



Guaranty Trust Bank (Kenya) Ltd

GUARANTY TRUST BANK (KENYA) LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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DIRECTORS

The directors who held office during the year and to the date of this report were:

Mr. Dhanji Hansraj Chandaria	(British)	Chairman and Non Executive Director
Mr. Nalinkumar Narshi Shah		Non Executive Director
Mr. Hanish Chandaria	(British)	Independent Non Executive Director
Mr. Julius Olusegun Agbaje	(Nigerian)	Non Executive Director
Mr. Ademola Ayodeji Odeyemi	(Nigerian)	Non Executive Director
Mr. John Mark Wandolo		Independent Non Executive Director
Ms. Mary Kimotho M'Mukindia*		Independent Non Executive Director
Mr. Olabayo Veracruz	(Nigerian)	Chief Executive Officer
Mr. Victor Ezaga**	(Nigerian)	Executive Director

KEY MANAGEMENT

Mr. Olabayo Veracruz	(Nigerian)	Chief Executive Officer
Mr. Ayodele Opeyemi Popoola	(Nigerian)	Chief Operating Officer
Ms. Angela Koech		Group CFO, East Africa
Mr. Villupuram Abiraman		Head, Commercial Banking
Mr. Samwel Ngahu		Head, Systems and Control
Mr. Peter Ng'ang'a		Head, Corporate Banking
Ms. Joan Arang'a		Head, Legal Services and Company Secretary
Ms. Caroline Tegek		Head, Treasury
Mr. Michael Oriang'		Chief Information Security Officer
Ms. Virginia Angwenyi		Head, Risk and Compliance
Ms. Farida Mohamed		Head, Human Resources

BOARD CREDIT COMMITTEE

Mr. John Mark Wandolo	Chairman
Mr. Julius Olusegun Agbaje	Member
Mr. Ademola Ayodeji Odeyemi	Member
Mr. Hanish Chandaria	Member
Mr. Nalinkumar Narshi Shah	Member

BOARD AUDIT COMMITTEE

Mr. Nalinkumar Narshi Shah	Chairman
Mr. Ademola Ayodeji Odeyemi	Member
Mr. John Mark Wandolo	Member

BOARD RISK MANAGEMENT COMMITTEE

Mr. Nalinkumar Narshi Shah	Chairman
Mr. Julius Olusegun Agbaje	Member
Mr. Ademola Ayodeji Odeyemi	Member

BOARD HUMAN RESOURCE COMMITTEE

Mr. John Mark Wandolo	Chairman
Mr. Hanish Chandaria	Member

BOARD STRATEGY COMMITTEE

Mr. Ademola Ayodeji Odeyemi	Chairman
Mr. Hanish Chandaria	Member
Mr. John Mark Wandolo	Member
Mr. Nalinkumar Narshi Shah	Member
Ms. Mary Kimotho M'Mukindia	Member

* Ms. Mary Kimotho M'Mukindia resigned as an Independent Non Executive Director effective June 30, 2020. Following her resignation, Mr. John Mark Wandolo has been appointed the Chairman of the Board Human Resources Committee, whilst Mr. Nalinkumar Nashi Shah has been appointed the Chairman of the Board Audit Committee.

** Mr. Victor Ezaga resigned as an Executive Director effective August, 26 2020.

REGISTERED OFFICE

Sky Park Towers
Plot 1870/IX/167
Woodvale Close - Westlands
P.O. Box 20613
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AUDITOR

Deloitte & Touche
Deloitte Place
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P.O. Box 40092 - GPO 00100
Nairobi, Kenya

PRINCIPAL LEGAL ADVISORS

Macharia Mwangi & Njeru Advocates
ACK Garden Annex
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P.O. Box 10627
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Iseme Kamau & Maema Advocates
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Oraro & Company Advocates
ACK Garden Annex, 6th Floor,
1st Ngong Avenue
P.O. Box 51236
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CORRESPONDENT BANKS

US Dollar (USD)
Standard Chartered Bank, New York
Guaranty Trust Bank (UK) Limited, London

Euro (EUR)
Standard Chartered Bank, Frankfurt
Societe Generale, Paris
Guaranty Trust Bank (UK) Limited, London

Indian Rupee (INR)
Standard Chartered Bank, India

South African Rand (ZAR)
Standard Bank of SA Limited, Johannesburg

British Pound (GBP)
Standard Chartered Bank, London
Guaranty Trust Bank (UK) Limited, London

Japanese Yen (JPY)
Standard Chartered Bank, Tokyo

Chinese Yuan (CNY)
Standard Chartered Bank, China

BRANCHES

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Guaranty Trust Bank is committed to adhering to the highest standards of good corporate governance at all levels of its operations. This commitment is rooted in our core values and beliefs. We have put in place elaborate governance processes which comply with industry best practice.

Board charter and work plan

The Board's responsibilities are set out in the Board Charter. The Board Charter contains provisions which ensure that the Board observes best practice in corporate governance and contains among other things policies on: the size, role and functions of the Board, appointments and induction of directors, board performance evaluation, and remuneration of directors.

The work plan has a formal schedule of matters specifically reserved for the Board's attention to ensure it exercises full control over all significant matters. It sets out the schedule of meetings of the Board and its committees and the main business to be dealt with at those meetings. Additional meetings are scheduled as and when necessary.

Board composition and appointments

The Board currently consists of:

- Chairman 1
- Chief Executive Officer 1
- Non-Executive Directors 5

The Non-Executive Directors are drawn from a wide range of business and other backgrounds. This diversity is considered by the members as one of the strengths of the Board.

The Board evaluates the performance of the management in order to be satisfied as to the integrity and strength of financial information, controls and risk management. Through the Board Human Resource Committee Nomination and Compensation, they have a prime role in appointing, removal and succession planning of senior management and are responsible for determining appropriate levels of remuneration for the executive directors and senior management.

All directors receive regular and timely information about the Bank prior to Board meetings.

Board meetings

The full Board meets at least four times a year. The Board deals with all significant matters including strategic direction for the Bank and Group; ensuring competent management of the business; internal control; compliance with laws and regulations and reporting performance to shareholders.

Attendance at meetings

The attendance of members of the board at meetings of the Board of Directors, Audit, Risk, Human Resources, Credit and Strategy committees as at 31 December 2020 is detailed below:

	Board	Audit	Risk	Credit	HR	BSC
Number of meetings during the year	4	4	4	4	4	1
Mr. Dhanji Hansraj Chandaria	100%	-	-	-	-	-
Mr. Nalinkumar Narshi Shah	100%	100%	100%	100%	-	100%
Mr. Hanish Chandaria	100%	-	-	100%	100%	100%
Mr. Julius Olusegun Agbaje	75%	-	75%	75%	-	-
Mr. Ademola Ayodeji Odeyemi	100%	100%	100%	100%	-	100%
Mr. John Mark Wandolo	100%	100%	-	100%	100%	100%
Mrs. Mary Kimotho M'Mukindia	100%	100%	-	-	100%	100%
Mr. Olabayo Veracruz	100%	100%	100%	100%	100%	100%
Mr. Victor Ezaga	100%	100%	100%	100%	100%	100%
Average Attendance	97%	100%	95%	96%	100%	100%

* Ms. Mary Kimotho M'Mukindia resigned as an Independent Non-Executive Director effective June 30, 2020.

** Mr. Victor Ezaga resigned as an Executive Director effective August 26, 2020

The directors are given appropriate and timely information on key activities of the business in order to carry out their roles. Specifically, the directors are provided with supporting papers and relevant information for each meeting and are expected to attend, unless there are exceptional circumstances that prevent them from doing so. They may also seek independent professional advice, at the Bank's expense, concerning the affairs of the Bank and Group in consultation with the Chairman and the Chief Executive Officer.

The Board annually conducts self and peer performance evaluation. The results are used to improve the Board's performance.

Separation of roles and responsibilities

The roles of the Chairman and Chief Executive Officer are separate. The Chairman's main responsibility is to lead and manage the work of the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Board has delegated the responsibility for the day-to-day management of the Bank to the Chief Executive Officer, who is responsible for recommending strategy to the Board, and for making and implementing operational decisions.

The Board has a collective responsibility for the success of the Bank and Group. However, the Executive Directors have direct responsibility for business operations, whereas Non-Executive Directors are responsible for bringing independent judgment and scrutiny to decisions taken by the Management, providing objective challenge to the management.

Committees of the Board

In order for the Board to carry out its functions and to ensure independent oversight of internal control and risk management, certain aspects of its role are delegated to Board Committees, whose members are Executive and Non-Executive Directors. The specific matters for which delegated authority have been given are set out in each Board Committee's terms of reference, which are reviewed annually.

Committees of the Board (continued)

The Board had delegated authority to five principal Board Committees:

Board Audit Committee
Board Credit Committee
Board Risk Committee
Board Human Resources Committee
Board Strategy Committee (Adhoc committee)

These committees with the exception of the BSC, meet at least on a quarterly basis or whenever there are urgent matters to attend to.

In addition, the Executive Committee, comprising the Chief Executive Officer and the Senior Management meet on a monthly basis. The Executive committee main function is to implement and monitor the Bank's strategy, operational plans and financial performance. It is also responsible for the assessment and control of risk.

Internal control and risk management

Internal control

The directors are responsible for reviewing the effectiveness of the Bank's system of internal control, including internal financial control. This is designed to provide reasonable, but not absolute, assurance regarding (a) the safeguarding of assets against unauthorized use or disposition and (b) the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Internal control framework

Effective corporate governance remains key to the business. The Bank continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. The effectiveness of the framework has been under regular review by the senior management.

Risk management

The Bank has a structure and process to help identify, assess and manage risks. This process has been in place throughout the year.

The directors submit their report together with the audited financial statements of Guaranty Trust Bank (Kenya) Limited (the "Bank") and its subsidiaries (together, the "Group") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Bank and the Group is provision of retail and business banking services.

BUSINESS REVIEW

The Group registered improved performance in most key indices in the year despite the headwinds brought about by the global COVID 19 pandemics. This was attributed to quality customer service and provision of cutting-edge financial solutions to our customers to cushion them against the impact of COVID-19. The Group's total assets increased by 15%, attributed to effective deposit mobilization that saw a 22% YoY growth in deposits closing at 37.5 Billion while profit for the year increased by 42% year on year attributable to lower cost of funds, improved balance sheet management and cost efficiency. The Group maintained its focus on growth of non-funded income attaining a 9% growth year on year, primarily driven by increased FX income. The Group also recorded increased transaction volumes across channels due to increased e-channel transactions attributed to the pandemic response as well as favourable fiscal initiatives that encouraged digital banking including waiver of charges on some transactions. Our strategic initiative of ensuring efficient operational capability for the Group as well as cost renegotiations paid off leading to significant cost savings in the year with a 7% decrease achieved year on year.

The Group continues to build on its digital capabilities to include a rich variety of channels and services, while ensuring that our customers enjoy the same superior experience across our channels and platforms. This will improve the customer experience across all our touch points and will result in a positive growth trajectory. The key financial ratios are as below;

	Bank	Group	Bank	Group
Performance Ratios	2020	2020	2019	2019
Net Interest Margin	7%	7%	8%	8%
Return on Asset	2%	2%	1%	1%
Return on Equity	5%	13%	4%	4%
Cost to Income Ratio	49%	55%	75%	79%

The net profit for the year of Shs 815 million (2019: Shs 572 million) has been added to retained earnings. The directors do not recommend the payment of a dividend.

DIRECTORS

The directors who held office during the year and to the date of this report are presented on page 1.

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

- (a) there is, so far as the directors are aware, no relevant audit information of which the Company's auditor is unaware; and
- (b) the directors have taken all the steps that the directors ought to have taken as directors 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 THE AUDITOR

Deloitte& Touche continue in office in accordance with the Company's Articles of Association and section 719 of the Kenya Companies Act, 2015 and subject to approval by the Central Bank of Kenya. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

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



Director

29 March 2021

Guaranty Trust Bank (Kenya) Ltd
Statement of directors' responsibilities
For the year ended 31 December 2020

The Kenyan Companies Act 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Bank as at the end of the financial year and of its profit or loss for the year then ended. The directors are responsible for ensuring that the Bank keeps proper accounting records that are sufficient to show and explain the transactions of the Bank; disclose with reasonable accuracy at any time the financial position of the Bank; and that enables them to prepare financial statements of the Bank 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 Bank 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 Bank'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 Bank'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 responsibilities.

Approved by the board of directors on 29 March 2021 and signed on its behalf by:



Mr. Olabayo Veracruz
Director



Mr. Nalinkumar Narshi Shah
Director

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF GUARANTY TRUST BANK (KENYA) LTD

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Guaranty Trust Bank (Kenya) Limited (the "Bank") and the consolidated financial statements of the Bank and its subsidiaries (together, the "Group"), set out on pages 15 to 98, each of which comprise a statement of financial position as at 31 December 2020 and statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2020 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 Auditors' responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other Matter

The Group and Bank financial statements of Guaranty Trust Bank (Kenya) Limited for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those Group and Bank financial statements on 30 March 2020.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' report as required by the Kenyan Companies Act, 2015 and the Corporate governance statement, which were obtained prior to the date of this report. The other information does not include the Group and the Bank financial statements and our auditors' report thereon.

Our opinion on the Group and the Bank financial statements does not cover the other information and we do 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 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF GUARANTY TRUST BANK (KENYA) LTD (continued)

Report on the audit of the financial statements (continued)

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements 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 the Bank'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 Bank and/or its subsidiary or to cease their operations, or have no realistic alternative but to do so.

Auditors' 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 the Bank'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 and the Bank's ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Bank and/or its subsidiary to cease to continue as going concerns.

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF GUARANTY TRUST BANK
(KENYA) LTD (continued)**

Report on the audit of the financial statements (continued)

Report on other matters prescribed by the Kenyan Companies Act, 2015

Directors' report

In our opinion, the information given in the Directors' report on pages 9 to 10 is consistent with the accompanying bank and consolidated financial statements.

