GTBank

Guaranty Trust Bank (Kenya) Ltd

GUARANTY TRUST BANK (KENYA) LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 DECEMBER 2021

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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. Waceke Nduati**		Independent Non Executive Director
Mr. Olabayo Veracruz	(Nigerian)	Chief Executive Officer

KEY MANAGEMENT

Mr. Olabayo Veracruz	(Nigerian)	Chief Executive Officer
Mr. Ayodele Opeyemi Popoola	(Nigerian)	Chief Operating Officer
Ms. Angela Koech		Regional CFO, East Africa
Mr. Villupuram Abiraman		Head, Commercial Banking
Mr. Peter Kimani		Head, Corporate Banking
Ms. Caroline Tegek		Head, Treasury
Mr. Teddy Donat		Head, Credit
Mr. Michael Oriang'		Head, Information Technology
Ms. Virginia Angwenyi		Head, Risk and Compliance
Ms. Jane Mukundi		Head, Human Resources

BOARD CREDIT COMMITTEE

Mr. John Mark Wandolo	Chairman
Mr. Julius Olusegun Agbaje	Member
Mr. Ademola Ayodeji Odeyemi*	Member (Resigned 30 April 2021)
Mr. Hanish Chandaria	Member
Mr. Nalinkumar Narshi Shah	Member

BOARD AUDIT COMMITTEE

Mr. Nalinkumar Narshi Shah	Chairman
Mr. Ademola Ayodeji Odeyemi*	Member (Resigned 30 April 2021)
Mr. John Mark Wandolo	Member

BOARD RISK MANAGEMENT COMMITTEE

Mr. Nalinkumar Narshi Shah	Chairman
Mr. Julius Olusegun Agbaje	Member
Ms. Waceke Nduati**	Member
Mr. Ademola Ayodeji Odeyemi*	Member (Resigned 30 April 2021)

BOARD HUMAN RESOURCE COMMITTEE

Mr. John Mark Wandolo	Chairman
Mr. Hanish Chandaria	Member
Ms. Waceke Nduati**	Member

* Mr. Ademola Odeyemi resigned as a Non Executive Director effective April 30, 2021

**Ms. Waceke Nduati joined as an Independent Non Executive Director effective March 12, 2021

REGISTERED OFFICE	Sky Park Towers Plot 1870/IX/167 Woodvale Close - Westlands P.O. Box 20613 Nairobi - 00200
AUDITOR	Deloitte & Touche LLP Deloitte Place Waiyaki way, Muthangari P.O. Box 40092 - GPO 00100 Nairobi, Kenya
PRINCIPAL LEGAL ADVISORS	Macharia Mwangi & Njeru Advocates ACK Garden Annex 1st Ngong Avenue P.O. Box 10627 Nairobi - 00100
	Iseme Kamau & Maema Advocates IKM Place, 5th Floor, 5th Ngong Avenue P.O. Box 11866 Nairobi - 00400
	G&A Advocates LLP Avenue 5 Building, 4th Floor Rose Avenue, Off Lenana Road P.O. Box 22966 Nairobi - 00100
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

KENYA

HEAD OFFICE
Sky Park Towers, Plot 1870/IX/167
Woodvale Close - Westlands
P.O. Box 20613, Nairobi - 00200
Tel: +254 703084000
emailke@gtbank.com

THIKA BRANCH

Kigio Plaza, Kwame Nkrumah St.
P.O. Box 20613, Nairobi - 00200
Tel: +254 703084230
E-mail: thika@gtbank.com

NANYUKI BRANCH

Kenyatta Street
P.O. Box 20613, Nairobi - 00200
Tel: +254 703084481
E-mail: nanyuki@gtbank.com

KIMATHI BRANCH
Kimathi Street
P.O. Box 20613, Nairobi - 00200
Tel: +254 703084455
kimathi@gtbank.com

WESTLANDS BRANCH
Apic Centre, Parklands Ring Road
P.O. Box 20613, Nairobi - 00200
Tel: +254 703084470
E-mail: westlands@gtbank.com

MOMBASA BRANCH
Pan African Building, Moi Avenue
P.O. Box 90089, Mombasa - 80100
Tel: +254 703084232
E-mail: msa@gtbank.com

INDUSTRIAL AREA BRANCH
Enterprise/Bamburi Road
P.O. Box 20613, Nairobi - 00200
Tel: +254 703084490
E-mail: iab@gtbank.com

