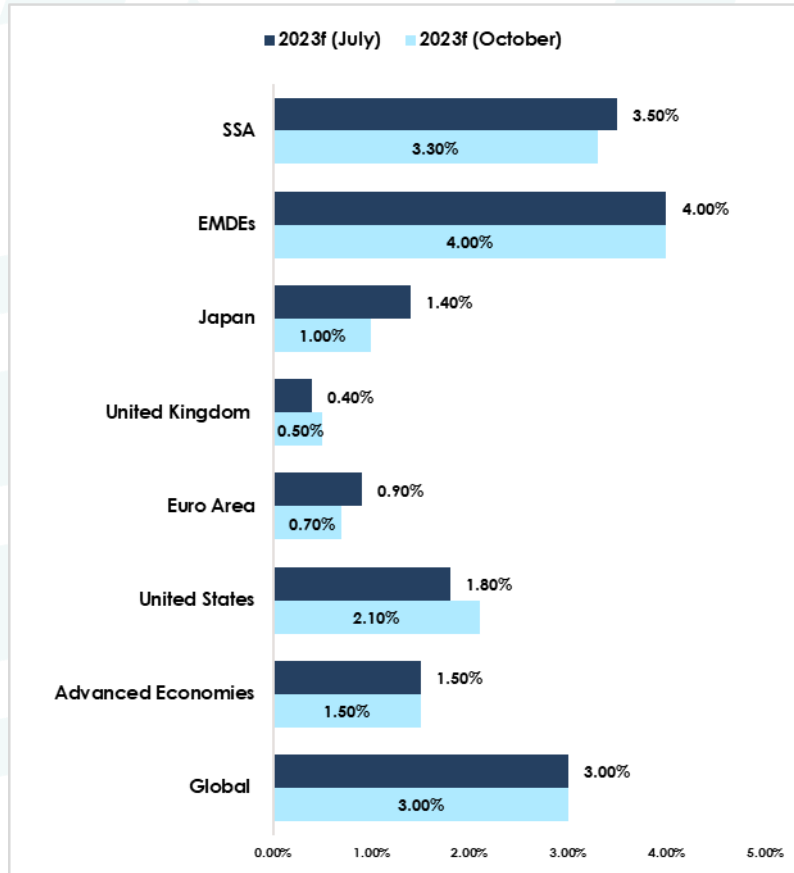
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# Economic global growth forecast for 2023 retained at 3.0% regional divergences widen nonetheless

Global growth forecast for 2023 is expected to slow, potentially impacting Sub-Saharan Africa's economic prospects.

Inflation has moderated in response to prior monetary policy tightening. However, prices remain above the 2% comfort levels.

Central banks in advanced economies halted monetary policy tightening to preserve economic growth, keeping benchmark rates unchanged at elevated levels.

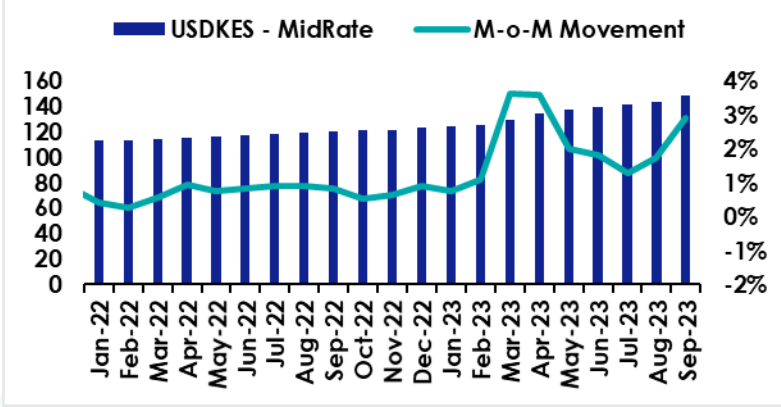
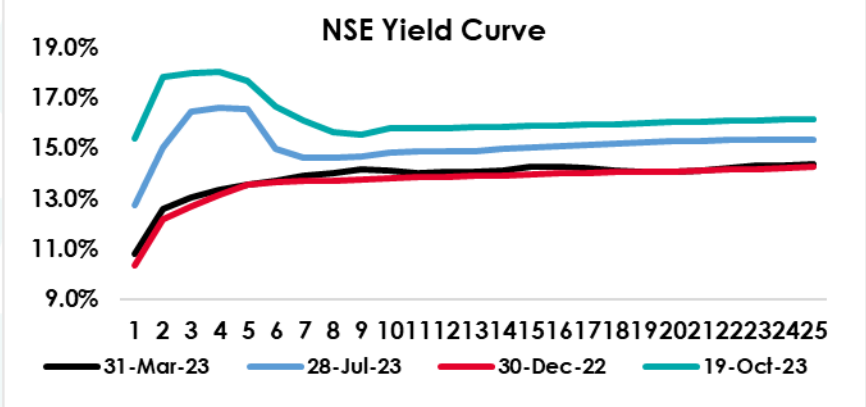
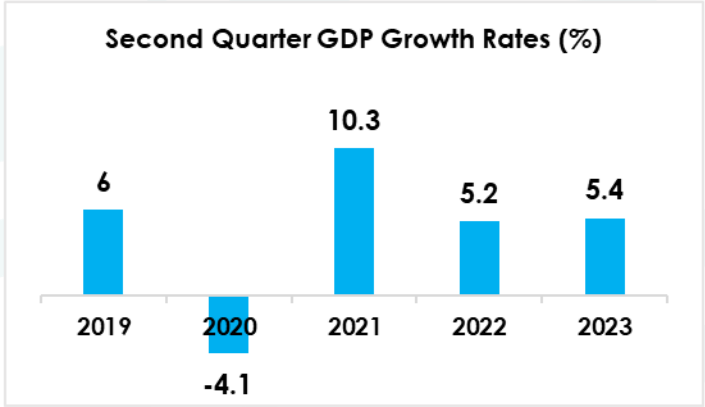
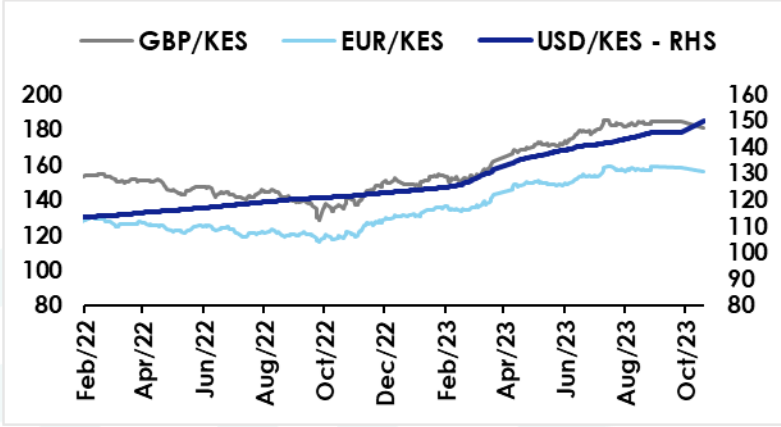
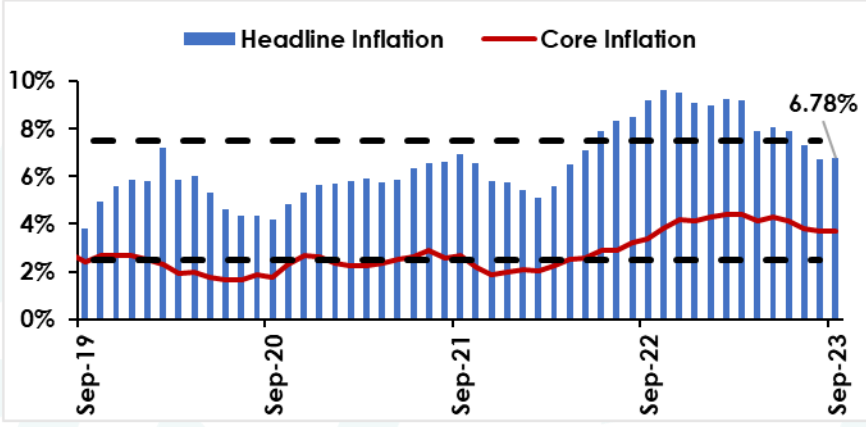
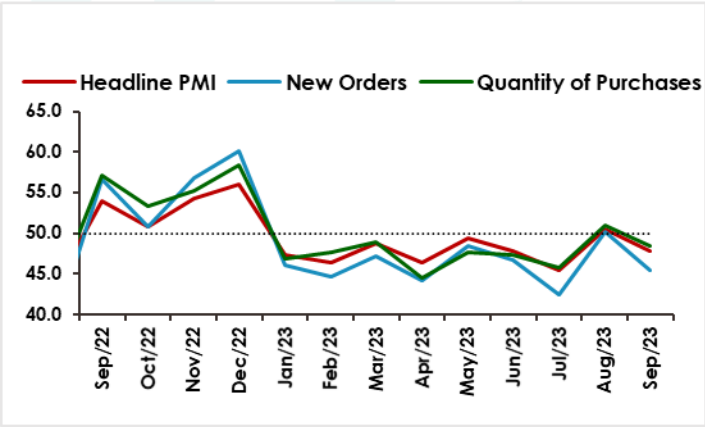


# Kenya's domestic borrowing appetite continues to put pressure on interest rates despite declining inflation and we expect the KES to depreciate further

Kenya's Headline PMI posted at 47.8 with private sector activity illustrating broad weakness.

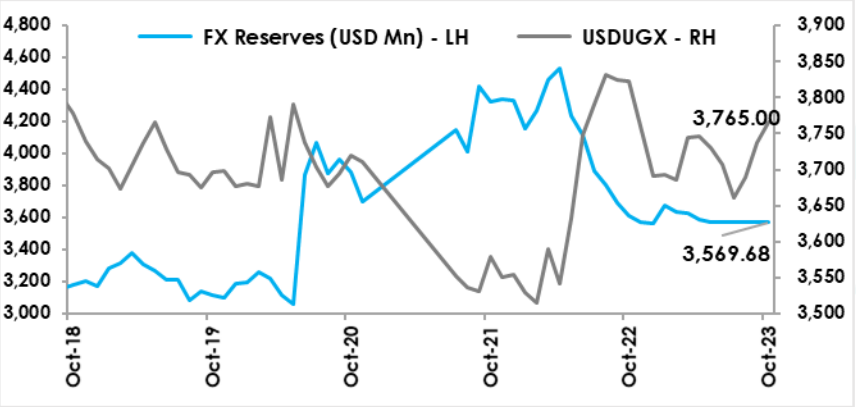
Inflation slowed to 6.8% owing to a combined decline in key foods items and moderating energy prices, however, risk persist. Yields on short-term securities continue to rally.

The KES is expected to remain weak. Year-to-date the shilling has weakened by 21%.