Deloitte & Touche

Certified Public Accountants (Kenya)

Nairobi

30 March 2021

**CPA Charles Munkonge Luo, Practising certificate No. 2294
Signing partner responsible for the independent audit**

Consolidated Statement of profit or loss and other comprehensive income

	Note	2020	2019
Interest income	5	4,168,647	3,902,373
Interest expense	6	(1,219,604)	(1,116,112)
Net interest income		2,949,043	2,786,261
Fees and commission income	7(a)	550,757	570,928
Fees and commission expense	7(b)	(167,282)	(130,539)
Net fees and commission income		383,475	440,389
Foreign exchange income	8	465,048	224,387
Other operating income	8	26,280	161,660
Credit impairment losses	15	(615,196)	(439,592)
Operating expenses	9	(2,094,439)	(2,307,417)
Profit before income tax		1,114,211	865,688
Current income tax	11	(453,677)	(338,072)
Deferred income tax	11	154,543	44,542
Profit for the year		815,077	572,158
Other Comprehensive Income:			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Fair value changes on financial assets held at fair value through OCI	28	7,688	7,416
Currency translation differences		133,566	(13,968)
Other comprehensive loss, net of tax		141,254	(6,552)
Total comprehensive income for the year		956,331	565,606
Profit or loss attributable to:			
Equity holders of the Company		801,839	564,911
Non-controlling interest		13,238	7,247
		815,077	572,158
Total comprehensive income attributable to:			
Equity holders of the company		941,332	559,482
Non-controlling interest		14,999	6,124
Total comprehensive income/(loss) for the year		956,331	565,606

Bank Statement of profit or loss and other comprehensive income


	Note	2020	2019
Interest income	5	2,548,580	2,435,417
Interest expense	6	(915,095)	(818,408)
Net interest income		1,633,485	1,617,009
Fees and commission income	7(a)	178,522	190,930
Fees and commission expense	7(b)	(75,222)	(29,685)
Net fees and commission income		103,300	161,245
Foreign exchange income	8	200,792	72,698
Other operating income	8	4,273	724
Credit impairment losses	15	(502,039)	(191,344)
Operating expenses	9	(946,421)	(1,169,135)
Profit before income tax		493,390	491,197
Current income tax	11	(264,238)	(195,288)
Deferred income tax	11	144,449	51,408
Profit for the year		373,601	347,317
Other Comprehensive Income:			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Fair value changes on financial assets held at fair value through OCI	28	7,688	7,416
Currency translation differences			
Other comprehensive loss, net of tax		7,688	7,416
Total comprehensive income for the year		381,289	354,733

Consolidated Statement of financial position

	Notes	2020 Shs'000	2019 Shs'000
Assets			
Cash and balances with the Central Bank of Kenya	12	5,064,962	4,114,132
Deposits and balances due from other banks	14	2,843,024	1,608,827
Financial Assets held at amortized cost	13	7,414,778	2,890,443
Financial Assets held at FVTOCI	13	8,189,194	8,742,167
Due from group companies	31	374,932	1,034,222
Loans and advances to customers	15	21,356,171	20,716,760
Property and equipment	17	665,369	674,986
Intangible assets	18	290,405	344,832
Right-of-use asset	19	681,752	746,915
Deferred income tax	20	612,690	447,729
Other assets	21	1,054,008	730,796
Total assets		48,547,285	42,051,809
Liabilities			
Deposits and balances due to other banks	23	2,466	1,588,480
Deposits from customers	22	37,487,728	30,788,917
Due to group companies	31	2,421	-
Other liabilities	25	1,055,365	558,229
Lease liabilities	24	721,303	750,843
Current income tax	11	111,030	154,699
Total liabilities		39,380,313	33,841,168
Capital and reserves			
Share capital		1,280,934	1,280,934
Share premium		4,225,323	4,225,323
Statutory reserve		435,465	28,349
Other reserves		(244,314)	(361,192)
Retained earnings		3,387,079	2,969,741
		9,084,487	8,143,155
Non-controlling interest		82,485	67,486
Total equity		9,166,972	8,210,641
Total equity and liabilities		48,547,285	42,051,809

The financial statements on pages 15 to 98 were approved for issue by the Board of Directors on
 29 March 2021 and signed on its behalf by:


 Olabayo Veracruz
 Director


 Nalinkumar Narshi Shah
 Director


 Dhanji Hansraj Chandaria
 Director

Bank Statement of financial position

	Notes	2020 Shs'000	2019 Shs'000
Assets			
Cash and balances with the Central Bank of Kenya	12	1,409,593	1,058,681
Deposits and balances due from other banks	14	932,948	301,268
Financial Assets held at amortized cost	13	2,390,662	510,892
Financial Assets held at FVTOCI	13	8,189,194	8,742,167
Due from group companies	31	39,760	13,554
Loans and advances to customers	15	13,081,715	13,544,305
Investment in subsidiary	16	3,375,990	3,375,990
Property and equipment	17	259,682	243,578
Intangible assets	18	114,168	151,018
Right-of-use asset	19	272,548	334,959
Deferred income tax	20	449,239	308,085
Other assets	21	775,530	497,898
Total assets		31,291,029	29,082,395
Liabilities			
Deposits and balances due to other banks	23	2,466	1,474,504
Deposits from customers	22	21,313,800	17,457,969
Due to group companies	31	2,419	685,872
Other liabilities	25	451,758	212,147
Lease liabilities	24	286,654	332,933
Current income tax	11	44,902	111,229
Total liabilities		22,101,999	20,274,654
Capital and reserves			
Share capital		1,280,934	1,280,934
Share premium		4,225,323	4,225,323
Statutory reserve		382,371	-
Other reserves		17,720	10,032
Retained earnings		3,282,682	3,291,452
Total equity		9,189,030	8,807,741
Total equity and liabilities		31,291,029	29,082,395

The financial statements on pages 15 to 98 were approved for issue by the Board of Directors on
 29 March 2021 and signed on its behalf by:



Olabayo Veracruz
 Director



Nalinkumar Narshi Shah
 Director



Dhanji Hansraj Chardaria
 Director

Guaranty Trust Bank (Kenya) Ltd
Financial Statements
For the year ended 31 December 2020

Group Statement of changes in equity

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Regulatory reserve Shs'000	Other reserves Shs'000	Total Shs'000	Non- Controlling interest Shs'000	Total Equity Shs'000
Year ended 31 December 2019									
At start of year		1,280,934	4,225,323	2,441,564	-	(355,763)	7,592,058	6,1362	7,653,420
Effect of change in accounting policy	32	-	-	(8,385)	-	-	(8,385)	-	(8,385)
Restated Balance as at 1 January 2019		1,280,934	4,225,323	2,433,179	-	(355,763)	7,583,673	61,362	7,645,035
Total comprehensive Income for the year:		-	-	564,911	-	-	564,911	7,247	572,158
Profit for the year		-	-	564,911	-	-	(5,429)	(1,123)	(6,552)
Other comprehensive income		-	-	-	-	(5,429)	559,482	6,124	565,606
Total comprehensive income		-	-	564,911	-	-	-	-	-
Transfer to regulatory reserves		-	-	(28,349)	28,349	-	-	-	-
At the end of the year		1,280,934	4,225,323	2,969,741	28,349	(361,192)	8,143,155	67,486	8,210,641
Year ended 31 December 2020									
At start of year		1,280,934	4,225,323	2,969,741	28,349	(361,192)	8,143,155	67,486	8,210,641
Total comprehensive Income for the year:		-	-	801,839	-	-	801,839	13,238	815,077
Profit for the year		-	-	(384,501)	407,116	116,878	139,493	1,761	141,254
Other comprehensive losses		-	-	417,338	407,116	116,878	941,332	14,999	956,331
Total Comprehensive income		-	-	-	-	-	-	-	-
Transfer to regulatory reserves		-	-	-	-	-	-	-	-
At the end of the year		1,280,934	4,225,323	3,387,079	435,465	(244,314)	9,084,487	82,485	9,166,972

Guaranty Trust Bank (Kenya) Ltd
 Financial Statements
 For the year ended 31 December 2020

Bank Statement of changes in equity

Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Regulatory reserve Shs'000	Other reserves Shs'000	Total Equity Shs'000
Year ended 31 December 2019						
At start of year	1,280,934	4,225,323	2,944,135	-	2,616	8,453,008
<i>Total comprehensive Income for the year:</i>						
Profit for the year	-	-	347,317	-	-	347,317
Other comprehensive income	-	-	-	-	7,416	7,416
Total comprehensive income	-	-	347,317	-	7,416	354,733
At the end of the year	1,280,934	4,225,323	3,291,452	-	10,032	8,807,741
Year ended 31 December 2020						
At start of year	1,280,934	4,225,323	3,291,452	-	10,032	8,807,741
<i>Total comprehensive Income for the year:</i>						
Profit for the year	-	-	373,601	-	-	373,601
Other comprehensive income	-	-	-	-	7,688	7,688
Total comprehensive income	1,280,934	4,225,323	3,665,053	382,371	17,720	9,189,030
Transfer to regulatory reserves	-	-	(382,371)	-	-	-
At the end of the year	1,280,934	4,225,323	3,282,682	382,371	17,720	9,189,030

Consolidated statement of cash flows

	Notes	2020 Shs'000	2019 Shs'000
Cash flows from operating activities			
Interest receipts		3,875,063	3,772,845
Interest payments		(1,219,604)	(1,116,112)
Net fee and commission receipts		383,475	440,389
Other income received		465,048	224,387
Recoveries from loans previously written off		23,683	161,202
Payments to employees and suppliers		(1,667,186)	(1,862,107)
Income tax paid		(504,426)	(83,243)
		<hr/>	<hr/>
Cash flows from operating activities before changes in operating assets -and liabilities		1,356,053	1,537,361
Changes in operating assets and liabilities:			
Loans and advances		(961,022)	(1,344,994)
Cash reserve requirement		57,391	(84,714)
Corporate bonds		-	26,015
Government securities		(3,147,396)	(3,947,286)
Other assets		(323,212)	(203,114)
Customer deposits		6,637,166	2,100,359
Other liabilities		497,136	29,782
Due from group companies		661,711	1,136,192
		<hr/>	<hr/>
Net cash generated/ (used in) from operating activities		4,777,827	(750,399)
Cash flows from investing activities			
Purchase of property and equipment	17	(134,875)	(224,589)
Purchase of intangible assets	18	(26,411)	(20,819)
Proceeds from sale of property and equipment		2,597	6,193
		<hr/>	<hr/>
Net cash used in investing activities		(158,689)	(239,215)
Cash flows from financing activities			
Payments of principal portion of the lease liability	24	(129,704)	(155,641)
		<hr/>	<hr/>
Net cash used in financing activities		(129,704)	(155,641)
Net increase/ (decrease) in cash and cash equivalents			
Cash and cash equivalents at start of year		4,489,434	(1,145,255)
Effects of foreign currency translation		5,553,526	6,677,301
		126,179	21,480
		<hr/>	<hr/>
Cash and cash equivalents at end of year	30	10,169,139	5,553,526

Bank Statement of cash flows

	Notes	2020 Shs'000	2019 Shs'000
Cash flows from operating activities			
Interest receipts		2,254,448	2,304,706
Interest payments		(915,095)	(818,408)
Net fee and commission receipts		103,300	161,245
Other income received		200,792	72,698
Recoveries from loans previously written off		3,095	344
Payments to employees and suppliers		(733,450)	(943,034)
Income tax paid		(330,565)	-
		<hr/>	<hr/>
Cash flows from operating activities before changes in operating assets -and liabilities		582,525	777,551
Changes in operating assets and liabilities:			
Loans and advances		254,681	(934,961)
Cash reserve requirement		6,545	(74,339)
Corporate bonds		-	26,015
Government securities		(554,416)	(3,823,412)
Other assets		(277,632)	(238,306)
Customer deposits		3,855,831	1,409,418
Other liabilities		239,611	64,278
Due to group companies		(709,659)	689,145
		<hr/>	<hr/>
Net cash generated/ (used in) from operating activities		3,397,486	(2,104,611)
Cash flows from investing activities			
Purchase of property and equipment	17	(96,340)	(92,476)
Purchase of intangible assets	18	(1,691)	(11,405)
Proceeds from sale of property and equipment		1,178	5,385
		<hr/>	<hr/>
Net cash used in investing activities		(96,853)	(98,496)
Cash flows from financing activities			
Payments of principal portion of the lease liability	24	(76,314)	(65,040)
		<hr/>	<hr/>
Net cash used in financing activities		(76,314)	(65,040)
Net increase/ (decrease) in cash and cash equivalents			
Cash and cash equivalents at start of year		3,224,319	(2,268,147)
		256,523	2,524,670
		<hr/>	<hr/>
Cash and cash equivalents at end of year	30	3,480,842	256,523

Notes

1 General information

Guaranty Trust Bank (Kenya) Limited (the Bank) is incorporated in Kenya under the Companies Act as a limited liability company, and is domiciled in Kenya. The ultimate holding company of the bank is Guaranty Trust Bank plc which is a limited liability company incorporated and domiciled in Nigeria. The consolidated financial statements of the Bank as at and for the year ended 31 December 2020 comprise the Bank and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in business and retail banking.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

(a) Basis of measurement

The financial statements have been prepared on a historical cost basis except for financial assets held at fair value through other comprehensive income, financial assets and liabilities (including derivative instruments) and certain classes of property and equipment measured at fair value.

b) Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

c) Changes in accounting policies and disclosures

New and amended standards adopted by the Group

The following standards and amendments to standards arising from the annual improvements to IFRSs that became effective for the first time in the financial year commencing on or after 1 January 2020 and have been adopted by the Group. Their adoption has not had any material impact on the Group financial statements.

Amendments to IFRS 3 – Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

c) Changes in accounting policies and disclosures (continued)

Amendments to IAS 1 and IAS 8 - Definition of Material (issued in October 2018)

The amendments, applicable to annual periods beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that until now has not featured elsewhere in IFRS.

These 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.”

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform

The amendments, applicable for annual periods beginning on or after 1 January 2020, provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the profit or loss account.

There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the group financial statements.

New and revised standards and interpretations that have been issued but are not yet effective

The Group has not applied any new or revised standards and interpretations that have been published but are not yet effective for the year beginning 1 January 2020, and the directors do not plan to apply any of them until they become effective. The Group's assessment of the impact of these new standards and interpretations is as follows:

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. For obligations within the scope of IAS 37, it is a requirement that an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events.

The amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022 with early application permitted.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

c) Changes in accounting policies and disclosures (continued)

New and revised standards and interpretations that have been issued but are not yet effective (continued)

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Consequently, an entity recognises such sales proceeds and related costs in profit or loss and measures the cost of those items in accordance with IAS 2 Inventories. The amendments clarify the meaning of 'testing whether an asset is functioning properly' as assessing whether the technical and physical performance of the asset is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. The amendments are applied retrospectively and are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract' i.e., incremental costs of fulfilling that contract (such as direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (such as allocation of depreciation charge for an item of PPE used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

It also outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 to annual reporting periods beginning on or after 1 January 2023. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. The group does not issue insurance contracts.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

c) Changes in accounting policies and disclosures (continued)

New and revised standards and interpretations that have been issued but are not yet effective (continued)

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments deal with sale or contribution of assets between an investor and its associate or joint venture. Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D 16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D 16(a). All the subsidiaries of the group are not first-time adopters of IFRSs.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

c) Changes in accounting policies and disclosures (continued)

New and revised standards and interpretations that have been issued but are not yet effective (continued)

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement. The Group however does not engage in any agricultural activities. The amendment is applied prospectively, i.e., for fair value measurements on or after the date an entity initially applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over 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. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss (note 2.6).

Notes (continued)

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

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.

(c) Disposal of subsidiaries

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

2.3 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the Functional Currency'). The consolidated financial statements are presented in Kenya shillings, which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign 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 the profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within "finance income or costs". All other foreign exchange gains and losses are presented in the statement of profit or loss for the year within "other gains/losses-net".

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.3 Foreign currency translation (continued)

(ii) Transactions and balances

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

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in 'transaction reserve' in equity. On disposal of foreign operations, such exchange differences are recognised (reclassified) in profit or loss when the gain or loss on disposal is recognised.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.4 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net interest income, fees and commission income and net trading income. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the activities. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2.5 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified 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 deposits from banks or deposits from 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial instruments

The Group's accounting treatment for Financial Instruments - financial assets and financial liabilities - is in accordance with IFRS 9. The adoption of IFRS 9 resulted in changes in our accounting policies for recognition, classification and measurement of:

- (i) Financial assets
- (ii) Financial liabilities
- (iii) Determination of fair value
- (iv) De-recognition
- (v) Classification of financial instruments
- (vi) Impairment of financial assets
- (vii) Disclosures

The Group classifies and presents its financial instruments in the financial statements as defined in IFRS 9 on the basis of:

- The business model adopted
- Contractual cash flow characteristics

2.6.1 Financial assets

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

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");

a) Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for amortised cost or FVTOCI 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 and presented within "Net trading income" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in "Net investment income". Interest income from these financial assets is included in "interest income" using the effective interest rate method.

b) Financial assets measured at amortised cost

The Group classifies financial 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 FVTPL, as measured at amortised cost. The carrying amount of these assets are adjusted by any expected credit loss allowance. Interest income from financial assets is included in "interest and similar income" using the effective interest rate method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

2.6.1 Financial assets (continued)

c) Financial assets at fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on instrument's amortised cost 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 "Net investment income" using the effective interest rate method.