KAREN BRANCH
Africa Reit House, Karen
P.O. Box 20613, Nairobi - 00200
Tel: +254 703084400, 703084403
Email: karen@gtbank.com

SKY PARK BRANCH
Sky Park Towers, Plot 1870/IX/167
Woodvale Close - Westlands
P.O. Box 20613, Nairobi - 00200
Tel: +254 703084580
E-mail:skypark@gtbank.com

NAKURU BRANCH
Polo Centre Kenyatta Avenue
P.O. Box 20613, Nairobi - 00200
Tel: +254 703084369
E-mail: nakuru@gtbank.com

BRANCHES

RWANDA

HEAD OFFICE BRANCH
MIC Building. KN 2, Ave 1370
Kigali
P.O. Box 331, Kigali
Telephone: (+250) 0252 598600
Fax: (+250) 0252 573486
E-mail: info@gtbank.com

NGOMA BRANCH

P.O. Box 331, Kigali
Telephone: (+250) 788149717/8
Fax: (+250) 0252 566394
E-mail: info@gtbank.com

MUSANZE BRANCH

P.O. Box 331, Kigali
Telephone: (+250) 788149709/10
Fax: (+250) 0252 547106
E-mail: info@gtbank.com

REMERA BRANCH
P.O. Box 331, Kigali
Telephone: (+250) 788149701/2
Fax: (+250) 0252 580045
E-mail: info@gtbank.com

KARONGI BRANCH
P.O. Box 331, Kigali
Telephone: (+250) 788149721/2
Fax: (+250) 0252 568203
E-mail: info@gtbank.com

RUBAVU BRANCH
P.O. Box 331, Kigali
Telephone: (+250) 788149713/4
Fax: (+250) 0252 566394
E-mail: info@gtbank.com

MUHANGA BRANCH
P.O. Box 331, Kigali
Telephone (+250) 788149705/6
Fax: (+250) 0252 562796
E-mail: info@gtbank.com

KIGALI CITY MARKET BRANCH
P.O. Box 331, Kigali
Telephone: (+250) 788149735/6
Fax: (+250) 0252 573486
E-mail: info@gtbank.com

RUSIZI BRANCH
P.O. Box 331, Kigali
Telephone: (+250) 788149731/2
Fax : (250) 0252 573486
E-mail: info@gtbank.com

NYABUGOGO BRANCH
P.O. Box 331, Kigali
Telephone: (+250) 788149728/9
Fax: (+250) 0252 573486
E-mail: info@gtbank.com

GISOZI BRANCH
P.O. Box 331, Kigali
Telephone: (+250) 788149756/7
Fax: (+250) 0252 566394
E-mail: info@gtbank.com

KAYONZA BRANCH
P.O. Box 331, Kigali
Telephone: (+250) 788149744/5
Fax: (+250) 0252 566394
E-mail: info@gtbank.com

KIMIRONKO BRANCH
P.O. Box 331, Kigali
Telephone: (+250) 788149753/4
Fax: (+250) 0252 566394
E-mail: info@gtbank.com

KICUKIRO BRANCH
P.O. Box 331, Kigali
Telephone: (+250) 788149747/9
Fax: (+250) 0252 566394
E-mail: info@gtbank.com

BRANCHES

UGANDA

HEAD OFFICE

Plot 56 Kiira Road

P.O. Box 7323 Kampala
Tel: (+256) 414 237284/237305
Fax: (+256) 414 237 305
E-mail: bankingug@gtbank.com

INDUSTRIAL AREA BRANCH

Plot 13 Mulwana road

P.O. Box 7323 Kampala
Tel: (+256) 414 341374
Fax: (+256) 414 237 305
E-mail: bankingug@gtbank.com

KYALIWAJJALA BRANCH
Plot 31 Kyaliwajjala, Namugongo Road.
P.O. Box 7323 Kampala
Tel: (+256) 4660647/4660485
Fax: (+256) 414 237 305
E-mail: bankingug@gtbank.com

NAKIVUBO ROAD BRANCH

Plot 34/38 Nakivubo Rd

P.O. Box 7323 Kampala

Tel: (+256) 414 233813/812

Fax: (+256) 414 237 305
E-mail: bankingug@gtbank.com

COLVILLE STREET
Plot 5/6 Colville Street,Labonita Building
P.O. Box 7323 Kampala

Tel: (+256) 417 718563

Fax: (+256) 414 237 305
E-mail: bankingug@gtbank.com

MBARARA BRANCH

Plot 52/54 High Street

P.O. Box 242 Mbarara
Telephone: (+256) 485 421255/246
Fax: (+256) 414 237 305
E-mail: bankingug@gtbank.com