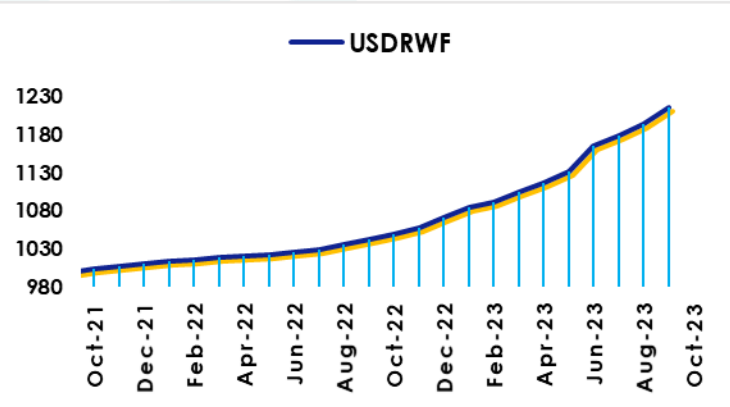
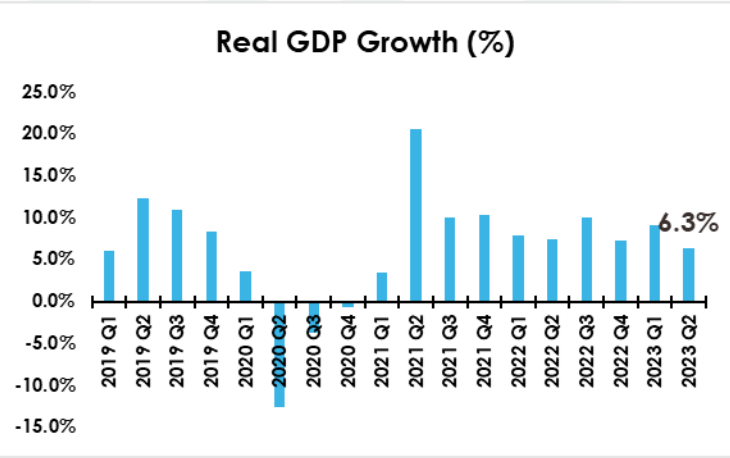


# Macroeconomic conditions in the East Africa regional economies remain varied

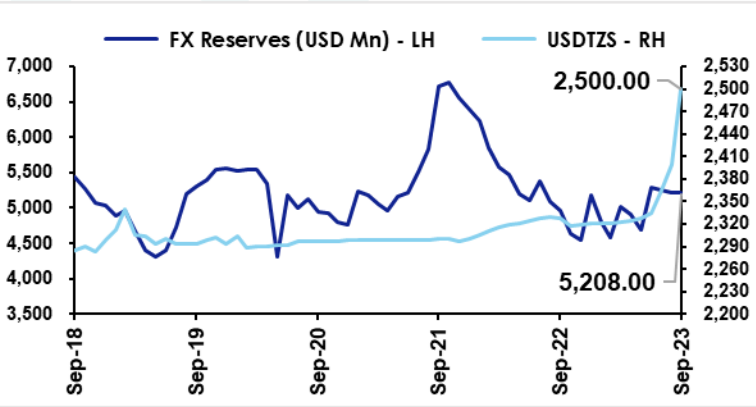
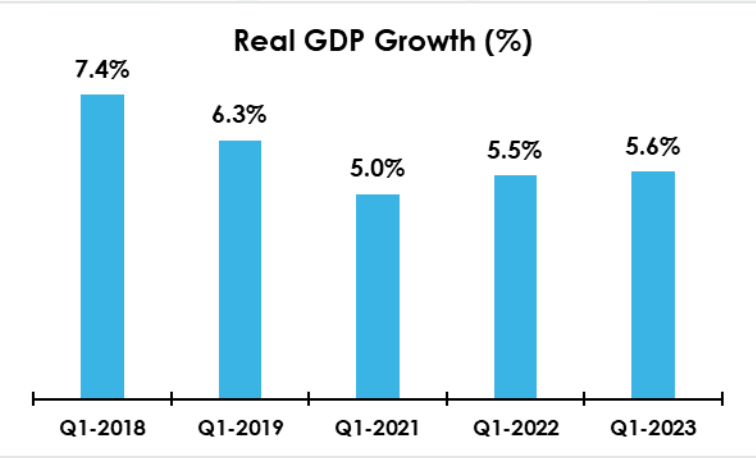
Uganda’s economy expanded by 6.8% in Q2 2023 compared to 5.6% in the corresponding quarter last year.



Rwanda’s real GDP registered a 6.3% growth in Q2 2023, down from 7.5% in 2022. The RWF continues to gradually weaken.



In Tanzania, growth in Q1 2023 rebounded to 5.6% from 5.5% recorded Q1 2022. The TZS has depreciated despite continued BOT support.





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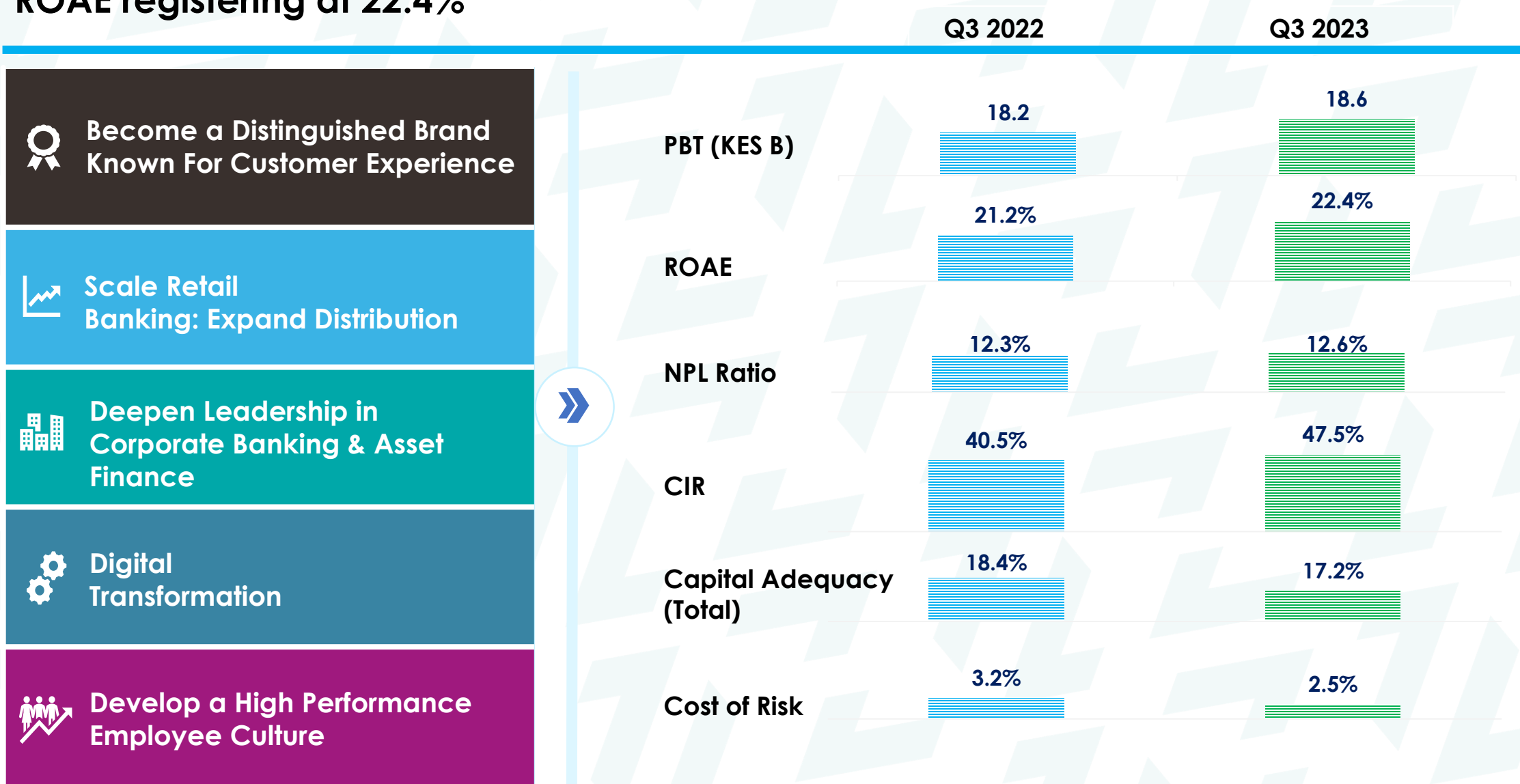
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## Our strategy continues to deliver with all our metrics in line with target with our Group ROAE registering at 22.4%





## Continued strong contribution from the regional banking subsidiaries Y-o-Y with Tanzania core bank delivering a KES 1.3B profitability rebound

Amount in KES M

### Core Banking Subsidiaries

	Q3 2022	%Δ	Q3 2023
Kenya	15,743	(11%)	14,042
Tanzania	(961)	>100%	377
Uganda	32	>100%	402
Rwanda	140	>100%	325
<b>Total</b>	<b>14,954</b>	<b>1%</b>	<b>15,146</b>

### Non Banking Subsidiaries

	Q3 2022	%Δ	Q3 2023
Investment Bank	278	(1)%	276
Insurance Agents	159	+47%	234
Leasing LLP	45	>100%	142
<b>Total</b>	<b>482</b>	<b>+35%</b>	<b>652</b>



### Digital Banking Subsidiaries

	Q3 2022	%Δ	Q3 2023
Digital Business (KE)	2,907	(44)%	1,637
Loop DFS	(2)	(100)%	0
Digital Ghana	(5)	(60)%	(8)
M-Pawa (TZ)	61	>100%	143
Mokash (UG)	422	+33%	561
Mokash (RW)	192	>100%	487
<b>Total</b>	<b>3,575</b>	<b>(21)%</b>	<b>2,820</b>

# Our focus on expanding our branch footprint is driving balance sheet growth and providing us a cheaper funding base

## Growing Branch Network



## More Cost Efficient Branches



## Larger Customer Base



Branches **89** (2020) → **109** (2023)

 Counties Present **15** (2020) → **24** (2023)

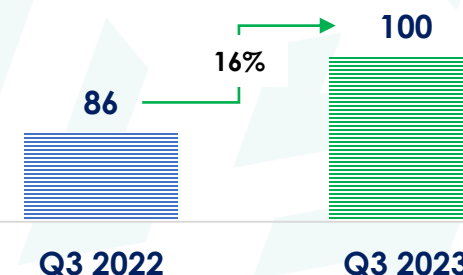
**81:19<sup>1</sup>**  
CASA ratio (59:41)

**1.0%**  
Cost of Funds from New Branches  
Aggregated Retail Cost of Funds at 3.2%

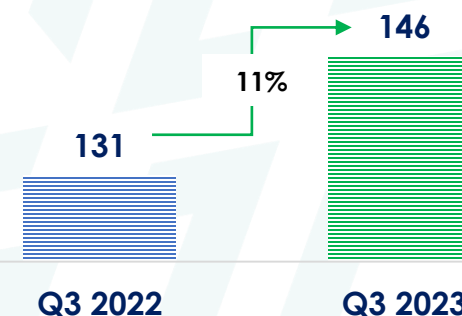
**20%**  
Growth in Retail Customer Base(Kenya)  
252K (Q3'22) - 303K (Q3'23)

## KE Retail Banking Balance sheet (KES B)

### Gross Loans



### Deposits



## We have maintained 60 years leadership in asset finance through innovating relentlessly and building strategic partnerships



### Scaling Dealers Agency Network

- Renewed 13 of the existing schemes
- Signed new schemes with **Ashok Leyland**, **Sinotruck Ltd** and **Roam** for electric buses



**Developing a clear compelling Competitive Advantage** - online insurance solution dubbed *NCBA Go Insure*



**Green Energy Financing** NCBA Leasing availed Kes 500M towards leasing of solar PV system in Commercial & Industrial sectors. The solution delivers reliable, green & cheaper power to customers

Notes:

1: Distribution schemes denote partnerships with corporates where we offer solutions to their ecosystem of stakeholders including customers and employees