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 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 FVTPL. 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 FVTPL.

Contractual characteristics of a financial asset / SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows 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.

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.

2.6.2 Financial liabilities

The Group's holding in financial liabilities represents mainly deposits from banks and customers and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

2.6.1 Financial assets (continued)

2.6.3 Recognition and subsequent measurement

For financial instruments traded in active markets, the determination of fair values of financial instruments is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the reporting dates.

The Group uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models such as present value techniques are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The impact on net profit of financial instrument valuations reflecting non-market observable inputs (level 3 valuations) is disclosed in Note 4.

The Group uses its own credit risk spreads in determining the current value for its derivative liabilities and all other liabilities for which it has elected the fair value option. When the Group's credit spreads widen, the Group recognises a gain on these liabilities because the value of the liabilities has decreased. When the Group's credit spreads narrow, the Group recognises a loss on these liabilities because the value of the liabilities has increased.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, related controls and procedures applied, the directors believe that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

2.6.3 Recognition and subsequent measurement (continued)

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

2.6.4 Derecognition

Modifications leading to Derecognition

Where the renegotiation or modification of the contractual cash flows of a financial asset lead to the derecognition of the existing financial asset in accordance with IFRS 9 the modified asset is considered a 'new' financial asset for the purposes of IFRS 9.

Accordingly, the date of the modification should be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. This typically means measuring the loss allowance at an amount equal to 12-month expected credit losses until the criteria for the recognition of lifetime expected credit losses is met.

However, in some unusual circumstances following a modification that results in derecognition of the original financial asset, there may be evidence that the modified financial asset is credit-impaired at initial recognition, and thus, the financial asset should be recognised as an originated credit impaired financial asset. This might occur, for example, in a situation in which there was a substantial modification of a distressed asset that resulted in the derecognition of the original financial asset. In such a case, it may be possible for the modification to result in a new financial asset which is credit-impaired at initial recognition.

If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset is not derecognised, the Group assesses whether there has been a significant increase in the credit risk of the financial instrument by comparing:

- the risk of a default occurring at the reporting date (based on the modified contractual terms); and
- the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

When assessing whether there have been significant increases in credit risk since initial recognition the Group uses all reasonable and supportable information that is available without undue cost or effort. This includes historical and forward-looking information and an assessment of the credit risk over the expected life of the financial asset, which includes information about the circumstances that led to the modification.

If the contractual cash flows on a financial asset have been renegotiated or otherwise modified, but the financial asset is not derecognized, that financial asset is not automatically considered to have lower credit risk. Evidence that the criteria for the recognition of lifetime expected credit losses are no longer met may include a history of up to date and timely payment performance against the modified contractual terms. Typically, a customer would need to demonstrate consistently good payment behaviour over a period of time before the credit risk is considered to have decreased. For example, a history of missed or incomplete payments would not typically be erased by simply making one payment on time following a modification of the contractual terms.

When the Group transfers a financial asset but neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset, and retains control of that asset, the Group continues to recognise the asset to the extent of its continuing involvement. A corresponding liability is also recognized in accordance with and measured so that the net carrying amount of the asset and the liability is:

The amortised cost of the rights and obligations retained, if the asset is measured at amortized cost; or the fair value of the rights and obligations retained (if the asset is measured at fair value).

Notes (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

2.6.5 Disclosures

The disclosure requirements of IFRS 7- Financial Instruments: Disclosures, after consequential amendments arising from IFRS 9, are applicable.

For purposes of reporting, the Group will disclose impairment movements based on

- On - Balance Sheet assets and
- Off - Balance Sheet assets

2.6.6 Classes of financial instruments

The Group classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table as follows:

Category (as defined by IFRS 9)		Class (as determined by the Group)		Subclasses	
Financial assets	Financial assets at fair value through other comprehensive income	Financial Assets Available for sale	Debt securities		
			Derivatives – non-hedging		
			Equity securities		
	Measured at Amortised Cost	Loans and advances to banks	Loans and advances to customers	Loans to individuals (retail)	Overdrafts Term loans Personal Loans
				Loans to corporate entities	Overdrafts Term loans
		Investment securities - debt instruments	Debt securities		
		Financial liabilities at amortised cost	Deposits from banks	Deposits from customers	Retail customers
	Mid - corporate				
	SMEs				
	Off-balance sheet financial Instruments	Loan commitments			
Guarantees, acceptances and other financial facilities					

Notes (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

2.6.7 Impairment of financial assets

The Group's impairment approach, is based on expected credit losses and the Group uses the general approach in determining the impairment of financial assets. Therefore, it is not necessary for a loss event to have occurred before credit losses are recognised; instead, a loss allowance is always recognized for expected credit losses and is re-measured at each reporting date for changes in those expected credit losses.

Determining whether an expected credit loss should be based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk ("SICR") of the financial asset since initial recognition.

The Group recognises loss allowances for Expected Credit Losses ("ECL") on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments
- Loan and advances to customers
- Financial guarantee contracts issued
- Loan and advances to Banks
- Loan commitments issued

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVTOCI 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

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with i) changes in market conditions, ii) expected cash flows and iii) the passage of time.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD").

2.6.8 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 offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.7 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. Funds restricted for a period of more than three months on origination and cash reserve deposits with the Central Bank of Kenya are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.8 Property and equipment

Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed every four years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to profit or loss.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold Buildings	Over Remaining Period of Land Lease
Freehold Buildings	50 years
Fixtures, fittings and equipment	5 years
Leasehold Improvements	8 years
Computer hardware	5 years
Motor vehicles	4 years
ATM's	5 years

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in 'other operating expenses' in statement of profit or loss.

2.9 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and associates and represents the excess of the consideration transferred over the Company'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 acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.9 Intangible assets (continued)

a) 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 to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

b) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives of 5-10 years.

2.10 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.11 Employee benefits

(i) Retirement benefits obligations

The Group operates defined contribution plan for its employees. The Group and all its employees also contribute to the appropriate National Social Security Fund, which are defined contribution schemes. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of the scheme are held in separate trustee administered fund, which is funded by contributions from both the Group and employees.

The Group's contributions to the defined contribution schemes are recognised as employee benefit expense in the income statement in the year in which they fall due.

(ii) Other employee obligations

Employee entitlements to long service awards are categorized when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the balance sheet date.

The estimated monetary liability for employees accrued annual leave entitlement at the balance sheet date is categorized as an expense accrual.

2.12 Provisions for liabilities

Provisions for restructuring costs and legal claims are recognised when: The Bank 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures 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. The increase in the provision due to passage of time is recognised as interest expense.

2.13 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.

(a) 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.13 Income tax (continued)

(b) 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 are categorized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be categorised.

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.

2.14 Dividend payable

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are reported as a component of equity at year end.

2.15 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.

2.16 Accounting for leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases.

Leases under which the Group is the lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. 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.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

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

Notes (continued)

2 Summary of significant accounting policies (continued)

2.16 Leases (continued)

The lease liability is presented as a separate line in the consolidated statement of financial position.

Subsequently the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is: change in lease term or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, change in lease payments due to changes in an index or rate or a modification in a lease contract.

The Group did not make any such adjustments during the periods presented.

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.

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

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was
- determined as if IFRS 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial
- application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of
- initial application.

The Group applies the following weighted average incremental borrowing rates to lease liabilities recognised under IFRS 16 were as shown below;

	Rate Applied "LCY"	Rate Applied "USD"
GT Bank Kenya	10.32%	N/A
GT Bank Uganda	10.87%	2.75%
GT Bank Rwanda	8.50%	N/A

Notes (continued)

2 Summary of significant accounting policies (continued)

2.17 Interest income and expense

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. For purchased or originated credit-impaired financial assets – assets that are credit-impaired at initial recognition, the Group calculates the credit adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

2.18 Fees and commission income and expense

Fees and commissions are generally recognised on an accrual basis when the service has been provided. 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.

2.19 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with the Central Banks, Treasury and other eligible bills, and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Central Banks.

2.20 Swaps and forward foreign exchange contracts

Swaps and forward foreign exchange contracts are carried at their fair value. Fair values are obtained from appropriate pricing models.

Gains and losses on swaps and forward foreign exchange contracts are included in foreign exchange income as they arise.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.21 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.22 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.

3 Critical accounting estimates and judgements

The Group's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgment, which necessarily have to be made in the course of preparation of the financial statements.

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 judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Notes (continued)

3 Critical accounting estimates and judgments (continued)

Accounting policies and management's judgments for certain items are especially critical for the Group's results and financial situation due to their materiality.

(a) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a monthly basis. The Group estimates the expected credit loss as per requirements of IFRS 9. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgments as to whether there is any observable data indicating an impairment trigger or a significant increase in credit risk followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Management also uses judgement in determination of the inputs used in the calculation of the Expected credit losses for loans and advances as per the IFRS 9 framework adopted by the group. These include; macroeconomic overlays, forward looking information assumptions, haircut assumptions and staging criteria assumptions.

(b) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models.

Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.10. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The carrying amount of the goodwill and the key assumptions made are set out in Note 18.

(d) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the Group's provision for income taxes.

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes (continued)

3 Critical accounting estimates and judgments (continued)

(e) Incremental borrowing rate

The Group had to determine a discount rate to be used on implementation of IFRS 16. The standard requires determination of the interest rate implicit in the lease; this is the rate of interest that causes the present value of (a) lease payments and (b) the unguaranteed residual value to equal the sum of (i) the fair value of the underlying asset and (ii) any initial direct costs of the lessor. The Group could not be able to determine the implicit rate in the leases and instead estimated the incremental borrowing rate as permitted by the standard. The incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment. In determination of this rate management used judgement and estimates observable in the economic environment the Group operates.

4 Financial Risk Management

The Group's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Group's risk management are to identify all key risks for the Group, measure these risks, manage the risk positions and determine capital allocations. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance. The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Financial risk management is carried out by the Treasury and Credit department under policies approved by the Board of Directors. Treasury identifies, evaluates and hedges financial risks in close cooperation with the operating units. 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 and non-derivative financial instruments. In addition, Internal audit and Risk and Compliance are responsible for the independent review of risk management and the control environment.

The risks arising from financial instruments to which the Group is exposed are financial risks, which includes credit risk, liquidity risk and market risk.

a Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Group by failing to pay amounts in full when due. Credit risk is the most important risk for the Group's business: management therefore carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit risk management and control is categorized in the credit risk management department, which reports regularly to the Board Credit Committee.

(i) Risk limit control and mitigation policies

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product, and industry sector are approved annually by the Board of Directors. The Board of Directors also approves individual borrower limits above specified amounts.

Notes (continued)

4 Financial Risk Management (continued)

a Credit risk (continued)

(i) Risk limit control and mitigation policies (continued)

The exposure to any one borrower including groups 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 forward foreign exchange contracts. Actual exposures against limits are monitored daily. Exposure to credit risk is also 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.

The Group employs 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 Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over properties;
- All asset debenture charges over business assets such as premises, plant and equipment
- Charges over financial instruments such as debt securities and equities; and
- Cash collateral

Longer-term finance and lending to corporate entities are generally secured.

(ii) Credit Risk measurement

Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. In measuring credit risk of loans and advances at a counterparty level, the Group considers three components: (i) the 'Probability of Default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derive the 'Exposure at Default' (EAD); and (iii) the likely recovery ratio on the defaulted obligations (the 'Loss Given Default') (LGD).

Credit Risk Grading

The Group uses internal credit risk gradings that reflect its assessment of the probability of defaults of individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, the level of collateral, the turnover and industry type) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgment from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for the considerations which may not be captured as part of the other data input into the model. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

The following are additional considerations for other types of portfolio held by the Group:

Debt Securities and Placements with Banks

For debt securities and placements with banks, external rating agency credit grades will be used where available. These published grades will be continuously monitored and updated. The PDs associated with each grade will be determined based on realised default rates over the prior 12 months, as published by the rating agency.

Notes (continued)

4 Financial Risk Management (continued)

a Credit risk (continued)

(ii) Credit Risk measurement (Continued)

Credit Risk Grading (continued)

The Group has not yet established internal models for measurement of expected credit loss (ECL) on non-loan financial instruments such as investment securities, interbank balances and other financial assets. However as at 31 December 2020, the Group estimated the ECL for these financial assets using external data as proxy and concluded that no material exposures existed.

The Group's rating method comprises 7 rating levels for instruments not in default (1 to 7) and 3 default classes (8 to 10). The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of actually observed defaults.

(iii) 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:

A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the bank.

If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.

If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

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

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).

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 Recognition

Stage 1	Stage 2	Stage 3
(Initial Recognition)	(Significant Increase in credit risk since initial recognition)	(Credit Impaired assets)
12- Month ECL	Lifetime ECL	Lifetime ECL

Notes (continued)

4 Financial Risk Management (continued)

a Credit risk (continued)

The key judgements and assumptions adopted by the Group in addressing the requirements of the Standard are as follows:

1. Significant Increase in Credit Risk (SICR)

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative Criteria

The quantitative criteria is based on relative and not absolute changes in credit quality driven by 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 Group considers if there has been an increase of 2 or more in the customer's rating, the facility is deemed to have a significant increase in credit risk. The standard also sets out a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. This 30 days past due simplification permits the use of delinquency or past due status to identify a significant increase in credit risk. In adherence to the standard, the Bank shall at every reporting period assess the loan portfolio individually for possible breach of the 30 days past due SICR criterion. Where there is a breach and the loan has not been transferred to stage 2, the Bank shall rebut the 30 days rebuttable presumption based on availability of supportable and reasonable information to justify that credit quality has not deteriorated significantly since initial recognition.

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 the following:

- a) 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.
- b) Significant changes in external market indicators of credit risk for the same financial instrument (or similar instrument of the borrower), e.g., 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).
- c) Actual or expected adverse changes in business, financial or economic conditions significantly affecting borrower's ability to meet its debt obligations
- d) Significant changes in the value of collateral which are expected to reduce the borrower's economic incentive to pay or otherwise affect the probability of default.

Notes (continued)

4 Financial Risk Management (continued)

a Credit risk (continued)

1. Significant Increase in Credit Risk (SICR) (Continued)

Qualitative Criteria

- e) 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).
- f) 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)

2. 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

Quantitative Criteria

The Group considers a facility that is more than 90 days past due and its rating is greater than or equal to 8 as credit impaired as per internal risk rating.

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.

3. Measuring Expected Credit loss - Explanation of inputs, assumptions and estimation techniques

The expected credit loss (ECL) is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired.

Notes (continued)

4 Financial Risk Management (continued)

a Credit risk (continued)

3. Measuring Expected Credit loss - Explanation of inputs, assumptions and estimation techniques (continued)

Expected credit losses 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 (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- LGD 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 12-month 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.

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

ECL is formula driven, i.e. $ECL = PD \times LGD \times EAD$

4. 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 for the loan portfolio. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument.

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2020 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

All Customers			
Macroeconomic Data	Base	Upside	Downside
GDP	5.52%	8.40%	1.50%

The weightings and overall macroeconomic overlay assigned to each economic scenario at 31 December 2020 were as follows:

All Customers			
	Base	Upside	Downside
Weightings	59%	25%	16%
Overall Macro overlay	0%	4.02%	-2.88%

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 therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

Notes (continued)

4 Financial Risk Management (continued)

a Credit risk (continued)

Sensitivity analysis

Set out below are the changes to the ECL at 31 December 2020 that would result from reasonably possible changes in the Group's overall macro-economic overlay and the probability weightings from actual assumptions used in the Group's economic variable assumptions:

Impact of 10% increase/decrease in base case probability weighting.