**33%**

Market Share

### Disbursements (KES M)

16,466 → +19% → 19,609

Q3 2022

Q3 2023

### Total income (KES M)

1,291 → +68% → 2,165

Q3 2022

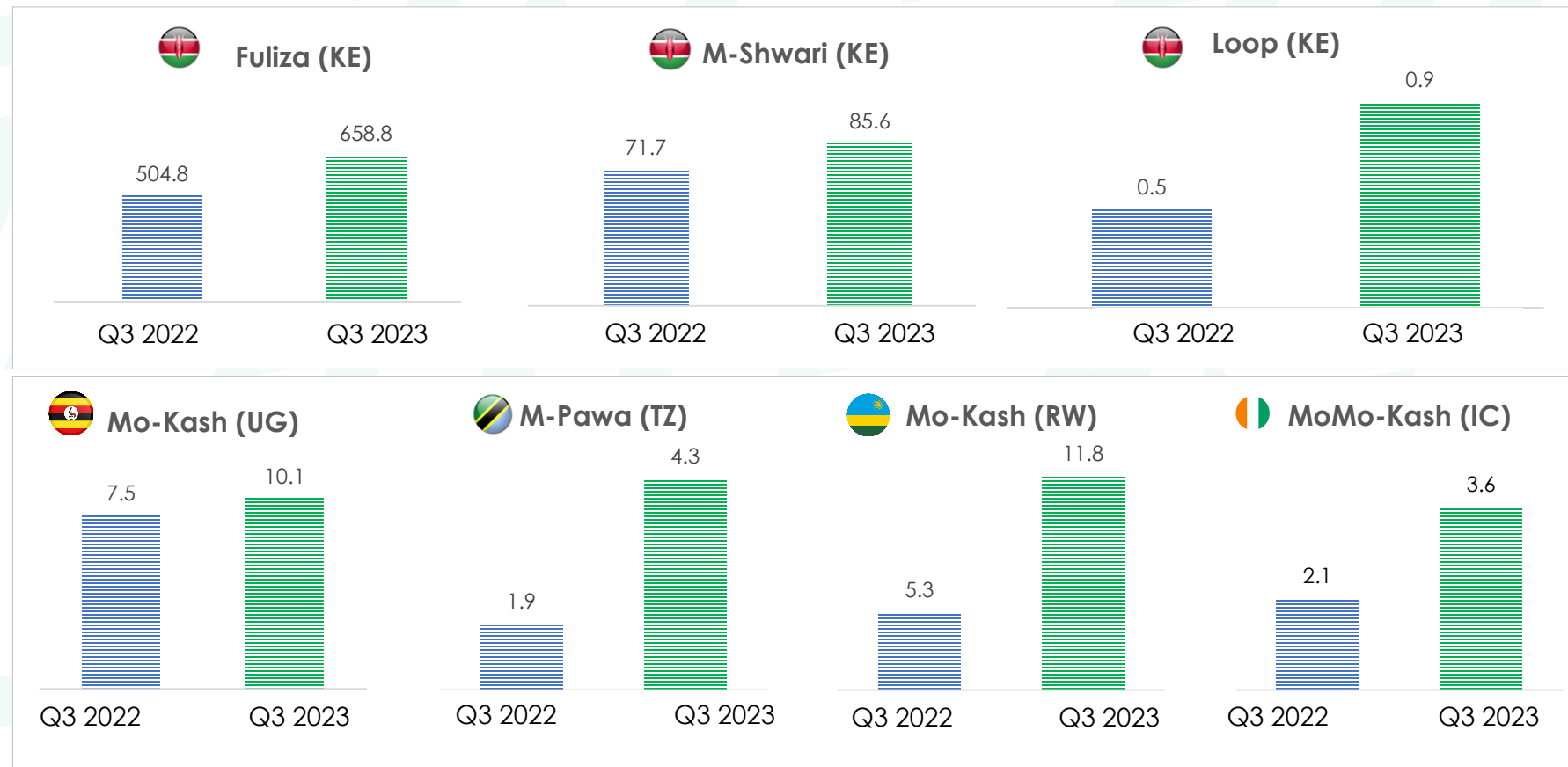
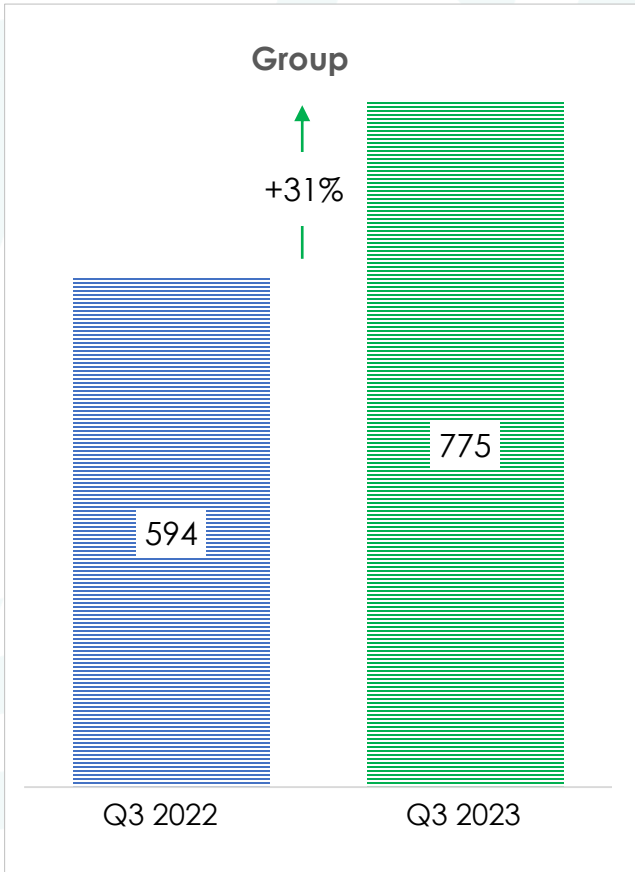
Q3 2023

[ncbagroup.com](https://ncbagroup.com)

**Go for it**

## Our digital disbursements have increased by 31% Y-o-Y allowing us to continue boosting financial inclusion in our diverse customer base

Evolution of digital disbursements (KES B)



**We also see an opportunity to build on our heritage and expand into a B2C play anchored on digital payments.....**

**Wallets**

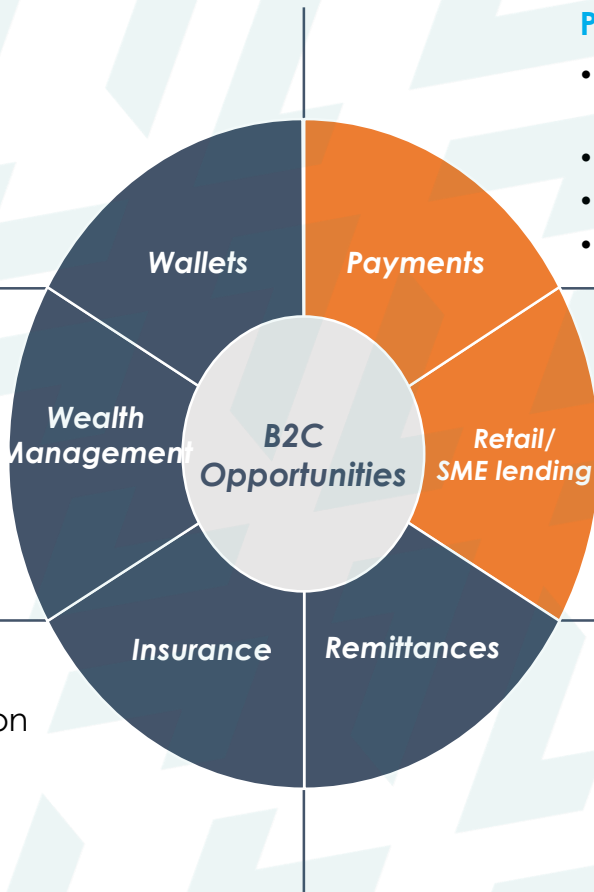
- P2P transfers
- Airtime purchases

**Wealth management**

- Trading & investment

**Insurance**

- Customer acquisition & distribution



**Payments**

- Merchant acquiring & Gateways
- Payment processing
- Payment issuing

**Retail/ SME lending**

- Origination and distribution
- Digital lending
- Buy-now, Pay-later
- B2B liquidity
- Consumer liquidity

**Remittances**

- International transfers

**Strategic rationale**

- ☐ Own the customer
- ☐ Own the data
- ☐ Lighter and more portable business for expansion across the continent

**Most valued digital platform for Financial Services in Africa**



## ....hence launching our LOOP Super App with unparalleled features for merchants & consumers



### To Merchants

Accept and make digital payments with safe and easy access to your Bank.

Ready access to digital credit to smoothen cashflows and spur growth.

Help identify and manage fraud and risk related to digital payments

Digital Marketing tools to attract new buyers and retain existing customers

Enterprise management tools to enhance productivity of the business.



### To Consumers

Make and receive digital payments with safe and easy access to your Bank.

Ready access to digital credit to smoothen cashflows and facilitate productive investments.

Generate data as new collateral to improve access to credit and deals from sellers

Discovery of Merchants, Products and Deals

Best-in-class experience, with loyalty campaigns to further enhance value offered by all platform partners (APIs and MiniApps)

## Our digital transformation initiatives are improving process efficiencies, reducing cost and enhancing customer experience

### Investing in Robotic Process Automation “RPA”

#### Deployed in 41 key processes

- ✓ Faster reconciliation
- ✓ Efficient customer account management
- ✓ Automated Human Resource reports
- ✓ Quicker generation of reports

### Upgrading NCBA Now Mobile Platform

#### 2023 Channel Enhancements

- ✓ Invest NOW & Unit Trust Automation
- ✓ Card Control Services: PIN management
- ✓ Credit card payment
- ✓ KRA & Jamii Telcom Payments
- ✓ Account balance masking
- ✓ Mpesa to account payments
- ✓ Insurance payments automation

### Modernizing our Infrastructure

#### \$10 M Investment

- ✓ Enabled open banking (API Modernization)
- ✓ Cloud adoption for scalability
- ✓ Matured Cybersecurity infrastructure



**#1**  
Banking App

App  
Rating

**90,000**

Man Hours Saved through RPA

Q3'22

Δ%

Q3'23

3.8

4.8

**37%**

Growth in mobile transaction volumes year on year

**81%**

Transactions processed digital through online and mobile Channels monthly



## We launched our comprehensive Sustainability Strategy & Commitments, catalyzing action towards a greener & more sustainable future for the communities that we serve and for NCBA

### Growing 10M Trees by 2030



- ✓ Launched a pilot tree growing project with **Boreka Community Group**
- ✓ **402 farmers mobilized**, 100% of them trained across 3 sub counties in **Kitui County**

### Deploying EV Charging Stations



- ✓ Set up **two EV charging stations** at our HQs
- ✓ Electric vehicles financing

### Developing "I Change The Story" Knowledge Platform



- ✓ Upskilled our staff through **NCBA Academy**
- ✓ Designed specific trainings for our **Relationship Managers (RMs)**

**300,000**

Trees Planted

**82%**

Women Farmers



**2**

EV Charging Stations Installed

**KES 2B**

EV Loan Portfolio

**3000+**

NCBA Staff Upskilled

## Our 15 'Change the Story' Commitments

1. We will **Grow 10,000,000** trees by 2030
2. We will **mobilize & steer Kes 30 billion** of Green & Sustainable Financing
3. We will invest in **deploying EV charging stations** across the region.
4. We will reduce our **direct emissions by 50%**(Scope I & II) by 2030
5. We will **deploy Kes 100 million** annually to support our communities
6. We will steer **>30%** of our General Services procurement spend to women and youth
7. We will **fully eliminate single use plastic** and **recycle 100%** of our waste by 2030
8. We will **green our supply chain**
9. We will develop a **"Change the Story" knowledge platform** to capacitize the public towards change
10. We will align with the 2015 Paris Agreement and **reduce our financed emissions** by 2030
11. We will **embed thorough assessments** of climate-related risks in our lending, investment, and financing activities
12. We will **ignite** our 3000+ staff to make a difference through the "I Change the Story" program
13. We will champion inclusive communities through **Regional sport development**
14. We will **promote diversity, equity and inclusion** at all levels of our operations: enhance board & senior management diversity
15. We will provide targeted mentorship and skills building for **women and youth**

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We identified 5 key areas requiring greater attention in 2023

Thematic Area	Objective
Balance Sheet Optimization	<ul style="list-style-type: none"><li>Enhance the value generated from our substantial balance sheet</li></ul>
Customer Growth	<ul style="list-style-type: none"><li>Increase the number of customers we attract and retain across NCBA</li></ul>
Controls	<ul style="list-style-type: none"><li>Embed the right risk culture and routines to secure our business operations</li><li>Enhance Credit Risk Monitoring</li></ul>
Subsidiaries Contribution	<ul style="list-style-type: none"><li>Diversify our revenue sources and increase the bottom line contribution of all our business lines</li></ul>
Sustainability	<ul style="list-style-type: none"><li>Define our sustainability agenda and begin to retool our business</li></ul>

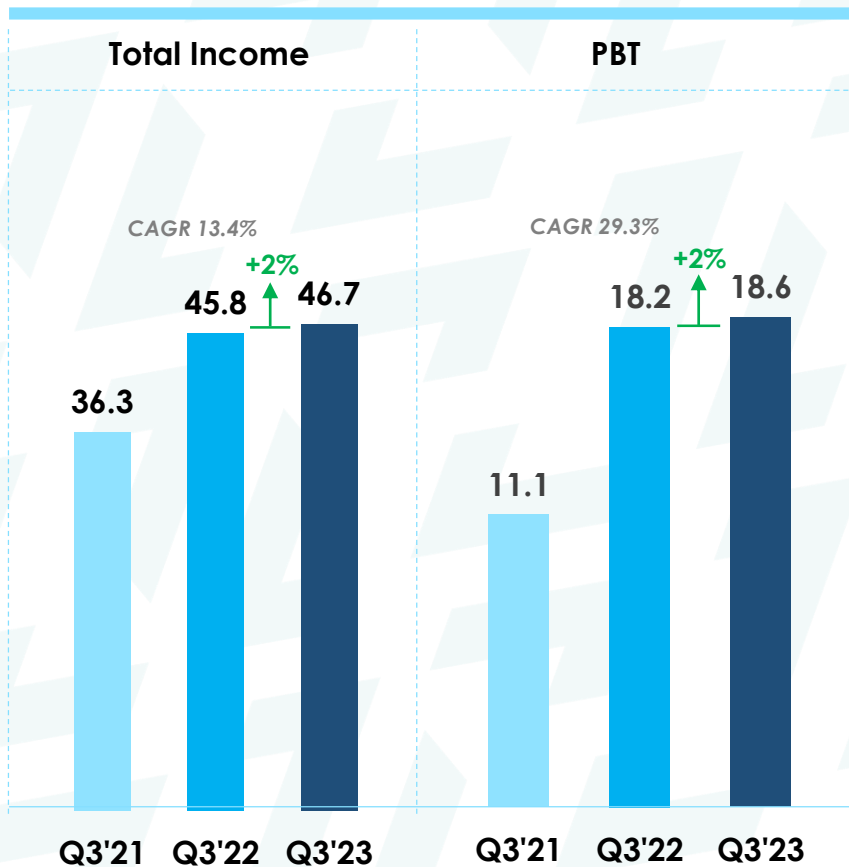


Grow  
Shareholders  
Returns

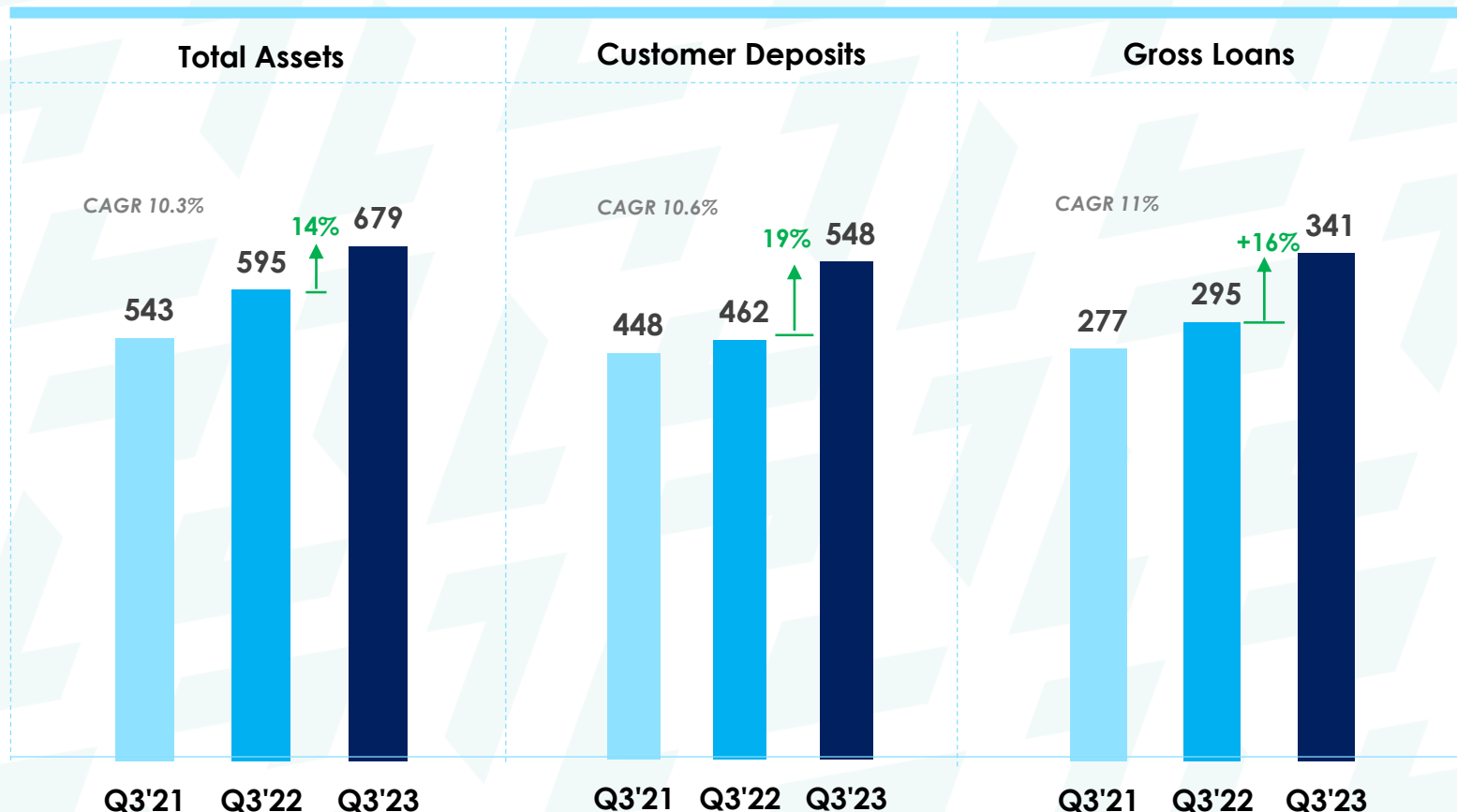
## Our Group continues to demonstrate strong fundamentals growth

Amounts in KES B

### Income Statement

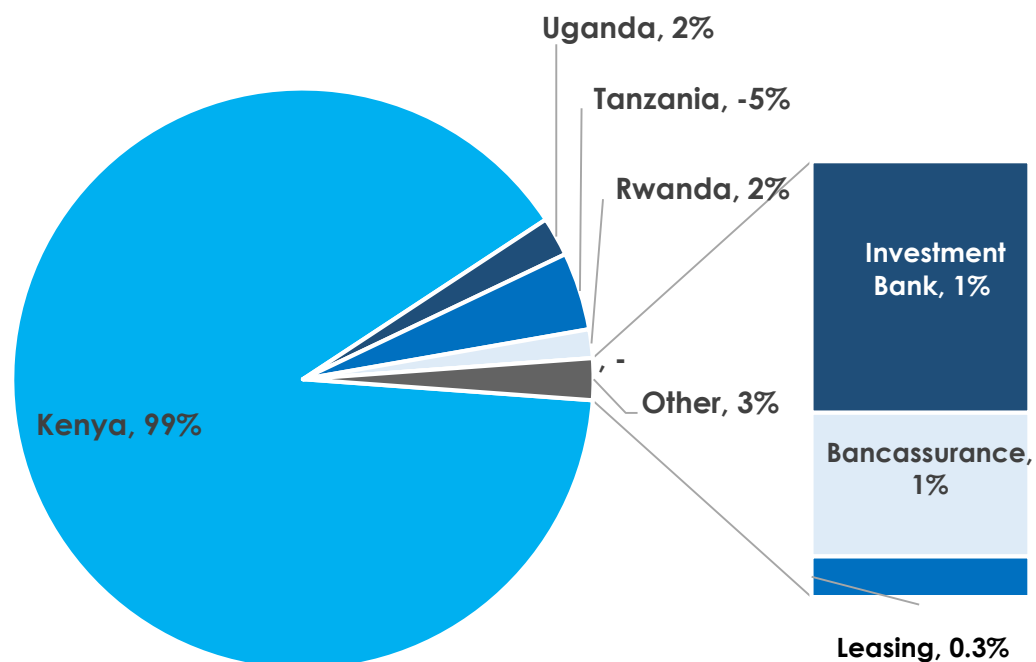


### Balance Sheet

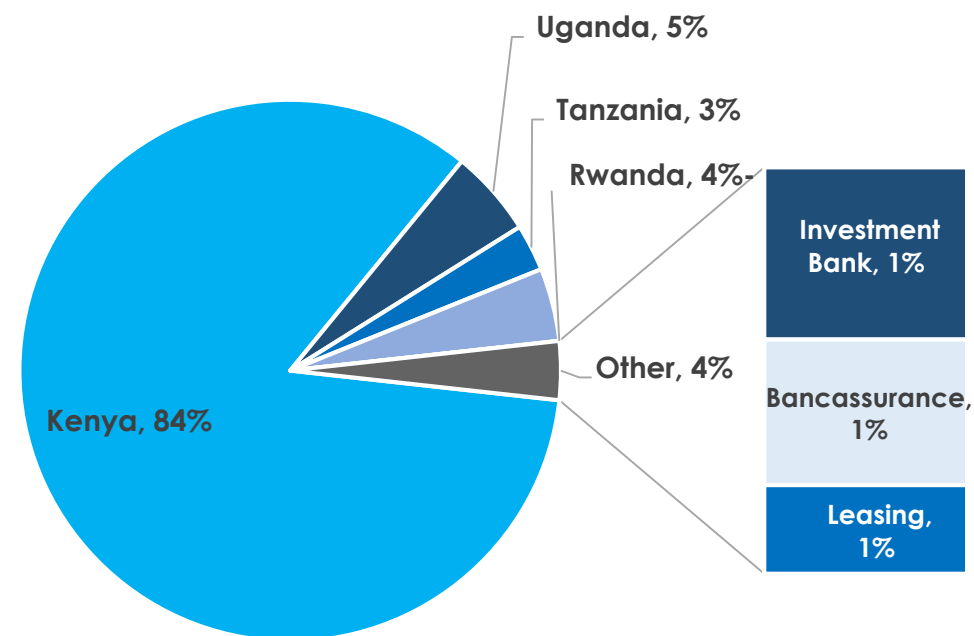


**Our focus on enhancing the contribution from our subsidiaries is showing demonstrable success (16% contribution in Q3 2023 up from 1% in Q3 2022)**