	Base	Upside	Downside	ECL change '000
Weightings +10%	69%	20%	11%	408
Weightings -10%	49%	9%	2.12%	(496)

Impact of 5% increase/decrease in upside expected macroeconomic overlay and 10% increase in downside expected macroeconomic overlay

	Base	Upside	Downside	ECL change '000
Upside overlay +5%	0%	9.02%	-2.88%	(1,399)
Upside overlay -5%	0%	-0.98%	-2.88%	1,311
Downside overlay -10%	0%	4.02%	-12.88%	1,402

(iv) Maximum exposure to credit risk before collateral

	Group		Bank	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Balances with Central Banks	4,031,791	3,492,818	1,235,710	908,686
Government & other securities at amortised cost	7,414,777	2,890,443	2,390,662	510,892
Government & other securities at FVOCI	8,189,194	8,742,167	8,189,194	8,742,167
Deposits and balances due from other banks	2,843,024	1,608,827	932,948	301,268
Due from group companies	374,932	1,034,222	39,760	13,554
Loans and advances to customers	21,356,172	20,716,760	13,081,716	13,544,305
Other assets	1,054,008	620,054	775,530	439,271
Credit exposure relating to off- balance sheet items:				
- Acceptances and letters of credit	1,484,394	1,931,355	919,633	1,151,743
- Guarantees and performance bonds	5,430,507	4,615,377	1,384,907	1,043,184
- Commitments to lend	2,486,628	1,837,125	1,810,075	1,286,484
	54,665,427	47,489,148	30,760,135	27,941,554

The above table represents a worst-case scenario of credit risk exposure to the Bank at 31 December 2020 and 31 December 2019, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on carrying amounts as reported in the statement of financial position.

Notes (continued)

4 Financial Risk Management (continued)

a Credit risk (continued)

(iv) Maximum exposure to credit risk before collateral (continued)

As shown above, 39% of the total maximum exposure of the Group is derived from loans and advances to banks and customers

Management is confident on its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its loan and advances portfolio and debt securities based on the following:

- 71% of the loans and advances portfolio are neither past due nor impaired
- 100% of the investments in debt securities are government securities.

Loans and advances are categorized as follows:

	Group		Bank	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Stage 1 Loans	16,399,296	14,205,015	10,047,562	9,682,980
Stage 2 Loans	1,007,542	2,399,783	647,328	1,441,762
Stage 3 Loans	5,612,953	5,264,372	3,866,383	3,400,822
Gross	23,019,791	21,869,170	14,561,273	4,525,564
Less: allowance for impairment (Note 15)	1,663,620	1,152,410	1,479,554	981,259
Net	21,356,171	20,716,760	13,081,719	13,544,305

No other financial assets are in stage 2 or stage 3. All financial assets that are in stage 1 are within their approved exposure limits and none have had their terms renegotiated.

Loans and advances in stage 1

The credit quality of the portfolio of loans and advances that were in stage 1 can be assessed by reference to the internal rating system adopted by the Group:

	Group		Bank	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Standard	16,399,296	14,205,015	10,047,562	9,682,980

Notes (continued)

4 Financial Risk Management (continued)

a Credit risk (continued)

(iv) Maximum exposure to credit risk before collateral (continued)

Loans and advances in stage 2

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amounts of loans and advances that were past due but not impaired were as follows:

	Group		Bank	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Past due up to 30 days	1,118,628	1,245,861	164,006	820,932
Past due 31 – 60 days	71,899	508,886	42,521	508,886
Past due 61 – 90 days	367,756	324,318	332,776	324,318
Past due but not impaired	1,007,542	2,399,783	647,328	1,441,762

Loans and advances in stage 3

Of the total gross amount of impaired loans, the following amounts have been individually assessed:

	Group		Bank	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Individually assessed impaired loans and advances	5,612,954	5,264,372	3,866,383	3,400,822
Fair value of collateral held	3,563,935	5,441,675	2,635,860	4,520,055

Notes (continued)

4 Financial Risk Management (continued)

a Credit risk (continued)

(iv) Maximum exposure to credit risk before collateral (continued)

COVID 19 Disclosures

Judgement	Impact on Lending Facilities
<p>Determination of whether the credit risk of financial instruments have increased significantly since initial recognition</p>	<p>COVID-19 has had a negative impact on the economies in which the group operates, in isolation COVID-19 initially reflected a liquidity constraint more than an inherent increase in credit risk for the entire portfolio of advances held by the group. As such the group did not impose a blanket downgrade of all ECL stages.</p> <p>A more systematic and targeted approach to the impact of COVID-19 on the group's customer base was undertaken, following the group's existing credit framework, which allowed for well-balanced and consistent decision making that considered not only the impact of COVID-19, but existing economic trends as well. As such the group did not view requests for payment deferrals and liquidity assistance as the sole indicator that SICR had occurred for performing advances. The group assessed whether our customers have only been affected by long term liquidity challenges or short-term liquidity challenges which were as a result of slow payments by their customers or cessation of movements as a result of measures instituted by the governments to curb the spread of the pandemic. SICR was determined in cases where it was established that the customers had long term liquidity challenges as a result of the pandemic.</p>
<p>SICR assessment of COVID-19 relief exposures</p>	<p>In accordance with IFRS 9, all exposures are assessed to determine whether there has been a SICR at each reporting date (monthly), in which case the expected credit loss is calculated on a lifetime basis.</p> <p>SICR triggers are based on customer behaviour, client internal risk rating scores, as well as judgemental qualitative factors. These quantitative and qualitative factors are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk with reference to historic default rates in the portfolios. Additional judgemental triggers, such as belonging to an industry in distress or employment in industries in distress, have been considered in the context of the financial impact of COVID-19.</p>
<p>Sensitivity staging</p>	<p>As outlined above when there is a SICR since initial recognition, the exposure is moved from Stage 1 to Stage 2 and the ECL is calculated based on lifetime expected credit losses.</p> <p>The move from 12-month expected credit loss to lifetime expected credit loss can result in a substantial increase in ECL. The sensitivity information provided in the table below details the additional ECL charge to the income statement that the group would need to recognize if:</p> <ul style="list-style-type: none"> a) All the restructures indicated an increase in SICR to become underperforming (Stage 2 Loans) in the mild case scenario b) All the restructures to become delinquent thus non-performing (Stage 3 Loans) in the severe case scenario c) The restructures relating to customers with short term liquidity challenges to remain as performing (Stage 1 Loans) and the restructures relating to customers with anticipated long term liquidity challenges to become non-performing (Stage 3 Loans) in the base case scenario

Notes (continued)

Judgement	Impact on Lending Facilities																											
	Bank																											
	<table border="1"> <thead> <tr> <th>Summary of Sensitivity analysis Scenarios</th> <th>KES '000</th> <th>KES '000</th> <th>KES '000</th> </tr> <tr> <td></td> <th>Base Scenario</th> <th>Mild Scenario</th> <th>Severe Scenario</th> </tr> </thead> <tbody> <tr> <td>Commercial/Corporate Segments</td> <td>10,088</td> <td>183,966</td> <td>576,528</td> </tr> <tr> <td>SME Segment</td> <td>1,398</td> <td>11,901</td> <td>31,876</td> </tr> <tr> <td>Retail Segment</td> <td>3,454</td> <td>29,393</td> <td>78,731</td> </tr> <tr> <td>Total Expected increase in provisions</td> <td>14,940</td> <td>225,260</td> <td>687,135</td> </tr> </tbody> </table>				Summary of Sensitivity analysis Scenarios	KES '000	KES '000	KES '000		Base Scenario	Mild Scenario	Severe Scenario	Commercial/Corporate Segments	10,088	183,966	576,528	SME Segment	1,398	11,901	31,876	Retail Segment	3,454	29,393	78,731	Total Expected increase in provisions	14,940	225,260	687,135
Summary of Sensitivity analysis Scenarios	KES '000	KES '000	KES '000																									
	Base Scenario	Mild Scenario	Severe Scenario																									
Commercial/Corporate Segments	10,088	183,966	576,528																									
SME Segment	1,398	11,901	31,876																									
Retail Segment	3,454	29,393	78,731																									
Total Expected increase in provisions	14,940	225,260	687,135																									
	Group																											
	<table border="1"> <thead> <tr> <th>Summary of Sensitivity analysis Scenarios</th> <th>KES '000</th> <th>KES '000</th> <th>KES '000</th> </tr> <tr> <td></td> <th>Base Scenario</th> <th>Mild Scenario</th> <th>Severe Scenario</th> </tr> </thead> <tbody> <tr> <td>Commercial/Corporate Segments</td> <td>11,417</td> <td>212,515</td> <td>635,835</td> </tr> <tr> <td>SME Segment</td> <td>2,019</td> <td>18,397</td> <td>45,031</td> </tr> <tr> <td>Retail Segment</td> <td>4,225</td> <td>35,885</td> <td>91,794</td> </tr> <tr> <td>Total Expected increase in provisions</td> <td>17,661</td> <td>266,797</td> <td>772,660</td> </tr> </tbody> </table>				Summary of Sensitivity analysis Scenarios	KES '000	KES '000	KES '000		Base Scenario	Mild Scenario	Severe Scenario	Commercial/Corporate Segments	11,417	212,515	635,835	SME Segment	2,019	18,397	45,031	Retail Segment	4,225	35,885	91,794	Total Expected increase in provisions	17,661	266,797	772,660
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	<p>We note that the COVID-19 pandemic will continue to have an adverse effect on the asset quality of the Bank. We will continue to closely monitor all facilities for customers in distressed industries to provide timely interventions before the facilities indicate a significant increase in credit risk and then become delinquent.</p>																											
Treatment of financial relief offered in response to the impacts of COVID-19	<p>The group offered financial relief through various mechanisms in response to COVID-19. These included the following:</p> <ul style="list-style-type: none"> • Additional facilities or new loans being granted • Restructure of existing exposures <p>The customer was assessed against eligibility for relief criteria before any relief was granted to them. The group was able to identify customers who were in good standing but were facing financial distress due to the impact of COVID-19 directly or indirectly. The relief provided to these customers were deemed to be temporary and cashflow in nature. Where the customer was already experiencing financial distress and was in arrears prior to COVID-19, any restructuring of the customer's facilities was deemed to be permanent in nature.</p> <p>The restructures relating to customers with short term liquidity challenges remained as performing (Stage 1 Loans) and the restructures relating to customers with anticipated long term liquidity challenges were adjusted to Stage 2 Loans as SICR due to the COVID-19 pandemic had been determined in these facilities.</p> <p>Where relief was enacted through the issuance of a new loan, the loan was treated at initial recognition as a new exposure. These facilities were closely monitored post issuance against the impact of COVID-19 in the customers' businesses or operations to mitigate against a drop in performance of the new facilities issued.</p>																											
Determination of whether a financial asset is impaired	<p>Exposures are classified as stage 3 if there are qualitative indicators that the obligor is unlikely to repay their credit obligations and also quantitative indicators that the obligor has defaulted based on the number of days in arrears on the facilities.</p>																											

Notes (continued)

4 Financial Risk Management (continued)

b Concentration risk

Economic sector risk concentrations within the customer loan and deposit portfolios were as follows:

(i) Loans and advances

	Group		Bank	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Manufacturing	5,263,396	4,399,019	3,765,784	3,083,201
Wholesale and retail trade	5,436,902	5,019,998	2,618,448	2,690,920
Transport and communications	626,337	774,923	395,216	420,011
Agricultural	808,899	1,462,236	716,956	1,376,313
Hotel, Restaurant & tourism	2,196,995	1,579,618	2,196,995	1,579,618
Social community & Other services	2,675,407	2,262,358	2,514,518	2,262,358
Building ,Construction and Real Estate	3,173,159	2,058,369	1,635,611	864,803
Mining	514,301	445,232	514,301	445,232
Finance and Insurance	793,687	756,125	793,687	756,125
Energy	627,092	593,599	63,795	65,724
Others	1,557,657	1,365,283	-	-
Gross	23,673,832	20,716,760	15,215,311	13,544,305

(ii) Off-balance sheet items

Manufacturing	745,555	1,029,882	381,887	787,728
Wholesale and retail trade	686,127	796,950	331,662	494,825
Transport and communications	152,932	257,866	152,932	242,771
Business services	340,900	227,172	254,048	189,169
Agricultural	120,470	144,115	119,236	144,014
Individuals	2,869	643	-	-
Real estate and construction	1,944,064	1,581,424	379,282	4,490
Information and Technology	332,241	128,733	2,547	6,170
Mining	-	9,638	-	9,638
Energy	84,758	-	84,758	-
Others*	2,504,987	2,388,762	598,190	316,122
Gross	6,914,903	6,565,185	2,304,542	2,194,927

*Other off - balance sheet items include arts and entertainment, accommodation and food services, professional services and tourism.

The group identified and reviewed the impairment of off-balance sheet items within the scope of IFRS 9 and concluded that the impairment did not materially impact the financial statements and that there were no material adjustments required in the year.

Notes (continued)

4 Financial Risk Management (continued)

c Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

The Group is exposed to daily calls on its available cash resources 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 regulatory bodies of the respective countries require that the Group maintain a cash reserve ratio. In addition, 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 Treasury department monitors liquidity ratios on a daily basis.

The liquidity ratios at the reporting date (based on month end ratios) were as follows:

	Kenya	Uganda	Rwanda
Liquidity ratio as at 31 December 2020	55.12%	98.8%	59.8%
Liquidity ratio as per regulatory requirement	20%	20%	20%

The table below presents the undiscounted cash flows payable by the Group under financial liabilities by remaining contractual maturities at the balance sheet date. All figures are in thousands of Kenya Shillings.

Guaranty Trust Bank (Kenya) Ltd
Financial Statements
For the year ended 31 December 2020

Notes (continued)

4 Financial Risk Management (continued)

c Liquidity risk (continued)

(i) Group	Upto 1 month Shs'000	1 - 3 months Shs'000	3 - 12 months Shs'000	1 - 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
At December 2020						
Liabilities						
Customer deposits	13,335,651	11,817,516	10,423,908	1,910,656	-	37,487,731
Deposits and balances due to banking institutions	2,466	-	-	-	-	2,466
Amounts due to group companies	2,421	-	52,797	212,438	456,067	721,302
Lease liabilities	-	-	-	-	-	-
Other liabilities	1,055,365	-	-	-	-	1,055,365
Total financial liabilities	14,395,903	11,817,516	10,476,705	2,123,094	456,067	39,269,285
Assets						
Cash and balances with Central Banks	5,064,963	-	-	-	-	5,064,963
Government and other securities held	2,160,687	2,444,031	7,905,243	3,094,008	-	15,603,969
Deposits and balances due from banking institutions	2,494,097	280,702	68,225	-	-	2,843,024
Deposits and balances due from group companies	374,932	-	-	-	-	374,932
Loans and advances to customers	1,449,783	2,950,938	4,859,846	10,135,996	1,959,611	21,356,174
Other financial assets	1,054,008	-	-	-	-	1,054,009
Total financial assets (expected maturity dates)	12,598,470	5,675,671	12,833,314	13,230,004	1,959,611	46,297,071
Net liquidity gap	1,797,433	6,141,845	(2,356,609)	(11,106,910)	(1,503,544)	(7,027,786)

Notes (continued)

4 Financial Risk Management (continued)

c Liquidity risk (continued)

(i) Group

At December 2019

	Upto 1 month Shs'000	1 - 3 months Shs'000	3 - 12 months Shs'000	1 - 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
Liabilities						
Customer deposits	15,087,079	8,200,105	6,119,672	1,498,839	-	30,905,695
Deposits and balances due to banking institutions	1,588,480	-	-	-	-	1,588,480
Amounts due to group companies	-	-	-	159,741	542,351	750,843
Lease liabilities	-	-	48,751	-	-	558,229
Other liabilities	558,229	-	-	-	-	-
Total financial liabilities	17,233,788	8,200,105	6,168,423	1,658,580	542,351	33,803,247
Assets						
Cash and balances with Central Banks	4,114,132	-	-	-	-	4,114,132
Government and other securities held	801,815	1,889,094	7,615,510	1,326,191	-	11,632,610
Deposits and balances due from banking institutions	1,608,827	-	-	-	-	1,608,827
Deposits and balances due from group companies	1,034,222	-	-	-	-	1,034,222
Loans and advances to customers	3,398,949	3,155,271	5,070,589	9,570,464	2,189,662	23,384,935
Other financial assets	730,796	-	-	-	-	730,796
Total financial assets (expected maturity dates)	11,688,741	5,044,365	12,686,099	10,896,655	2,189,662	42,505,522
Net liquidity gap	5,545,047	3,155,740	(6,517,676)	(9,238,075)	(1,647,311)	(8,702,275)

Notes (continued)

4 Financial Risk Management (continued)

c Liquidity risk (continued)

(ii) Bank

At December 2020	Upto 1 month Shs'000	1 - 3 months Shs'000	3 - 12 months Shs'000	1 - 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
Liabilities						
Customer deposits	7,276,862	9,472,488	4,548,637	15,815	-	21,313,802
Deposits and balances due to banking institutions	2,466	-	-	-	-	2,466
Amounts due to group companies	2,419	-	-	-	-	2,419
Lease liabilities	-	-	89,159	197,495	-	286,654
Other liabilities	451,758	-	-	-	-	451,758
Total financial liabilities	7,733,505	9,472,488	4,637,796	213,310	-	22,057,099
Assets						
Cash and balances with Central Bank of Kenya	1,409,593	-	-	-	-	1,409,593
Government and other securities held	596,975	1,416,369	5,743,608	2,822,904	-	10,579,856
Deposits and balances due from banking institutions	932,948	-	-	-	-	932,948
Due from group companies	39,760	-	-	-	-	39,760
Loans and advances to customers	454,017	1,374,914	3,252,051	6,498,594	1,502,143	13,081,719
Other financial assets	775,530	-	-	-	-	775,530
Total financial assets	4,208,823	2,791,283	8,995,659	9,321,498	1,502,143	26,819,406
Net liquidity gap	3,524,682	6,681,205	(4,357,863)	(9,108,188)	(1,502,143)	(4,762,307)

Notes (continued)
4 Financial Risk Management (continued)

c Liquidity risk (continued)

(ii) Bank

At December 2019	Upto 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Liabilities						
Customer deposits	9,553,781	6,647,244	1,372,938	783	-	17,574,746
Balances due to banking institutions	1,474,504	-	-	-	-	1,474,504
Due to group companies	685,872	-	-	-	-	685,872
Lease liabilities	-	-	76,222	256,711	-	832,933
Other liabilities	212,147	-	-	-	-	212,147
Total financial liabilities	11,926,304	6,647,244	1,449,160	257,494	-	20,280,202
Assets						
Cash and balances with Central Banks	1,058,681	-	-	-	-	1,058,681
Government and other securities held	274,149	976,051	6,943,599	1,059,260	-	9,253,059
Balances due from banking institutions	301,268	-	-	-	-	301,268
Due from group companies	13,554	-	-	-	-	13,554
Loans and advances to customers	1,390,189	2,098,821	3,471,211	7,370,408	2,189,661	16,520,290
Other financial assets	497,898	-	-	-	-	497,898
Total financial assets	3,535,739	3,074,872	10,414,810	8,429,668	2,189,661	27,644,750
Net liquidity gap	8,390,565	3,572,372	(8,965,650)	(8,172,174)	(2,189,661)	(7,364,548)

Notes (continued)

4 Financial Risk Management (continued)

d Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair 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 market risk exposures within acceptable limits, while the return on risk. Overall responsibility for managing market risk rests with the Board Risk Management Committee (BRMC). The Treasury department is responsible for the development of detailed risk management policies (subject to review and approval by BRMC) and for the day-to-day implementation of those policies.

(i) Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarizes the Group's and the Bank's exposure to foreign currency exchange rate risk as at 31 December 2020. Included in the table are the Group's and the Bank's financial instruments categorized by currency. All figures are in thousands of Kenya Shillings.

Group	USD	GBP	EURO	OTHER	Total
At 31 December 2020	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Assets					
Cash and balances with Central Banks	2,151,314	40,614	409,169	4,521	2,605,618
Deposits and balances due from banking institutions	2,249,158	194,094	87,666	1,091	2,532,009
Loans and advances to customers	4,167,883	2,383	545,630	-	4,715,896
Other financial assets	1,315,134	-	6,919	-	1,322,053
Total Assets	9,883,489	237,091	1,049,384	5,612	11,175,576

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 Financial Statements
 For the year ended 31 December 2020

Notes (continued)

4 Financial Risk Management (continued)

d Market risk (continued)

(i) Currency risk (continued)

Liabilities

Customer deposits
 Deposits and balances due to banking institutions
 Other liabilities

Total liabilities

Net on Balance sheet position

Net off Balance sheet position

Overall position

At 31 December 2019

Total Assets

Total Liabilities

Net on Balance sheet position

Net off Balance sheet position

Overall position

	USD Shs'000	GBP Shs'000	EURO Shs'000	OTHER Shs'000	Total Shs'000
	11,338,857	237,373	779,279	13,507	12,369,016
	49,574	18	98	2,467	2,467
	11,388,431	237,391	779,377	19,359	12,424,558
	(1,504,942)	(300)	270,007	(13,747)	(1,248,982)
	594,360	346,453	(354,048)	3,254	590,019
	(910,582)	346,153	(84,041)	(10,493)	(658,963)
	9,303,059	37,559	835,100	3,275	10,178,993
	10,478,483	390,736	488,992	1,610	11,359,821
	(1,175,424)	(353,177)	346,108	1,665	(1,180,828)
	1,684,124	346,453	(352,660)	3,254	1,681,171
	508,700	(6,724)	(6,552)	4,919	500,343

Notes (continued)

4 Financial Risk Management (continued)

d Market risk (continued)

(i) Currency risk (continued)

Bank	USD Shs'000	GBP Shs'000	EURO Shs'000	Other Shs'000	Total Shs'000
At 31 December 2020					
Assets					
Cash and balances with Central Bank of Kenya	282,929	24,396	10,585	109	318,019
Deposits and balances due from banking institutions	686,789	186,413	13,466	614	887,282
Loans and advances to customers	3,506,442	2,383	545,630	-	4,054,455
	<u>4,476,160</u>	<u>213,192</u>	<u>569,681</u>	<u>723</u>	<u>5,259,756</u>
Liabilities					
Customer deposits	5,780,283	210,536	208,795	10,739	6,210,353
Deposits and balances due to banking institutions	-	-	-	2,467	2,467
	<u>5,780,283</u>	<u>210,536</u>	<u>208,795</u>	<u>13,206</u>	<u>6,212,820</u>
Total liabilities	<u>(1,304,123)</u>	<u>2,656</u>	<u>360,886</u>	<u>(12,483)</u>	<u>(953,064)</u>
Net on Balance sheet position	594,360	346,453	(354,048)	3,254	590,019
Net off Balance sheet position	(709,763)	349,109	6,838	(9,229)	(363,045)
Overall position					

Notes (continued)

4 Financial Risk Management (continued)

d Market risk (continued)

(i) Currency risk (continued)

At 31 December 2019

	USD Shs'000	GBP Shs'000	EURO Shs'000	Other Shs'000	Total Shs'000
Total Assets	4,695,293	27,070	498,809	2,502	5,223,674
Total Liabilities	5,435,121	373,549	140,869	1,237	5,950,776
Net on Balance sheet position	(739,828)	(346,479)	357,940	1,265	(727,101)
Net off Balance sheet position	594,360	346,453	(354,048)	3,254	590,019
Overall position	(145,468)	(26)	3,892	4,519	(137,082)

At 31 December 2020, if the Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, consolidated post tax profit for the year would have been Shs 20 million (2019: Shs 4 million) lower/higher, mainly as a result of US dollar loans and advances and bank balances.

(ii) Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The table below summarises the Group's exposure to interest rate risks. Included in the table are the 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. All figures are in thousands of Kenya Shillings.

Notes (continued)

4 Financial Risk Management (continued)

d Market risk (continued)

(i) Interest rate risk (continued)

(a) Group

At December 2020

Assets

Cash and balances with Central Banks
 Government and other securities at
 amortised cost
 Government and other securities at FVOCI
 Deposits and balances due from banking
 institutions
 Amounts due from group companies
 Loans and advances to customers
 Other financial assets

	Upto 1 month	1 - 3 months	3 - 12 months	Over 1 year	Non interest bearing	Total
	-	-	-	-	5,064,962	5,064,962
	1,701,390	1,027,662	2,278,063	2,407,661	-	7,414,776
	596,975	1,278,691	5,994,333	319,195	-	8,189,194
	2,607,805	-	235,219	-	-	2,843,024
	374,932	-	-	-	-	374,932
	1,449,784	2,950,938	4,859,846	12,095,607	-	21,356,175
	-	-	-	-	1,054,008	1,054,008
Total financial assets	6,730,886	5,257,291	13,367,461	14,822,463	6,118,970	46,297,071

Liabilities

Customer deposits
 Deposits and balances due to banking
 institutions
 Amounts due to group companies
 Lease liabilities
 Other financial liabilities

	2,466	-	-	-	-	2,466
	2,421	-	-	-	-	2,421
	-	-	277,237	444,066	-	721,303
	-	-	-	-	1,055,365	1,055,365
Total financial liabilities	11,719,066	8,569,550	4,116,556	1,568	13,080,989	37,487,729
	11,723,953	8,569,550	4,393,793	445,634	14,136,354	39,269,284
Total financial liabilities	(4,993,068)	(3,312,259)	8,973,668	14,376,829	(8,017,384)	7,027,787
Total interest repricing gap						

Notes (continued)

4 Financial Risk Management (continued)

d Market risk (continued)

(i) Interest rate risk (continued)

At 31 December 2019

	Upto 1 month	1 - 3 months	3 - 12 months	Over 1 year	Non interest bearing	Total
Total financial Assets	7,643,646	4,855,683	11,892,382	11,508,279	3,937,357	39,837,347
Total financial Liabilities	10,830,908	7,224,671	2,961,966	751,655	11,917,269	33,686,469

Total interest repricing gap

	(3,187,262)	(2,368,988)	8,930,416	10,756,624	(7,979,912)	6,150,878
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Bank

At December 2020

Assets

Cash and balances with Central Banks	-	-	-	-	1,409,593	1,409,593
Government and other securities at amortised cost	137,677	-	116,427	2,136,557	-	2,390,661
Government and other securities at FVOCI	596,975	1,278,691	5,994,333	319,195	-	8,189,194
Deposits and balances due from banking institutions	932,948	-	-	-	-	932,948
Due from group companies	39,760	-	-	-	-	39,760
Loans and advances to customers	454,017	1,374,914	3,252,051	8,000,737	-	13,081,719
Other financial assets	-	-	-	-	775,530	775,530

Total financial assets

	2,161,377	2,653,605	9,362,811	10,456,489	2,185,123	26,819,405
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Notes (continued)

4 Financial Risk Management (continued)

d Market risk (continued)

(i) Interest rate risk (continued)

Liabilities	Upto 1 month	1 - 3 months	3 - 12 months	Over 1 year	Non interest bearing	Total
Customer deposits	7,038,660	7,176,518	1,818,767	1,568	5,278,287	21,313,800
Deposits and balances due to banking institutions	2,466	-	-	-	-	2,466
Due to group companies	2,419	-	-	-	-	2,419
Lease liabilities	-	-	-	286,654	-	286,654
Other financial liabilities	-	-	-	-	451,758	451,758
Total financial liabilities	7,043,545	7,176,518	1,818,767	288,222	5,730,045	22,057,097
Total interest repricing gap	(4,882,168)	(4,522,913)	7,544,044	10,168,266	(3,544,922)	4,762,309
At 31 December 2019						
Total Assets	1,871,421	2,886,190	9,621,093	8,733,482	1,556,579	24,668,765
Total Liabilities	6,419,370	6,599,680	1,356,585	333,684	5,454,106	20,163,425
Total interest repricing gap	(4,547,949)	(3,713,490)	8,264,508	8,399,798	(3,897,527)	4,505,340

Notes (continued)

4 Financial Risk Management (continued)

d Market risk (continued)

(i) Interest rate risk (continued)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturities 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 and its exposure to changes in interest rates and exchange rates.

The Group has various financial assets and liabilities at variable rates, which expose the Group to cash flow interest rate risk. The Group regularly monitors financing options available to ensure optimum interest rates are obtained. At 31 December 2020, an increase/decrease of 75 basis points would have resulted in an increase/decrease in consolidated post tax profit of Group; Shs 112 million (2019: Shs 95million) and Bank Shs 89 million (2019: Shs 55 million), mainly as a result of higher/lower interest charges on variable rate borrowings.

e Fair values of financial assets, financial liabilities and land and buildings

The fair value of investment securities at fair value through other comprehensive income as at 31 December 2020 is estimated at; Shs 8,189 million (2019: Shs 8,756 million) for the Group and Bank as compared to their carrying values of Shs 8,189 million (2019: Shs 8,742 million). The fair value of freehold land and building is estimated at; Shs 89 million (2019: Shs 95million) for the Group as compared to their carrying values of Shs 63 million (2019: Shs 61 million) based on the historical cost basis. The fair values of the Group and Bank's other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates as set out above. Fair values of the investment securities are based on discounted cash flows using a discount rate based upon the borrowing rate that the directors expect would be available to the Group at the balance sheet date.

Fair value estimation

The table below analyses assets carried at fair value by valuation method. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- 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 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1	Level 2	Level 3
	Shs'000	Shs'000	Shs'000
Group			
31 December 2020			
Assets			
Financial assets at fair value through OCI	-	8,189,194	-
Freehold Land & Building	-	-	89,452
31 December 2019			
Assets			
Financial assets at fair value through OCI	-	8,742,167	-
Freehold Land & Building	-	-	95,193

Notes (continued)

4 Financial Risk Management (continued)

e Fair values of financial assets, financial liabilities and land and buildings (continued)

Bank

31 December 2020

Assets

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000
Financial assets at fair value through OCI	-	8,189,194	-

31 December 2019

Assets

Financial assets at fair value through OCI	-	8,742,167	-
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f Capital Management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheets, are:

- to comply with the capital requirements set by the Central Bank of Kenya;
- to safeguard the Bank's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong capital base to support the development of its business.

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Central Bank of Kenya for supervisory purposes. The required information is filed with the Central Bank of Kenya on a monthly basis.

The Central Bank of Kenya requires each bank to: (a) hold the minimum level of regulatory capital of Shs 1 Billion as at 31 December 2020; (b) maintain a ratio of total regulatory capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') at or above the required minimum of 8%; (c) maintain core capital of not less than 8% of total deposit liabilities; and (d) maintain total capital of not less than 12% of risk-weighted assets plus risk-weighted off-balance sheet items.