Contribution to Group PBT in Q3-2022



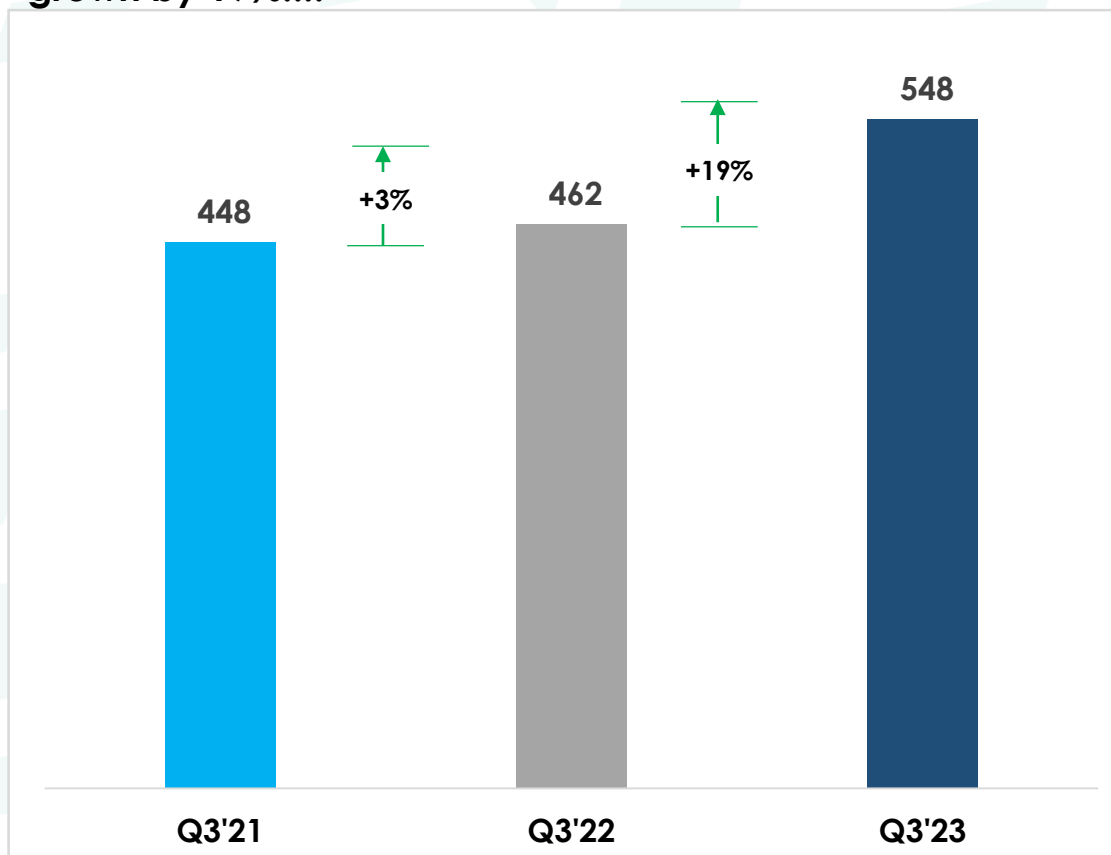
Contribution to Group PBT in Q3 -2023



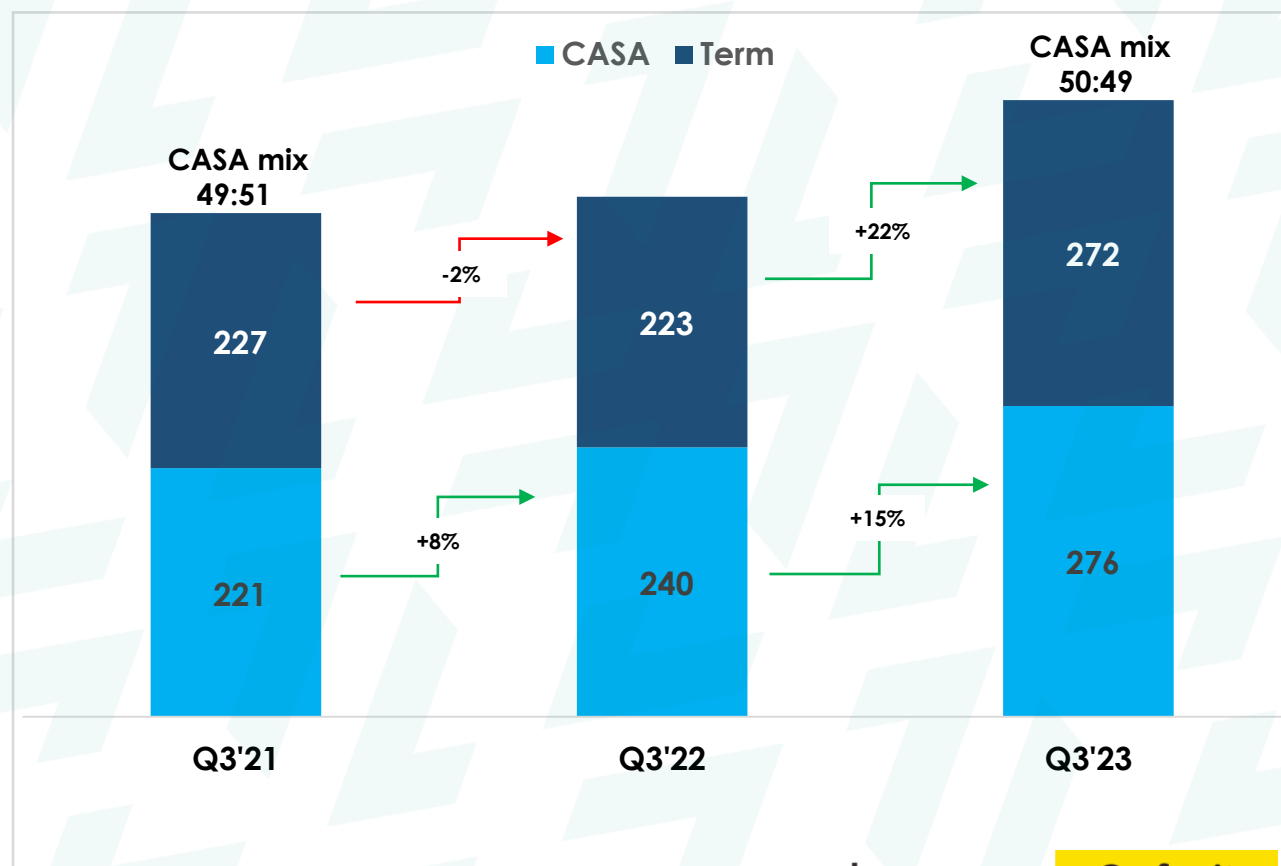
## Customer growth and retention efforts are driving deposit mobilization (19% up Y-o-Y), while balance sheet optimization efforts are improving our funding mix

Amounts in KES B

Despite the macro economic conditions our deposits have grown by 19%....