Central Bank of Kenya (CBK), National Bank of Rwanda (BNR) and Bank of Uganda (BOU) largely segregate the total regulatory capital into two tiers:

- Tier 1 capital (core capital): share capital, share premium, plus retained earnings
- Tier 2 capital (supplementary capital): 25% (subject to prior approval) of revaluation reserves, subordinated debt not exceeding 50% of Tier 1 capital and hybrid capital instruments. Qualifying Tier 2 capital is limited to 100% of Tier 1 capital.

The 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.

Notes (continued)

4 Financial Risk Management (continued)

The table below summarizes the composition of regulatory capital and the ratios of the Bank.

	Group		Bank	
	31-Dec-20 Shs'000	31-Dec-19 Shs'000	31-Dec-20 Shs'000	31-Dec-19 Shs'000
Tier 1 capital	8,413,540	8,229,897	5,412,950	5,248,059
Tier 1 + Tier 2 capital	8,680,623	8,229,897	5,672,875	5,248,059

f Capital Management

Risk - weighted assets	31-Dec-20 Shs'000	31-Dec-19 Shs'000	31-Dec-20 Shs'000	31-Dec-19 Shs'000
On Balance sheet	25,403,135	24,326,690	14,901,426	14,941,481
Off Balance sheet	3,505,871	3,235,078	1,063,017	895,025
Total market risk weighted assets	1,540,740	1,293,447	1,485,591	1,189,088
Total operational risk weighted assets	6,698,601	6,698,601	3,343,942	3,581,891
Total risk weighted assets	37,148,347	35,553,816	20,793,976	20,607,485

Basel ratio

Tier 1	22.65%	23.15%	26.03%	25.47%
Tier 1 + Tier 2	23.37%	23.15%	27.28%	25.47%

The capital adequacy ratios for the subsidiaries are summarized below;

Tier 1	2020	2019
GTBank Kenya (CBK minimum - 10.5%)	26.03%	25.47%
GTBank Rwanda PLC (BNR minimum - 10.5%)	18.73%	16.20%
GTBank Uganda (BOU minimum - 8%)	18.89%	18.63%
Tier 1 + Tier 2	2020	2019
GTBank Kenya (CBK minimum - 14.5%)	27.28%	25.47%
GTBank Rwanda PLC (BNR minimum - 15%)	18.83%	16.36%
GTBank Uganda (BOU minimum - 12%)	19.07%	18.85%

Notes (continued)

5 Interest income

	Group		Bank	
	31-Dec-20 Shs'000	31-Dec-19 Shs'000	31-Dec-20 Shs'000	31-Dec-19 Shs'000
Loans and advances	2,553,067	2,525,740	1,457,064	1,509,479
Credit related fees and commissions	247,447	267,548	136,946	180,838
Government securities - Amortised cost	422,319	340,259	119,188	75,003
Government securities - FVOCI	811,046	643,985	811,046	643,985
Cash and short term funds	124,261	115,913	13,829	17,184
Other securities*	10,507	8,928	10,507	8,928
	<u>4,168,647</u>	<u>3,902,373</u>	<u>2,548,580</u>	<u>2,435,417</u>

*Interest income on other securities comprises of interest income on corporate bonds and discount on swap contracts

6 Interest expense

	Group		Bank	
	31-Dec-20 Shs'000	31-Dec-19 Shs'000	31-Dec-20 Shs'000	31-Dec-19 Shs'000
Customer deposits	1,089,789	1,006,372	813,278	737,354
Borrowed funds	62	-	-	-
Deposits by banks	30,144	41,586	26,359	37,112
Interest expense on lease liabilities	59,720	63,157	35,569	38,945
Other interest expenses*	39,889	4,997	39,889	4,997
	<u>1,219,604</u>	<u>116,112</u>	<u>915,095</u>	<u>818,408</u>

*Interest expense on other securities comprises of premium on swap contracts

7 Fees and commission

(a) Fees and commission income	Group		Bank	
	31-Dec-20 Shs'000	31-Dec-19 Shs'000	31-Dec-20 Shs'000	31-Dec-19 Shs'000
Clearing and Funds transfer commission	151,349	155,155	34,808	33,015
Other fee income	81,433	96,532	34,557	36,696
Commissions on guarantees	134,687	103,557	30,608	26,406
Current account ledger fees	57,984	61,391	23,831	26,002
Letters of credit commissions	36,008	31,919	8,649	10,480
Master card commission	33,732	42,369	23,050	26,757
Cash withdrawal commissions	14,070	17,080	-	-
Mobile and Ebanking commissions	24,681	40,205	16,141	22,980
ATM commissions	9,742	14,132	4,011	5,457
Cheque book charges	7,071	8,588	2,867	3,137
	<u>550,757</u>	<u>570,928</u>	<u>178,522</u>	<u>190,930</u>

Notes (continued)

7 Fees and commission (continued)

	Group		Bank	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
(b) Fees and commission expense	Shs'000	Shs'000	Shs'000	Shs'000
Master card expense	69,215	21,889	69,215	21,889
Banking services	15,216	19,796	5,798	6,783
Foreign currency import/export charges	6,182	18,625	209	1,013
Other fee expenses	76,669	70,229	-	-
	<u>167,282</u>	<u>130,539</u>	<u>75,222</u>	<u>29,685</u>

8 Other operating income

Gain/(loss) on disposal of assets	2,597	458	1,178	69
Bad debts recovered	23,683	161,202	3,095	655
	<u>26,280</u>	<u>161,660</u>	<u>4,273</u>	<u>724</u>

Foreign exchange gains

Unrealised foreign exchange losses	(2,233)	(12,549)	(1,527)	(4,541)
Realised foreign exchange gains	467,281	236,936	202,319	77,239
	<u>465,048</u>	<u>224,387</u>	<u>200,792</u>	<u>72,698</u>

Notes (continued)

9 Operating expenses

	Group 31-Dec-20 Shs'000	31-Dec-19 Shs'000	Bank Dec-20 Shs'000	31-Dec-19 Shs'000
Employee benefits expense (Note 10)	882,699	1,026,906	368,728	546,980
Depreciation (Note 17)	157,526	179,174	80,081	91,144
Depreciation of right-of-use assets (Note 19)	181,474	178,309	94,321	93,438
Repairs and maintenance	135,189	125,645	75,880	64,446
Other administrative expenses	25,121	119,747	13,213	15,217
Director fees (Note 31)	45,090	46,465	17,426	23,373
Amortisation of intangible assets (Note 18)	88,254	87,827	38,569	41,519
Mobile and E - Banking charges	80,420	34,335	31,854	26,258
Operating lease rentals	18,853	49,690	4,904	46,792
Advertising and publicity	36,364	40,908	22,218	22,394
Deposit protection insurance	41,657	40,911	25,862	23,835
Security costs	37,304	38,618	18,105	19,871
Water and electricity costs	35,194	33,085	10,968	11,739
Communication	35,723	32,451	13,170	12,370
Consultancy costs	47,455	31,700	989	1,206
ATM expenses	25,243	27,871	23,154	24,645
Travel and accomodation	15,367	23,582	8047	7,788
Insurance	30,366	22,742	18,737	11,444
Legal fees	21,118	20,792	355	3,954
Printing and stationery	14,968	20,759	4,135	7,286
Auditors' remuneration	26,008	18,723	12,159	7,875
Reuters and Bloomberg charges	21,385	18,693	17,607	15,599
Subscriptions expenses	7,579	15,475	6,130	15,475
Office cash handling charges	10,453	13,053	2,093	2,764
Periodicals and other book subscriptions	8,877	12,762	523	558
Correspondent bank charges	14,533	12,092	7,601	5,677
Office housekeeping	11,387	11,249	8,896	8,666
Motor vehicle expenses	5,999	7,781	2,153	4,838
Operating licence fees	5,198	4,640	4,906	4,298
Courier charges	4,108	4,381	3,905	4,157
Outsourced service fees	8,146	3,764	3,229	2,318
Sundry losses	8,454	2,448	483	647
Donation and grants	5,431	803	5,256	528
Fines and Penalties	838	36	106	36
Tax Audit Expense	658	-	658	-
	<u>2,094,439</u>	<u>2,307,417</u>	<u>946,421</u>	<u>1,169,135</u>

10 Employee benefits expense

Salaries and wages	716,720	813,067	301,513	420,042
Pension fund contribution	42,628	43,778	14,880	15,912
Other staff costs and benefits	123,351	170,061	52,335	111,026
	<u>882,699</u>	<u>1,026,906</u>	<u>368,728</u>	<u>546,980</u>

Notes (continued)

11 Taxation	Group		Bank	
	31-Dec-20 Shs'000	31-Dec-19 Shs'000	31-Dec-20 Shs'000	31-Dec-19 Shs'000
Current income tax	453,677	338,072	264,238	195,288
Deferred income tax (Note 20)	(154,543)	(44,542)	(144,449)	(51,408)
	<u>299,134</u>	<u>293,530</u>	<u>119,789</u>	<u>143,880</u>
Profit before income tax	<u>1,114,211</u>	<u>865,688</u>	<u>493,390</u>	<u>491,197</u>
Tax calculated at domestic rates applicable to profits in the respective countries - 25% (2019- 30%)	278,553	259,706	123,347	147,359
Tax effect of:				
- Income not subject to tax	(81,422)	(155,346)	(6,964)	(11,903)
- Expenses not deductible for tax purposes	95,037	82,405	27,481	8,424
- Effect of change in deferred tax rate	(24,075)	-	(24,075)	-
- Effect of different tax rates of subsidiaries in different jurisdictions	31,041	-	-	-
- Tax losses not recognised	-	106,765	-	-
	<u>299,134</u>	<u>293,530</u>	<u>119,789</u>	<u>143,880</u>
Corporate tax recoverable				
At the beginning of the year	(154,699)	73,799	(111,229)	84,059
Charge for the year	(453,677)	(312,270)	(264,238)	(195,288)
Taxation paid	504,426	83,243	330,565	-
Translation difference	(7,080)	529	-	-
At the end of the year	<u>(111,030)</u>	<u>(154,699)</u>	<u>(44,902)</u>	<u>(111,229)</u>
Comprising of:				
Corporate tax recoverable	-	-	-	-
Corporate tax payable	(111,030)	(154,699)	(44,902)	(111,229)
	<u>(111,030)</u>	<u>(154,699)</u>	<u>(44,902)</u>	<u>(111,229)</u>

Notes (continued)

12 Cash and balances with the Central Bank

	Group		Bank	
	31-Dec-20 Shs'000	31-Dec-19 Shs'000	31-Dec-20 Shs'000	31-Dec-19 Shs'000
Cash in hand	1,033,171	621,314	173,883	149,995
Cash reserve ratio	1,240,207	1,297,598	872,577	879,122
Balances with the Central Banks	2,791,584	2,195,220	363,133	29,564
	<u>5,064,962</u>	<u>4,114,132</u>	<u>1,409,593</u>	<u>1,058,681</u>

13 Financial assets

(a) Held at amortised cost

Government securities – at amortised cost				
- Maturing within 90 days of acquisition date	1,628,159	1,440,643	137,677	-
- Maturing after 90 days of acquisition date	5,786,619	1,449,800	2,252,985	510,892
	<u>7,414,778</u>	<u>2,890,443</u>	<u>2,390,662</u>	<u>510,892</u>

(b) Held at FVOCI

Government securities				
- Maturing within 90 days of acquisition date	1,875,667	1,250,200	1,875,667	1,250,200
- Maturing after 90 days of acquisition date	6,313,527	7,491,967	6,313,527	7,491,967
	<u>8,189,194</u>	<u>8,742,167</u>	<u>8,189,194</u>	<u>8,742,167</u>

14 Deposits and balances due from other banks

Due from local banking institutions	518,985	73,700	518,985	73,700
Due from foreign banking institutions	2,324,039	1,535,127	413,963	227,568
	<u>2,843,024</u>	<u>1,608,827</u>	<u>932,948</u>	<u>301,268</u>

Notes (continued)

15 Loans and advances to customers

	Group		Bank	
	31-Dec-20 Shs'000	31-Dec-19 Shs'000	31-Dec-20 Shs'000	31-Dec-19 Shs'000
Overdrafts	5,284,284	5,444,302	2,914,314	3,169,143
Commercial loans	15,471,822	14,649,555	10,849,671	10,740,533
Personal loans	1,772,187	1,252,426	797,285	611,696
Mortgages	491,498	522,887	-	4,192
Gross loans and advances	23,019,791	21,869,170	14,561,270	14,525,564
Less: Provision for impairment losses				
- Stage 1 loans	286,109	224,389	80,559	55,141
- Stage 2 loans	244,982	119,099	246,601	92,487
- Stage 3 loans	1,132,529	808,922	1,152,395	833,631
	1,663,620	1,152,410	1,479,555	981,259
Net loans and advances	21,356,171	20,716,760	13,081,715	13,544,305

(i) Loans and advances to customers at amortised cost

Group	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at 01 January 2019	14,216,242	1,540,632	5,542,145	21,299,019
Changes in the gross carrying amount				
- Transfer from stage 1 to stage 2	(942,238)	942,238	-	-
- Transfer from stage 1 to stage 3	(147,588)	-	147,588	-
- Transfer from stage 2 to stage 3	-	(45,263)	45,263	-
- Transfer from stage 3 to stage 2	-	4,190	(4,190)	-
- Transfer from stage 2 to stage 1	286,793	(286,793)	-	-
- Write-offs	-	-	(890,855)	(890,855)
New financial assets originated or purchased	6,334,374	772,702	439,429	7,546,505
Financial assets that have been derecognised	(5,488,505)	(527,652)	-	(6,016,157)
Translation differences	(54,063)	(271)	(15,008)	(69,342)
Gross carrying amount as at 31 December 2019	14,205,015	2,399,783	5,264,372	21,869,170

Notes (continued)

15 Loans and advances to customers (continued)

Group	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 2020	14,205,015	2,399,783	5,264,372	21,869,170
Changes in the gross carrying amount				
– Transfer from stage 1 to stage 2	(402,751)	402,751	-	-
– Transfer from stage 1 to stage 3	(4,342)	-	4,342	-
– Transfer from stage 2 to stage 3	-	(744,660)	744,660	-
– Transfer from stage 3 to stage 2	-	1,782	(1,782)	-
– Transfer from stage 2 to stage 1	472,168	(472,168)	-	-
– Write-offs	-	-	(135,162)	(135,162)
New financial assets originated or purchased	7,890,509	178,576	566,817	8,635,902
Financial assets that have been derecognised	(5,992,104)	(800,413)	(881,052)	(7,673,569)
Translation differences	230,801	41,891	50,759	323,451
Gross carrying amount as at 31 December 2020	16,399,296	1,007,542	5,612,954	23,019,792
Bank	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	8,666,406	1,189,039	3,700,965	13,556,410
Changes in the gross carrying amount				
– Transfer from stage 1 to stage 2	(262,062)	262,062	-	-
– Transfer from stage 1 to stage 3	(106,375)	-	106,375	-
– Transfer from stage 2 to stage 3	-	(12,438)	12,438	-
– Transfer from stage 3 to stage 2	-	67,135	(67,135)	-
– Transfer from stage 2 to stage 1	146,149	(146,149)	-	-
– Write-offs	-	-	(101,275)	(101,275)
New financial assets originated or purchased	3,069,658	366,617	8,046	3,444,321
Financial assets that have been derecognised	(1,830,796)	(284,504)	(258,592)	(2,373,892)
Gross carrying amount as at 31 December 2019	9,682,980	1,441,762	3,400,822	14,525,564

Notes (continued)

15 Loans and advances to customers (continued)

Bank	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 2020	9,682,980	1,441,762	3,400,822	14,525,564
Changes in the gross carrying amount				
– Transfer from stage 1 to stage 2	(98,264)	98,264	-	-
– Transfer from stage 1 to stage 3	2,528	-	(2,528)	-
– Transfer from stage 2 to stage 3	-	(412,064)	412,064	-
– Transfer from stage 3 to stage 2	-	237	(237)	-
– Transfer from stage 2 to stage 1	-	-	-	-
– Write-offs	-	-	(3,745)	(3,745)
New financial assets originated or purchased	3,209,247	612	205,433	3,415,291
Financial assets that have been derecognised	(2,748,929)	(481,482)	(145,426)	(3,375,837)
Gross carrying amount as at 31 December 2020	10,047,562	647,328	3,866,383	14,561,274

(ii) Loss allowance – Loans and advances to customers at amortised cost

Group	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	Total Shs'000
Loss allowance as at 01 January 2019	180,587	87,547	1,349,055	1,617,189
Charge to profit or loss	45,698	31,915	361,979	439,592
– Transfer from stage 1 to stage 2	(793)	793	-	-
– Transfer from stage 1 to stage 3	(28,149)	-	28,149	-
– Transfer from stage 2 to stage 3	428	(443)	15	-
– Transfer from stage 3 to stage 2	-	-	-	-
– Transfer from stage 2 to stage 1	350	(350)	-	-
New financial assets originated or purchased	96,453	58,407	343,221	498,081
Financial assets that have been derecognised	(22,591)	(26,492)	(9,406)	(58,489)
Write-offs	-	-	(899,905)	(899,905)
Translation differences	(1,896)	(363)	(2,207)	(4,466)
Loss allowance as at 31 December 2019	224,389	119,099	808,922	1,152,410

Notes (continued)

15 Loans and advances to customers (continued)

(ii) Loss allowance – Loans and advances to customers at amortised cost (continued)

Group	Stage 1 12- month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	Total Shs'000
Loss allowance as at 01 January 2020	224,389	119,099	808,922	1,152,410
Charge to profit or loss	52,921	124,184	438,091	615,196
– Transfer from stage 1 to stage 2	(685)	685	-	-
– Transfer from stage 1 to stage 3	211	-	(211)	-
– Transfer from stage 2 to stage 3	-	123,096	(123,096)	-
– Transfer from stage 3 to stage 2	-	58	(58)	-
– Transfer from stage 2 to stage 1	2,837	(2,837)	-	-
Financial assets that have been derecognised	(24,425)	(1,050)	(2,364)	(27,839)
New financial assets originated or purchased	74,983	4,232	563,820	643,035
Write-offs	-	-	(135,162)	(135,162)
Reclassification	-	-	23,197	23,197
Translation Differences	8,800	1,699	(2,519)	7,980
Loss allowance as at 31 December 2020	286,109	244,982	1,132,529	1,663,620
Bank	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	Total Shs'000
Loss allowance as at 01 January 2019	105,050	49,773	731,921	886,744
Charge to profit or loss	(49,909)	42,714	198,539	191,344
– Transfer from stage 1 to stage 2	(793)	793	-	-
– Transfer from stage 1 to stage 3	(26,637)	-	26,637	-
– Transfer from stage 2 to stage 3	-	(15)	15	-
– Transfer from stage 3 to stage 2	-	-	-	-
– Transfer from stage 2 to stage 1	112	(112)	-	-
Financial assets that have been derecognised	(22,591)	-	-	(22,591)
New financial assets originated or purchased	-	42,048	171,887	213,935
Write-offs	-	-	(96,829)	(96,829)
Loss allowance as at 31 December 2019	55,141	92,487	833,631	981,259

Notes (continued)

15 Loans and advances to customers (continued)

(ii) Loss allowance – Loans and advances to customers at amortised cost (continued)

Bank	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	Total Shs'000
Loss allowance as at 01 January 2020	55,141	92,487	833,631	981,259
Charge to profit or loss	25,417	154,114	322,508	502,039
– Transfer from stage 1 to stage 2	(685)	685	-	-
– Transfer from stage 1 to stage 3	211	-	(211)	-
– Transfer from stage 2 to stage 3	-	154,408	(154,408)	-
– Transfer from stage 3 to stage 2	-	20	(20)	-
– Transfer from stage 2 to stage 1	-	-	-	-
Financial assets that have been derecognised	(23,780)	(1,050)	(2,364)	(27,194)
New financial assets originated or purchased	49,671	51	479,511	529,233
Write-offs	-	-	(3,745)	(3,745)
Loss allowance as at 31 December 2020	80,558	246,601	1,152,394	1,479,553

16 Investment in subsidiaries

Name	Country of incorporation	2020 % interest held	2020 Shs'000	2019 % interest held	2019 Shs'000
Guaranty Trust Bank (Rwanda) Limited	Rwanda	96.38%	1,649,218	96.38%	1,649,218
Guaranty Trust Bank (Uganda) Limited	Uganda	100.00%	1,726,772	100.00%	1,726,772
At 31 December			<u>3,375,990</u>		<u>3,375,990</u>
				31-Dec-20 Shs'000	31-Dec-19 Shs'000
At start of year				<u>3,375,990</u>	<u>3,375,990</u>

Guaranty Trust Bank Kenya, owns 100% and 96.38% equity shares of Guaranty Trust Bank Uganda and Rwanda respectively. The directors of the Group have control over the subsidiaries and the performance of the subsidiaries are consolidated in these financial statements.

Notes (continued)

17 Property and equipment

(a) Group

Year ended 31 December 2019

	Buildings and freehold land Shs'000	Leasehold Improvements Shs'000	Computer Equipment Shs'000	Motor Vehicles Shs'000	Fixtures, fittings and equipment Shs'000	Work-in- progress Shs'000	Total Shs'000
Opening net book amount	97,708	133,739	35,947	52,958	308,685	42,080	671,117
Additions	-	24,817	18,717	54,149	64,389	62,517	224,589
Reclassification	-	-	6,538	-	39,174	(45,712)	-
Disposals	2,969	(4,060)	(429)	-	(6,092)	-	(7,612)
Depreciation charge	(3,710)	(13,990)	(15,323)	(26,829)	(117,854)	-	(177,706)
Currency translation difference	(1,774)	(2,339)	61	120	(79)	(31,391)	(35,402)
Closing net book amount	95,193	138,167	45,511	80,398	288,223	27,494	674,986
Cost or valuation	139,970	253,960	203,644	190,970	1,504,394	27,494	2,320,432
Accumulated depreciation	(44,777)	(115,793)	(158,133)	(110,572)	(1,216,171)	-	(1,645,446)
Net book Amount	95,193	138,167	45,511	80,398	288,223	27,494	674,986

Guaranty Trust Bank (Kenya) Ltd
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 For the year ended 31 December 2020

Notes (continued)

17 Property and equipment (continued)

(a) Group (continued)

	Buildings and freehold land Shs'000	Leasehold Improvements Shs'000	Computer Equipment Shs'000	Motor Vehicles Shs'000	Fixtures, fittings and equipment Shs'000	Work-in-progress Shs'000	Total Shs'000
Year ended 31 December 2020							
Opening net book amount	95,193	138,167	45,511	80,398	288,223	27,494	674,986
Additions	-	-	26,819	3,700	113,622	(9,266)	134,875
Reclassification	(7,415)	7,415	3,277	-	145	(5,922)	(2,500)
Disposals	-	1,205	-	-	(335)	-	870
Depreciation charge	(714)	(13,835)	(16,999)	(28,829)	(97,149)	-	(157,526)
Currency translation difference	2,388	3,772	343	1,587	5,554	1,020	14,664
Closing net book amount	89,452	136,724	58,951	56,856	310,060	13,326	665,369
At 31 December 2020							
Cost or valuation	134,943	251,193	213,587	193,757	1,546,240	13,326	2,353,046
Accumulated depreciation	(45,491)	(114,469)	(154,636)	(136,901)	(1,236,180)	-	(1,687,677)
Net book Amount	89,452	136,724	58,951	56,856	310,060	13,326	665,369

Guaranty Trust Bank (Kenya) Ltd
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Notes (continued)

17 Property and equipment (continued)

Land and buildings in Guaranty Trust Bank (Rwanda) Limited were last revalued as at 31 December 2013 by engineer Alphonse Nkabiye, an independent certified real property valuer, on the basis of the market value for existing use. The resultant revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income. If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2020 Shs'000	2019 Shs'000
Cost	111,622	108,814
Accumulated depreciation	(48,902)	(47,672)
Net book amount	62,720	61,142

(b) Bank

Year ended 31 December 2019

	Computer Equipment Shs'000	Motor Vehicles Shs'000	Fixtures, fittings and equipment Shs'000	Work-in- progress Shs'000	Total Shs'000
Opening net book amount	31,277	19,732	194,122	2,311	247,442
Additions	18,717	33,675	40,058	26	92,476
Disposals	(364)	-	(4,832)	-	(5,196)
Depreciation charge	(12,204)	(10,612)	(68,328)	-	(91,144)
Reclassification	2,492	-	(181)	(2,311)	-
Closing net book amount	39,918	42,795	160,839	26	243,578
At 31 December 2019	109,879	64,436	726,984	26	901,325
Cost or valuation	(69,961)	(21,641)	(566,145)	-	(657,747)
Accumulated depreciation					
Net book Amount	39,918	42,795	160,839	26	243,578

Guaranty Trust Bank (Kenya) Ltd
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Notes (continued)

17 Property and equipment (continued)

	Computer Equipment Shs'000	Motor Vehicles Shs'000	Fixtures, fittings and equipment Shs'000	Work-in- progress Shs'000	Total Shs'000
Year ended 31 December 2020					
Opening net book amount	39,918	42,795	160,839	26	243,578
Additions	26,819	3,700	65,792	29	96,340
Disposals	(18,651)	(2,500)	(72,010)	-	(93,161)
Depreciation charge	(14,344)	(13,334)	(52,403)	-	(80,081)
Reclassification	2,676	-	(2,676)	(26)	(26)
Elimination on disposal	18,651	2,500	71,881	-	93,032
Depreciation on reclassification	(1,343)	-	1,343	-	-
Closing net book amount	53,726	33,161	172,766	29	259,682
At 31 December 2020					
Cost or valuation	120,723	65,636	718,090	29	904,478
Accumulated depreciation	(66,997)	(32,475)	(545,324)	-	(644,796)
Net book Amount	53,726	33,161	172,766	29	259,682

Notes (continued)

18 Intangible assets

(a) Group	Computer Software Shs'000	Goodwill Shs'000	Work-in- progress Shs'000	Total Shs'000
Year ended 31 December 2019				
Opening net book amount	390,147	21,812	749	412,708
Additions	20,819	-	-	20,819
Disposals	(296)	-	-	(296)
Amortization	(87,827)	-	-	(87,827)
Transfer	749	-	(749)	-
Currency translation difference	(572)	-	-	(572)
At end of year	323,020	21,812	-	344,832
At 31 December 2019				
Cost	862,382	21,812	-	884,194
Accumulated depreciation	(539,362)	-	-	(539,362)
Net book amount	323,020	21,812	-	344,832
Year ended 31 December 2020				
Opening net book amount	323,020	21,812	-	344,832
Additions	26,411	-	-	26,411
Amortization	(88,254)	-	-	(88,254)
Currency translation difference	7,416	-	-	7,416
At end of year	268,593	21,812	-	290,405
At 31 December 2020				
Cost	910,191	21,812	-	932,003
Accumulated depreciation	(641,598)	-	-	(641,598)
Net book amount	268,593	21,812	-	290,405

The goodwill arose from the Bank's acquisition of its subsidiary in Rwanda.

Notes (continued)

18 Intangible assets (continued)

(b) Bank

	Computer Software Shs'000	Work-in- progress Shs'000	Total Shs'000
Year ended 31 December 2019			
Opening net book amount	180,679	749	181,428
Additions	11,405	-	11,405
Disposals	(296)	-	(296)
Transfer	749	(749)	-
Amortization	(41,519)	-	(41,519)
At end of year	<u>151,018</u>	<u>-</u>	<u>151,018</u>
At 31 December 2019			
Cost	387,753	-	387,753
Accumulated depreciation	(236,735)	-	(236,735)
Net book amount	<u>151,018</u>	<u>-</u>	<u>151,018</u>
Year ended 31 December 2020			
Opening net book amount	151,018	-	151,018
Additions	1,719	-	1,719
Amortization	(38,569)	-	(38,569)
At end of year	<u>114,168</u>	<u>-</u>	<u>114,168</u>
At 31 December 2020			
Cost	389,445	-	389,445
Accumulated depreciation	(275,277)	-	(275,277)
Net book amount	<u>114,168</u>	<u>-</u>	<u>114,168</u>

Notes (continued)

18 Intangible assets (continued)

Impairment tests for goodwill

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.

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 to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using estimated growth rates. The growth rates do not exceed the long-term average growth rates for the Guaranty Trust Bank (Rwanda) Limited business in which the CGUs operate.

Goodwill relating to Guaranty Trust Bank (Rwanda) Limited was tested for impairment at 31 December 2020. The recoverable amount was determined on the basis of value in use. Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value in use. A five-year forecast was used as a basis for future cash flows, extrapolated in perpetuity to reflect the long-term plans for the entity, using a nominal growth rate of 8.0%. The after-tax discount rate used was based on an assessment of the risks applicable to GTBank Rwanda and the country in which it operates. The discount rate calculated for the forecast years was 3.91% per annum. These variables are established on the basis of management judgement and current market conditions. Management judgement is also applied in estimating the future cash flows of the cash-generating units. These values are sensitive to the cash flows projected for the periods for which detailed forecasts are not available and to the assumptions regarding the long-term sustainability of the cash flows thereafter. Based on the testing performed, the directors believe that the goodwill is not impaired.

19 Right-of-use assets

(a) Group	31-Dec-20 Shs'000	31-Dec-19 Shs'000
At start of year	746,915	925,008
	<hr/>	<hr/>
	746,915	925,008
Additions	49,896	-
Depreciation charge	(181,474)	(178,309)
Currency translation difference	15,365	216
Adjustment made During the Year	51,050	-
	<hr/>	<hr/>
At end of year	681,752	746,915
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

19 Right-of-use assets (continued)

(b) Bank	31-Dec-20 Shs'000	31-Dec-19 Shs'000
At start of year	334,959	428,397
Additions	45,229	-
Depreciation charge	(94,321)	(93,438)
Derecognition	(13,319)	-
	<u>272,548</u>	<u>334,959</u>
At end of year	<u>272,548</u>	<u>334,959</u>

The Group leases various office buildings, branches and equipment in the normal course of business. The leases for buildings and branches are typically for a period of between 3 and 10 years, with option for renewal at the end of the term. Leases of equipment are typically short term for periods of less than 12 months. None of these leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

For information on the related lease liabilities, see Note 24.