...and we have improved our CASA ratio to 50% from 49%

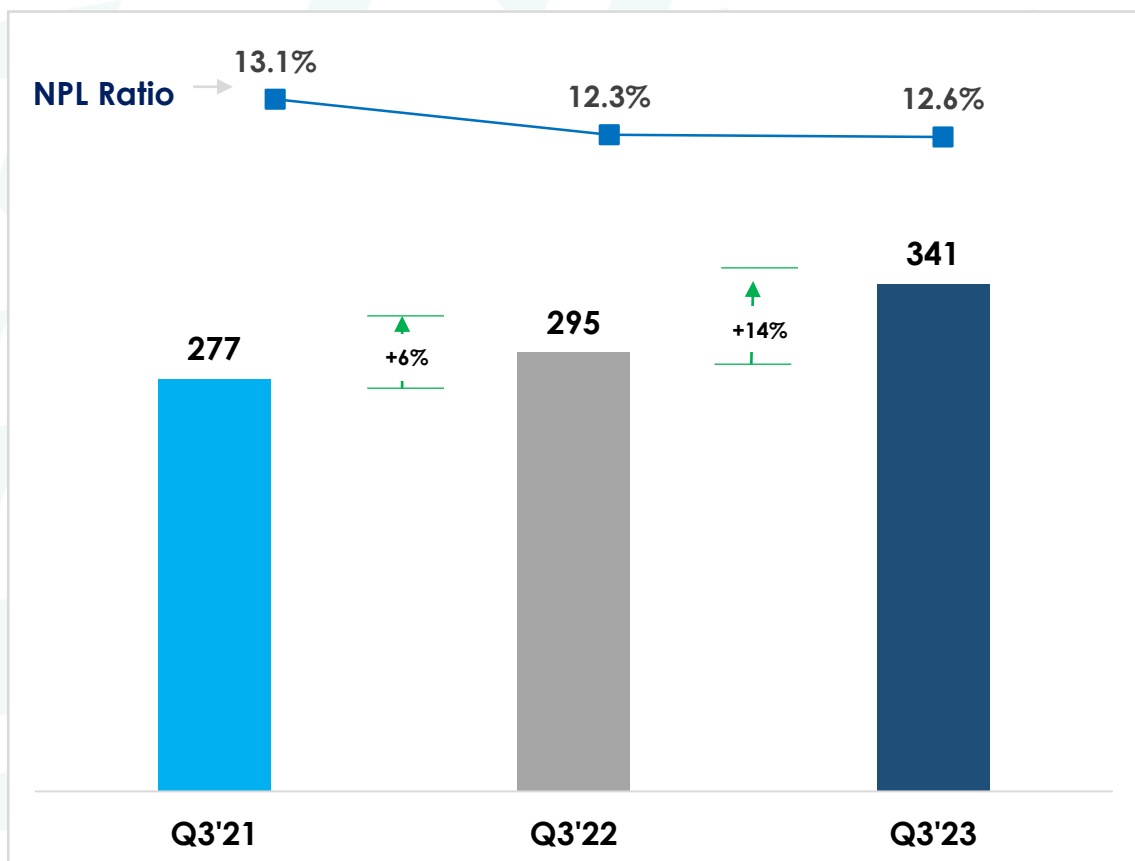




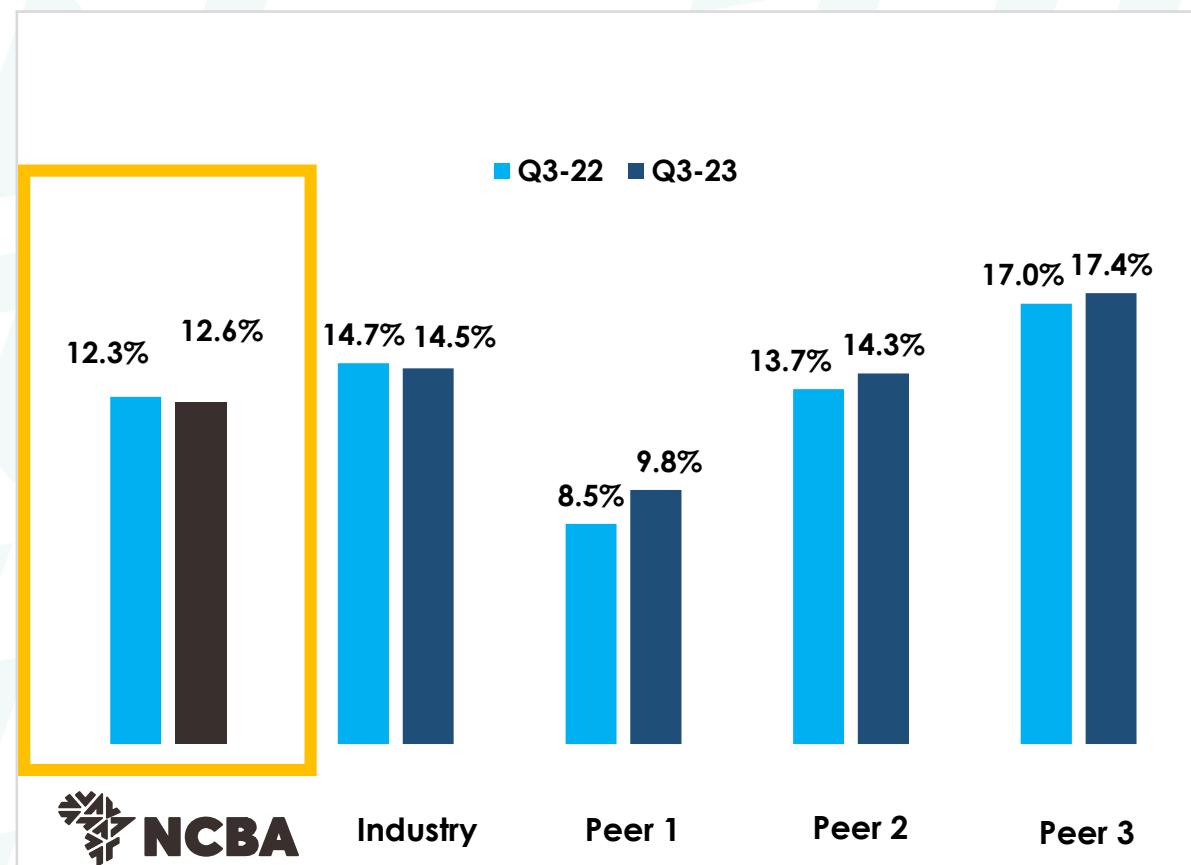
## Our customer growth agenda has seen us increase our lending substantially (+14% Y-o-Y) with well controlled credit risk outcomes

Amounts in KES B

NCBA Group Gross Loans accelerated in Q3 -23 while NPL ratio edged down.....

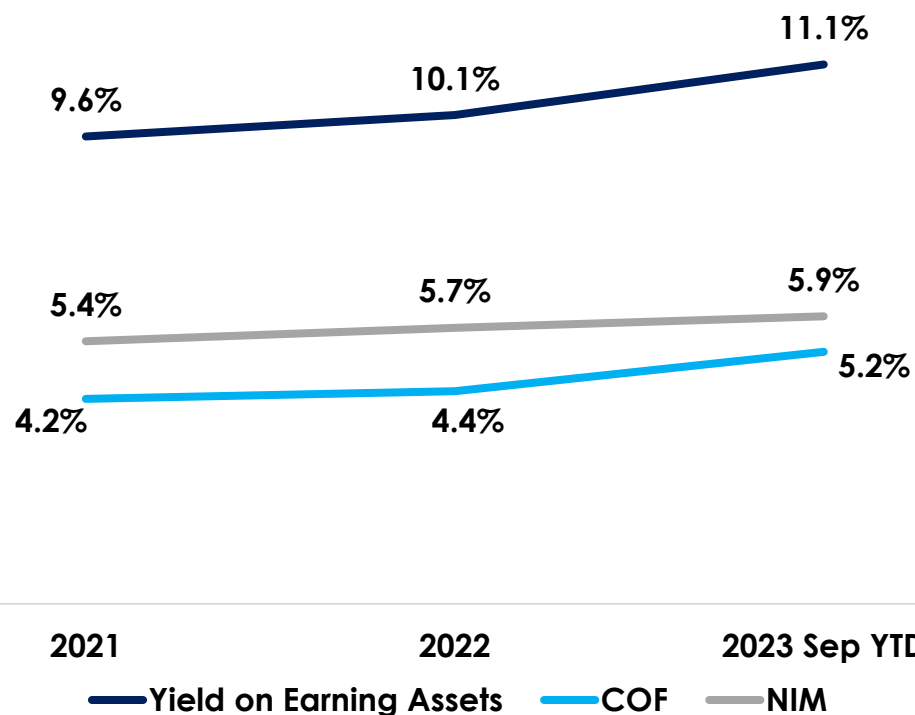


...NCBA Group credit risk outcomes continue to buck industry trends



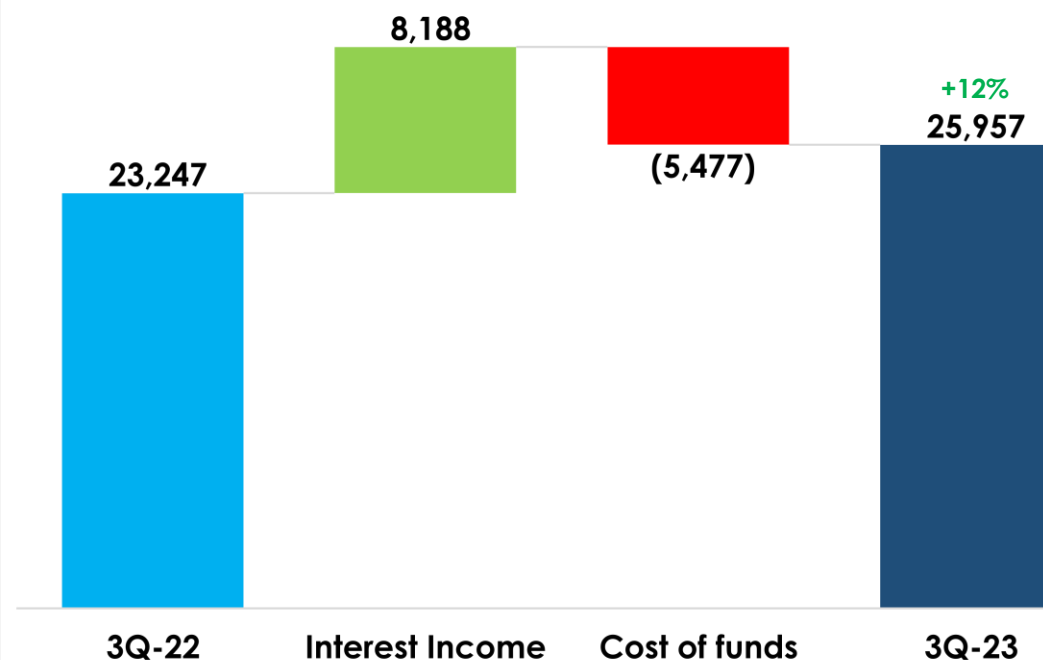
## Our balance sheet optimization efforts have delivered healthy margin expansion and 12% growth in NII

Optimization of our balance sheet has seen us deliver NIM uplift despite the pressure on cost of funding



Amounts in KES M

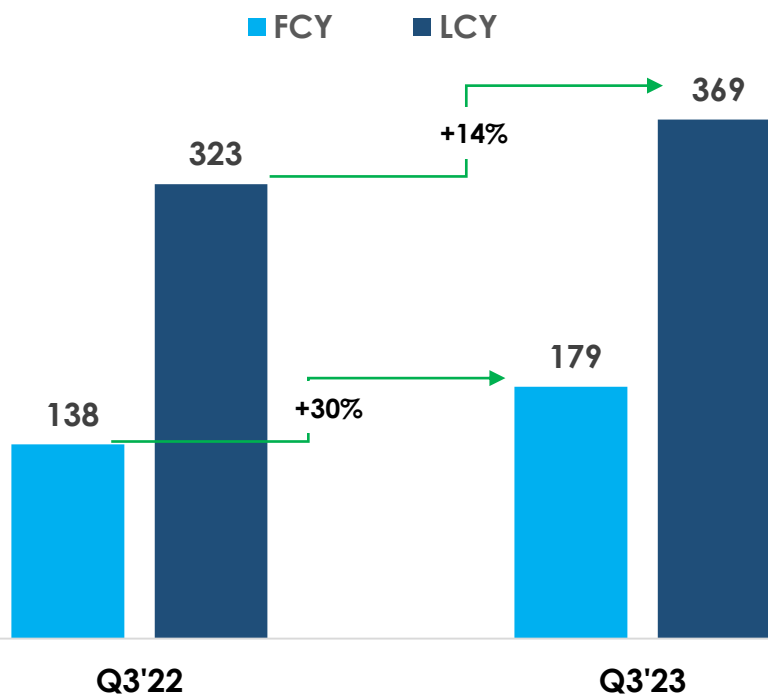
... and subsequently 12% Y-o-Y NII growth



**Our franchise strengths have supported growth in our foreign currency deposits and transactional volume growth has shored up our NFI outcomes as FX margins moderated**

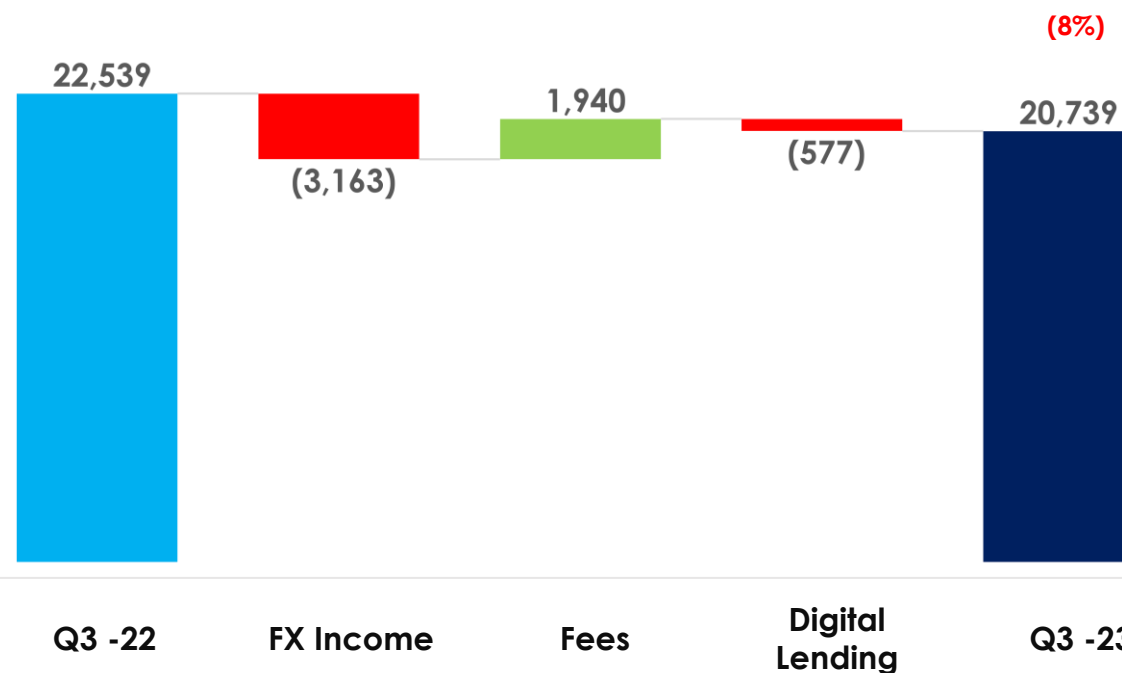
Amounts in KES B

**We continue growing our market leading FCY deposit book....**



Amounts in KES M

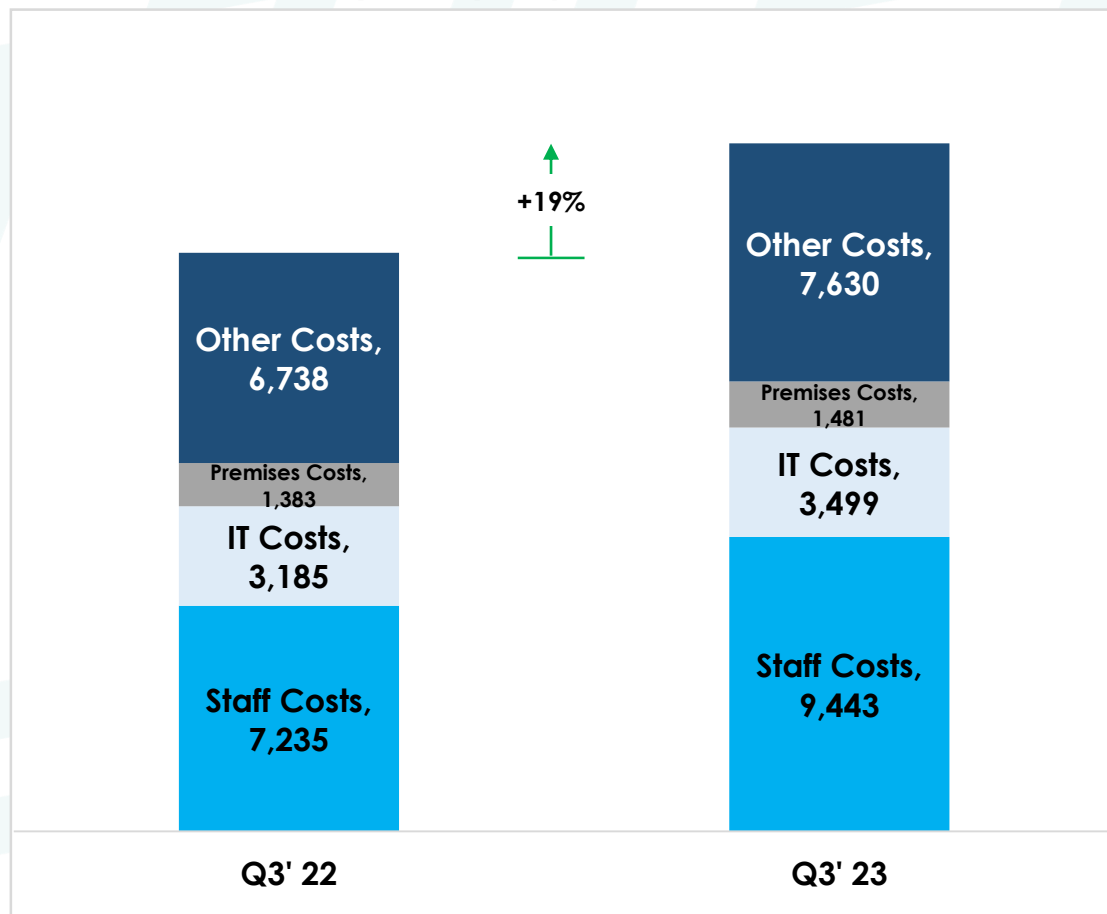
**....and our transactional fee generation has boosted NFI as FX declined due to lower volume & compressed margins**



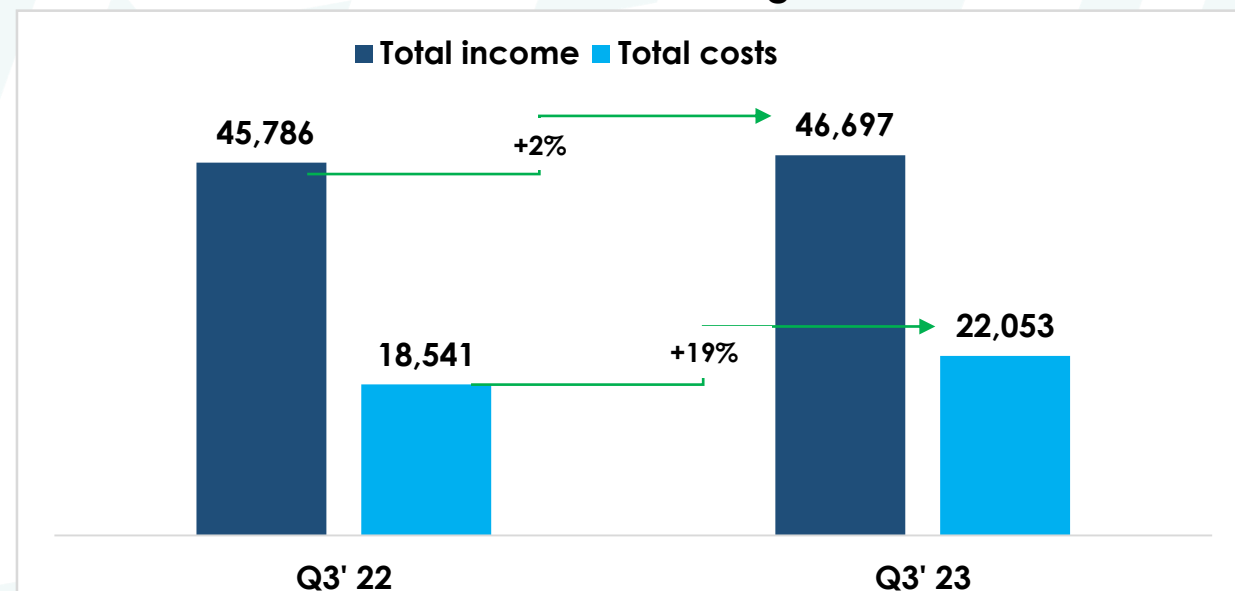
# Investment in strategic growth initiatives & inflationary pressures have led to near term pressure on cost efficiency; this will resolve in the medium term as investments break even

Amounts in KES M

OPEX Increased by 19% y-o-y in Q3-23....



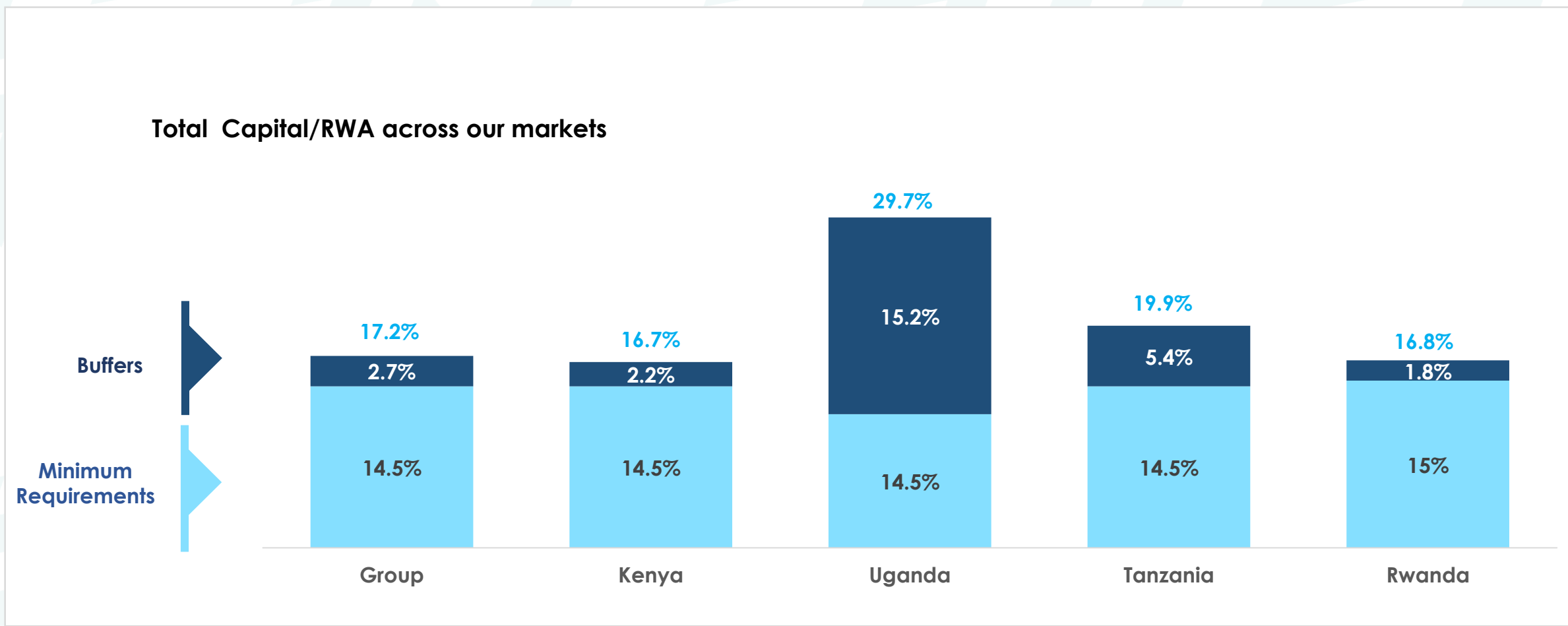
...as we continued to invest in our future growth



	Q3-22	Q3-23
Cost to Income Ratio	40.5%	47.5%
Cost to Assets	3.1%	4.6%
Staff Cost Intensity <sup>(1)</sup>	15.8%	18.7%
IT Cost Intensity <sup>(2)</sup>	7.0%	7.5%

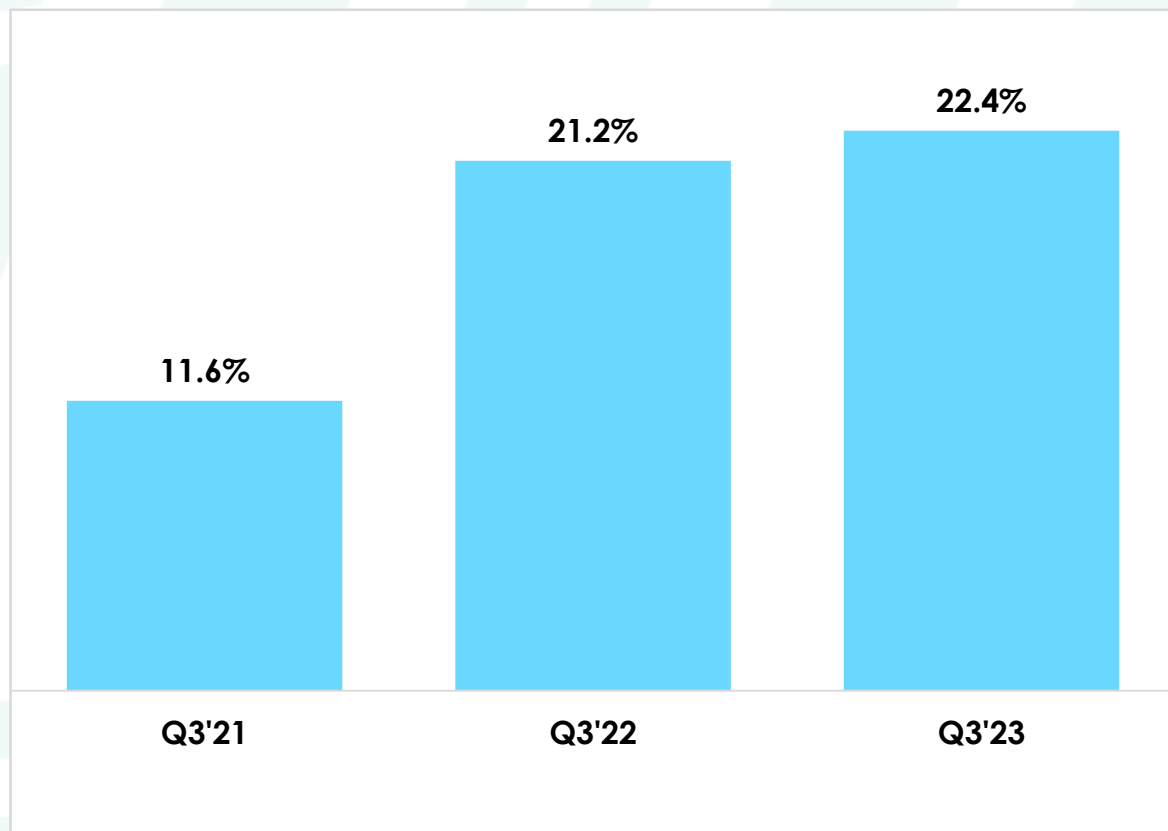
Notes:  
 1: Staff Cost Intensity calculated as Staff costs vs. Operating Income  
 2: IT Cost intensity calculated as IT OPEX vs. Operating Income