20 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2019: 30%). The gross movement on the deferred income tax account is as follows:

	Group		Bank	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
At start of year	447,729	402,540	308,085	259,855
Credit/(charge) to profit or loss (Note 11)	154,543	44,542	144,449	51,408
Credit/(charge) to other comprehensive income	10,418	647	(3,295)	(3,178)
	<u>612,690</u>	<u>447,729</u>	<u>449,239</u>	<u>308,085</u>
At end of year	<u>612,690</u>	<u>447,729</u>	<u>449,239</u>	<u>308,085</u>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows;

Notes (continued)

20. Deferred income tax (continued)

(a) Group

	01.01.2020	(Charged)/credit to profit or loss	Charged to equity	31.12.2020
	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 December 2020				
Deferred income tax assets				
Property and equipment	-	14,344	-	14,344
Other temporary differences	275,335	144,532	-	419,867
Lease liability	99,880	(13,883)	-	85,997
Restoration costs	9,127	-	-	9,127
Revaluation of FVOTCI	7,952	-	-	7,952
Tax losses carried forward	199,956	(2,034)	-	197,922
Translation differences	(8,929)	-	13,760	4,831
	<u>583,321</u>	<u>142,959</u>	<u>13,760</u>	<u>740,040</u>
Deferred income tax liabilities				
Property and equipment	2,700	(9,606)	-	(6,906)
Revaluation of FVOTCI	(12,252)	-	(3,295)	(15,547)
Right-of-use assets	(100,488)	21,190	-	(79,298)
Translation differences	(25,552)	-	(47)	(25,599)
	<u>(135,592)</u>	<u>11,584</u>	<u>(3,342)</u>	<u>(127,350)</u>
Net deferred tax asset	<u>447,729</u>	<u>154,543</u>	<u>10,418</u>	<u>612,690</u>

Notes (continued)

20 Deferred income tax (continued)

(a) Group (continued)	01.01.2019 Shs'000	(Charged)/ credited to profit or loss Shs'000	Charged to equity Shs'000	31.12.2019 Shs'000
Year ended 31 December 2019				
Deferred income tax assets				
Other temporary differences	245,941	29,394	-	275,335
Lease liability	119,392	(19,512)	-	99,880
Over provision of deferred tax in prior year	9,127	-	-	9,127
Revaluation of available for sale securities	7,952	-	-	7,952
Tax losses carried forward	199,956	-	-	199,956
Translation differences	(11,959)	-	3,030	(8,929)
Deferred income tax assets	570,409	9,882	3,030	583,321
Deferred income tax liabilities				
Property and equipment	(3,929)	6,629	-	2,700
Revaluation of FVOTCI	(9,074)	-	(3,178)	(12,252)
Right-of-use assets	(128,519)	28,031	-	(100,488)
Translation differences	(26,347)	-	795	(25,552)
Deferred income tax liabilities	(167,869)	34,660	(2,383)	(135,592)
Net deferred tax asset	402,540	44,542	647	447,729

The deferred income tax asset and liability and deferred income tax charge/(credit) in the income statement are attributable to the following items:

(b) Bank	01.01.2020 Shs'000	(Charged)/ credited to profit or loss Shs'000	Charged to equity Shs'000	31.12.2020 Shs'000
Year ended 31 December 2020				
Property and equipment	7,507	14,344	-	21,851
Right-of-use assets	(100,488)	18,723	-	(81,765)
Lease liability	99,880	(13,883)	-	85,997
Restoration costs	9,127	-	-	9,127
Revaluation of available for sale securities	(4,299)	-	(3,295)	(7,594)
Other temporary differences	296,358	125,265	-	421,623
Deferred income tax asset	308,085	144,449	(3,295)	449,239

Notes (continued)

20 Deferred income tax (continued)

(b) Bank

	01.01.2020	(Charged)/ credited to profit or loss	Charged to equity	31.12.2020
Year ended 31 December 2019	Shs'000	Shs'000	Shs'000	Shs'000
Property and equipment	(5,988)	13,495	-	7,507
Right-of-use assets	(128,519)	28,031	-	(100,488)
Lease liability	119,392	(19,512)	-	99,880
Restoration costs	9,127	-	-	9,127
Revaluation of available for sale securities	(1,121)	-	(3,178)	(4,299)
Other temporary differences	266,964	29,394	-	296,358
Deferred income tax asset	259,855	51,408	(3,178)	308,085

21 Other assets

	Group		Bank	
	31-Dec-20 Shs'000	31-Dec-19 Shs'000	31-Dec-20 Shs'000	31-Dec-19 Shs'000
Items in the course of collection	69,026	70,408	69,026	70,408
Prepayments	90,577	110,742	34,747	58,627
Other receivables	894,405	549,646	671,757	368,863
	1,054,008	730,796	775,530	497,898

22 Customer deposits

Current and demand deposits	17,818,989	14,836,425	6,073,538	5,621,755
Savings accounts	2,792,053	2,611,429	999,265	1,145,729
Time deposit accounts	16,876,686	13,341,063	14,240,997	10,690,485
	37,487,728	30,788,917	21,313,800	17,457,969
Current	37,486,160	30,788,105	21,312,232	17,457,218
Non current	1,568	812	1,568	751
	37,487,728	30,788,917	21,313,800	17,457,969

Notes (continued)

23 Deposits due to other banks

	Group		Bank	
	31-Dec-20 Shs'000	31-Dec-19 Shs'000	31-Dec-20 Shs'000	31-Dec-19 Shs'000
Due to local banking institution	-	1,474,503	-	1,474,503
Due to foreign banking Institution	2,466	113,977	2,466	1
	<u>2,466</u>	<u>1,588,480</u>	<u>2,466</u>	<u>1,474,504</u>

24 Lease liabilities

Expected to be settled within 12 months after the year end	132,952	124,973	89,159	76,222
Expected to be settled more than 12 months after the year end	588,351	625,870	197,495	256,711
	<u>721,303</u>	<u>750,843</u>	<u>286,654</u>	<u>332,933</u>

The total cash outflow for leases in the year was:

Payments of principal portion of the lease liability	129,704	155,641	76,314	65,040
Interest paid on lease liabilities	60,185	62,964	35,569	38,945
	<u>189,889</u>	<u>218,605</u>	<u>111,883</u>	<u>103,985</u>

In 2019 the group recognised lease assets and lease liabilities only for those leases that were classified as operating leases under the accounting policy at that time. The assets were included in property, plant and equipment and the liabilities were included in other liabilities.

For more information on the nature of the leases entered into and the related right-of-use assets, see Note 19.

Notes (continued)

24 Lease liabilities (continued)

	Group		Bank	
	31-Dec-20 Shs'000	31-Dec-19 Shs'000	31-Dec-20 Shs'000	31-Dec-19 Shs'000
Movement in lease liability				
Lease liability at 1 January 2020	768,366	906,484	332,933	397,973
Interest expense charged	59,720	63,157	35,569	38,945
Interest paid	(60,185)	(62,964)	(35,569)	(38,945)
Principal elements of lease payments	(92,784)	(155,641)	(76,314)	(65,040)
Currency translation difference	463	(193)	-	-
Additions	45,723	-	30,035	-
	<u>721,303</u>	<u>750,843</u>	<u>286,654</u>	<u>332,933</u>
Amounts recognised in the statement of profit or loss				
Depreciation charge of right-of-use assets	181,474	178,309	94,321	93,438
Interest expense	59,720	63,157	35,569	38,945
	<u>241,194</u>	<u>241,466</u>	<u>129,890</u>	<u>132,383</u>
25 Other liabilities				
Outstanding bankers' cheques	23,543	26,438	15,820	20,433
*Derivative financial instruments	23,556	13,200	23,556	13,200
Other payables and accrued expenses	956,809	472,333	412,382	178,514
**Accrued tax liability	51,457	46,258	-	-
	<u>1,055,365</u>	<u>558,229</u>	<u>451,758</u>	<u>212,147</u>

*Derivative financial instruments in the current year relates to fair value losses on exchange derivatives consisting of currency forwards and currency swaps contracts.

**Accrued tax liability relates to outstanding WHT and reverse-charge VAT due to URA on payments made to foreign suppliers by GTBank Uganda

26 Share capital

	Number of shares	Ordinary shares Shs'000	Share premium Shs'000	Total Shs'000
At 1 January and 31 December 2020	1,280,934	1,280,934	4,225,323	5,506,257
At 1 January and 31 December 2019	<u>1,280,934</u>	<u>1,280,934</u>	<u>4,225,323</u>	<u>5,506,257</u>

Notes (continued)

27 Statutory reserve

	Group		Bank	
	31-Dec-20 Shs'000	31-Dec-19 Shs'000	31-Dec-20 Shs'000	31-Dec-19 Shs'000
At start of year	28,349	-	-	-
Transfer (to)/ from retained earnings	407,116	28,349	382,371	-
At end of year	435,465	28,349	382,371	-

The statutory reserve represents an appropriation from retained earnings to comply with the Central Banks Prudential Regulations on impairment charges on loans and advances of the respective countries in which the Group operates. The balance in the reserve represents the excess of impairment provisions determined in accordance with the Prudential Regulations over the impairment provisions recognized in accordance with the International Financial Reporting Standards.

28 Other reserves

	Group			Total	Bank
	Fair value on available for sale assets	Revaluation reserves	Currency translation reserve		Fair value on available for sale assets
Year ended 31 December	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
2019					
At start of year:	2,616	68,623	(427,002)	(355,763)	2,616
Fair value gain on FVTOCI assets	7,416	-	-	7,416	7,416
Currency translation differences	-	-	(12,845)	(12,845)	-
At end of year:	10,032	68,623	(439,847)	(361,192)	10,032
2020					
At start of year:	10,032	68,623	(439,847)	(361,192)	10,032
Fair value gain on FVTOCI assets	7,688	-	-	7,688	7,688
Currency translation differences	-	-	131,804	131,804	-
Revaluation reserves	-	(22,614)	-	(22,614)	-
At end of year:	17,720	46,009	(308,043)	(244,314)	17,720

Notes (continued)

29 Off-balance sheet financial instruments, contingent liabilities and commitments

In common with other banks, the Group conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. In addition, there are other off-balance sheet financial instruments including forward contracts for the purchase and sale of foreign currencies, the nominal amounts for which are not reflected in the balance sheet.

	Group		Bank	
	31-Dec-20 Shs'000	31-Dec-19 Shs'000	31-Dec-20 Shs'000	31-Dec-19 Shs'000
- Acceptances and letters of credit	2,130,793	1,931,355	919,633	1,151,743
- Guarantees and performance bonds	5,432,331	4,615,377	1,384,907	1,043,184
	<u>7,563,124</u>	<u>6,546,732</u>	<u>2,304,540</u>	<u>2,194,927</u>

Nature of contingent liabilities

An acceptance is an undertaking by a bank 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.

Operating lease commitments

	Group		Bank	
	31-Dec-20 Shs'000	31-Dec-19 Shs'000	31-Dec-20 Shs'000	31-Dec-19 Shs'000
Not later than one year	110,584	118,882	110,584	110,584
Later than 1 year and not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
	<u>110,584</u>	<u>118,882</u>	<u>10,584</u>	<u>110,584</u>

Other Commitments

Undrawn formal stand-by facilities, credit lines and other commitments to lend	2,486,628	1,837,125	1,810,075	1,286,484
Foreign exchange forward and swap contracts	1,756,379	972,562	1,756,379	972,562
	<u>4,243,007</u>	<u>2,809,687</u>	<u>3,566,454</u>	<u>2,259,046</u>

Nature of contingent liabilities

Commitments to lend are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The bank may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customers

Notes (continued)

29 Off-balance sheet financial instruments, contingent liabilities and commitments (continued)

Nature of contingent liabilities (continued)

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 rate.

30 Analysis of cash and cash equivalents as shown in the cash flow statement

	Group		Bank	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
	Shs'000	Shs'000	Shs'000	Shs'000
Cash and balances with Central Banks (Note 12)	5,064,962	4,114,132	1,409,593	1,058,681
Less: Cash reserve ratio	(1,240,207)	(1,297,598)	(872,577)	(879,122)
Government securities maturing within 90 days of the date of acquisition (Note 13)	3,503,826	2,690,843	2,013,344	1,250,200
Balances due from other banks (Note 14)	2,843,024	1,608,827	932,948	301,268
Deposits due to other banks (Note 23)	(2,466)	(1,588,480)	(2,466)	(1,474,504)
	<u>10,169,139</u>	<u>5,527,724</u>	<u>3,480,842</u>	<u>256,523</u>

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with central banks, treasury bills and other eligible bills, and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Central Banks.

Banks are required to maintain a prescribed minimum cash balance with the Central Bank of Kenya that is not available to finance the bank's day-to-day activities. The amount is determined as 4.25% (2019: 5.25%) of the average outstanding customer deposits over a cash reserve cycle period of one month.

31 Related party transactions

The Bank is controlled by Guaranty Trust Bank Plc registered in Nigeria with a 70% shareholding in the bank. The ultimate parent and ultimate controlling party is Guaranty Trust Bank Plc.

In the normal course of business, current accounts are operated and placements made between the group companies and other related parties (Other Shareholders, directors and associates) at interest rates in line with market. The relevant balances at the end of the year and income/ expense thereon are shown below:

	Group		Bank	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
(a) Amounts due:	Shs'000	Shs'000	Shs'000	Shs'000
From group companies	374,932	1,034,222	39,760	13,554
From other related parties	1,239	4,436	1,239	2,702
Interest income earned	<u>2,995</u>	<u>22,530</u>	<u>2,050</u>	<u>580</u>

Due from group companies includes balances due from GTBank UK; Shs 344.3MM (2019: Shs 874 MM) GTBank PLC; Shs 28 MM (2019: Shs 120 MM) and GTBank TZ; Shs 0 MM (2019: Shs 41 MM)

Notes (continued)

31 Related party transactions (continued)

(b) Amounts due to:	Group		Bank	
	31-Dec-20 Shs'000	31-Dec-19 Shs'000	31-Dec-20 Shs'000	31-Dec-19 Shs'000
Group companies	2,421	-	2,419	685,872
Other related parties	1,622,181	1,408,629	1,577,666	1,404,354
Interest expense incurred	4,814	3,405	4,809	3,405

(c) Loans to directors and their associates

Advances to customers at 31 December 2020 include loans to directors, loans to companies controlled by directors and their associates, and loans to employees as follows:

	Group		Bank	
	31-Dec-20 Shs'000	31-Dec-19 Shs'000	31-Dec-20 Shs'000	31-Dec-19 Shs'000
At start of year	4,435	12,049	2,702	7,932
Repayments	(5,365)	(8,776)	(3,513)	(5,810)
Interest charged	2,232	1,162	2,050	580
At end of year	1,302	4,435	1,239	2,702
Interest income earned	2,232	1,162	2,050	580

At 31 December 2020, advances to companies controlled by directors and their associates amounted to Shs 1 million (2019: Shs 4 million).

At 31 December 2020 advances to employees amounted to Shs 13 million (2019: Shs 23 million).

Notes (continued)

31 Related party transactions (continued)

(d) Deposits by directors and their associates

	Group		Bank	
	31-Dec-20 Shs'000	31-Dec-19 Shs'000	31-Dec-20 Shs'000	31-Dec-19 Shs'000
At start of year	1,400,528	1,521,470	1,404,354	1,520,990
Net movement	19,421	(181,342)	(6,792)	(177,036)
Interest credited	71,978	60,400	71,978	60,400
At end of year	1,491,927	1,400,528	1,469,540	1,404,354
Interest expense incurred	71,978	60,400	71,978	60,400

(e) Key management compensation

Salaries and other short-term employment benefits	240,628	200,038	105,332	77,484
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(f) Directors' remuneration

Fees for services as a director	45,090	46,465	17,426	23,373
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(g) Payments to the group for shared services

Payments relate to shared services costs for use of proprietary assets of Guaranty Trust Bank plc and advertising charges which are reimbursed on a monthly basis as part of operating expenses. The costs for the year are as follows:

	Group		Bank	
	31-Dec-20 Shs'000	31-Dec-19 Shs'000	31-Dec-20 Shs'000	31-Dec-19 Shs'000
IT Related costs	51,003	20,230	30,844	17,459
Communication and Advertising	34,119	25,484	10,348	6,547
Electronic Channels	41,787	31,295	27,429	19,641
	126,908	77,009	68,621	43,647

32 Events after balance sheet date

There are no material events that have occurred after the reporting date which require to be disclosed.