The Group remains effectively capitalized across our core markets providing ample room to invest in growth

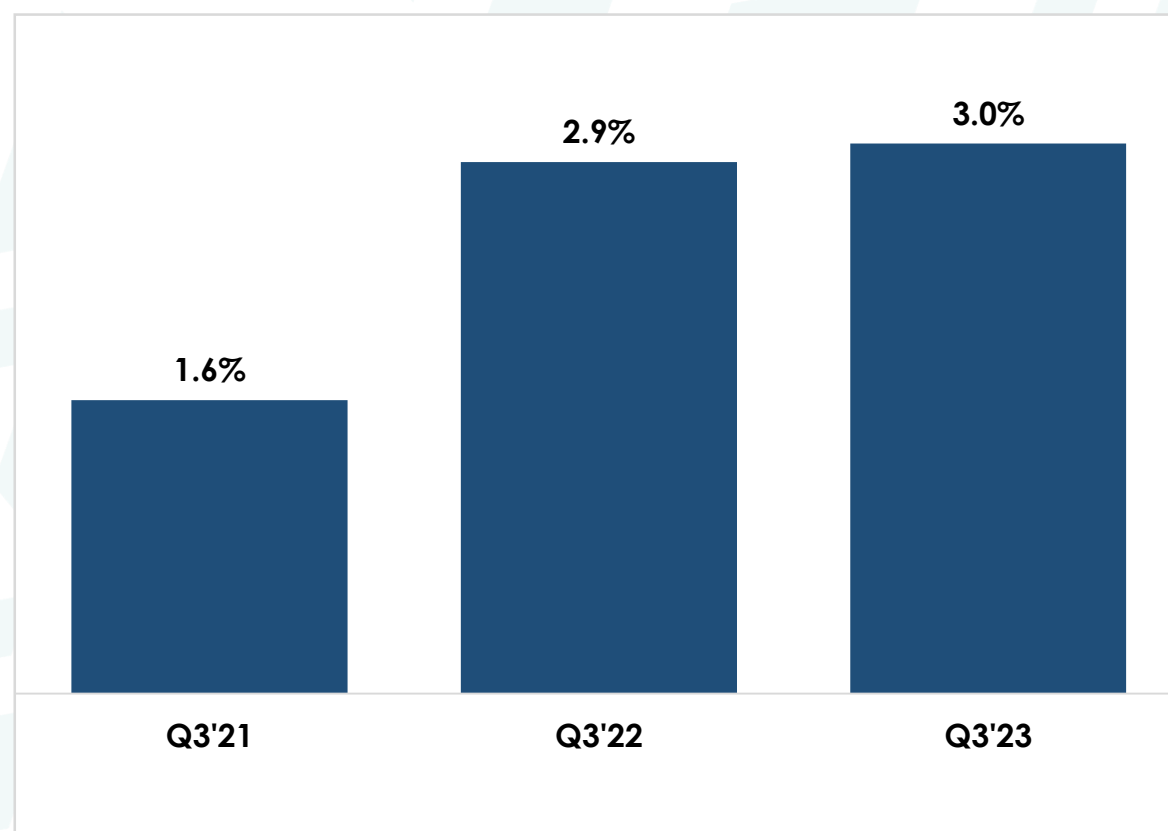


## Our strategy is delivering the desired return outcomes for a Tier 1 institution

We are delivering on post merger promises on ROE



...while matching similar sized peers on ROA



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1. Despite tightening macro-economic conditions **we are on course to deliver on our 2023 plans; Q3 2023 PAT KES 14.6B (+14% Y-o-Y) with a 22.4% ROE**

2. We are **investing for growth in-line with our strategy**

- **A bigger branch network** (109 branches in 24 counties)
- **A more digitized customer experience** (99% new accounts opened on App)

3. Significant **momentum in our underlying financial drivers**

- **Bigger balance sheet** (KES 548B deposits, +19% Y-o-Y)
- **Increased lending** (KES 341B, + 14% Y-o-Y) while improving credit risk outcomes
- **Digital disbursements continue to accelerate** (KES 775B, +31% Y-o-Y)
- **Subsidiary contribution to Group PBT has materially improved (from 1% to 16%)**

**Our FY 2023  
Guidance**

- **Return on Equity** > 17%
- **NPL ratio** < 13%
- **Cost to Income Ratio:** 40-45%.
- **Capital Adequacy:** Maintain a 300Bps buffer above regulatory limits
- **Core Bank Cost of Risk:** 1.5% - 2.0%

**THANK YOU**



## Statement of Profit & Loss

Amounts in KES Millions

	NCBA Bank Kenya			NCBA Group Consolidated		
	Q3'23	Q3'22	Δ%	Q3'23	Q3'22	Δ%
Interest Income	41,661	34,793	20%	46,968	38,781	21%
Interest Expenses	(19,073)	(14,140)	35%	(21,011)	(15,533)	35%
<b>Net Interest Income</b>	<b>22,588</b>	<b>20,654</b>	<b>9%</b>	<b>25,957</b>	<b>23,247</b>	<b>12%</b>
FX Income	5,427	8,762	38%	6,045	9,208	34%
Other Non- Interest Income	10,667	10,619	0%	14,694	13,331	10%
<b>Non – Funded Income</b>	<b>16,093</b>	<b>19,381</b>	<b>17%</b>	<b>20,739</b>	<b>22,539</b>	<b>8%</b>
<b>Operating Income</b>	<b>38,682</b>	<b>40,035</b>	<b>3%</b>	<b>46,697</b>	<b>45,786</b>	<b>2%</b>
Operating Expenses	(17,293)	(14,763)	17%	(22,054)	(18,540)	19%
<b>Operating Profit</b>	<b>21,388</b>	<b>25,272</b>	<b>15%</b>	<b>24,643</b>	<b>27,246</b>	<b>10%</b>
Impairments	(5,709)	(6,622)	14%	(6,073)	(8,327)	27%
<b>Profit Before Tax And Exceptional Items</b>	<b>15,679</b>	<b>18,650</b>	<b>16%</b>	<b>18,570</b>	<b>18,918</b>	<b>2%</b>
Exceptional item	-	(531)	100%	-	(724)	100%
<b>Profit after Exceptional items</b>	<b>15,679</b>	<b>18,119</b>	<b>13%</b>	<b>18,570</b>	<b>18,194</b>	<b>2%</b>

## Statement of Financial Position

Amounts in KES Millions

### Assets

Net Loans and Advances

Investments

Cash and Balances with Banks

Other Assets

**Total Assets**

### NCBA Bank Kenya

**Q3'23      Q3'22      Δ%**

270,633    238,315    14%

206,542    214,938    (4%)

73,387    42,762    72%

60,870    50,000    22%

**611,433    546,015    12%**

### NCBA Group Consolidated

**Q3'23      Q3'22      Δ%**

308,701    266,110    16%

230,645    232,648    -1%

91,957    55,069    67%

47,490    41,590    14%

**678,793    595,417    14%**

### Liabilities & Equity

Customer Deposits

Borrowings

Other Liabilities

Shareholders Equity

**Total Liabilities & Equity**

489,528    420,397    16%

20,393    27,716    (26%)

19,943    18,201    10%

81,568    79,701    2%

**611,433    546,015    12%**

548,134    462,113    19%

15,235    28,985    -47%

26,909    23,394    15%

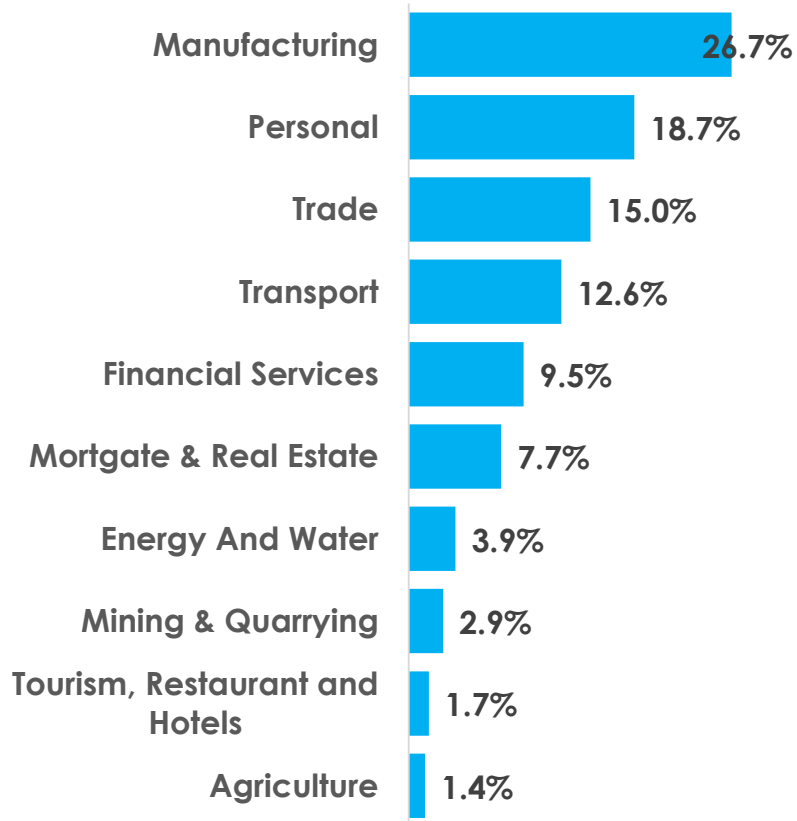
88,514    80,925    9%

**678,793    595,417    14%**

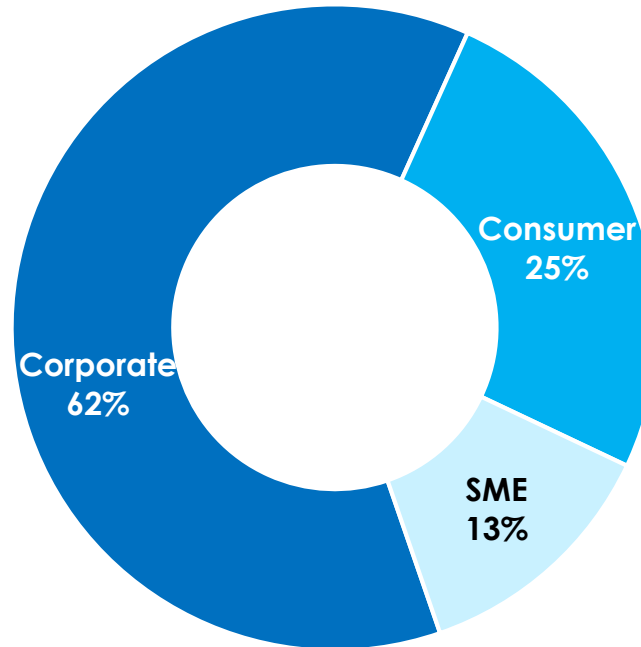
## Loan book across product, currency and industry

### Q3 2023 Loan Book

Loan Book by Sector



Loan Book by Segment



Loan Book by Currency