MAKERERE UNIVERSITY BRANCH
Infectious Diseases Institute Building
P.O Box 7323 Kampala,
Tel: (+256) 417 718568
Fax:+256 (0) 414 237 305
E-mail: bankingug@gtbank.com

BUGANDA ROAD BRANCH

Plot 7 Buganda Road

P.O. Box 7323 Kampala
Tel: (+256) 414 237284/237305
Fax: (+256) 414 237 305
E-mail: bankingug@gtbank.com

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 Nomination and Compensation Committee, 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 and Credit committees as at 31 December 2021 is detailed below:

	Board	Audit	Risk	Credit	HR
Mr. Dhanji Hansraj Chandaria	100%	-	-	-	-
Mr. Nalinkumar Narshi Shah	100%	100%	100%	100%	-
Mr. Hanish Chandaria	100%	-	-	100%	100%
Mr. Julius Olusegun Agbaje	100%	-	100%	100%	-
Mr. Ademola Ayodeji Odeyemi	100%	100%	100%	100%	-
Mr. John Mark Wandolo	100%	100%	-	100%	100%
Ms. Waceke Nduati**	100%	-	75%	-	100%
Mr. Olabayo Veracruz	100%	100%	100%	100%	100%
Average Attendance	100%	100%	95%	96%	100%

* Mr. Ademola Odeyemi resigned as an Executive Director effective April 30, 2021

**Ms. Waceke Nduati joined as an Independent Non-Executive Director effective March 12, 2021

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 2021.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

In the year 2021, the group registered improved performance compared to 2020. This was supported by increased economic activity following the reopening of the East Africa countries' economies in 2021 compared to 2020 during the height of the Covid 19 pandemic.
In the year 2021, the total assets for the group stood at Shs 54.58 billion, a 12% growth from Shs 48.55 billlion in December 2020. Customer deposits grew by 8.6 % to close at Shs 40.73 billion whereas the loan book grew by 15% to close as at Shs 24.59 billion primarily driven by loan disbursements in GTBank Kenya. Notably, government securities increased by Shs 1.4 billion to close at Shs 16.96 billion as a result of effective utilization of excess liquidity.
During the year, the group recorded profit before tax of Shs 1.838 billion, which is a 65% increase from the profit before tax of Shs 1.114 billion that was recorded in 2020. This growth is attributable to recoveries of the economies across East Africa, improved balance sheet management, increase in non-funded income, as well as operational efficiency. Non funded income attained a growth of 18 % year on year this was driven by FX income and transactions related fees and commissions.
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;

	Group	Group	Bank	Bank
Performance ratios	**2021**	**2020**	**2021**	**2020**
Net interest margin	8%	7%	7%	7%
Return on asset	4%	2%	3%	2%
Return on equity	19%	13%	10%	5%
Cost to income ratio	47%	55%	43%	49%

The net profit for the year of Shs 1.234 billion (2020: Shs 815 million) has been added to retained earnings.

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

DIVIDENDS
The directors recommend the approval of a dividend in respect of the year ended 31 December 2021 of Shs 264 (2020: Nil) of Shs 338.69 million (2020: Nil).

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 LLP 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.

By order of the board

Director

22 March **2022**

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 Group 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 Group keeps proper accounting records that are sufficient to show and explain the transactions of the Group; disclose with reasonable accuracy at any time the financial position of the Group; and that enables them to prepare financial statements of the Group 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 Group ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group'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 22 March 2022 and signed on its behalf by:

Mr. Olabayo Veracruz
Director

Mr. Nalinkumar Narshi Shah
Director

Deloitte.

Deloitte & Touche LLP
Deloitte Place
Waiyaki Way, Muthangari
P.O. Box 40092- GPO 00100
Nairobi
Kenya

Tel: +254 (20) 423 0000
Cell:+254 719 039 000
Dropping Zone No. 92
Email: admin@deloitte.co.ke
www.deloitte.com

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

Report on the audit of the consolidated and separate 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 115, each of which comprise the consolidated and separate statements of financial position statement of financial position as at 31 December 2021 and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and of the Bank as at 31 December 2021 and its consolidated and separate financial performance and its consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 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 consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate 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.

MAKING AN IMPACT THAT MATTERS since 1845

Report on the audit of the consolidated and separate financial statements (continued)

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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 on other matters prescribed by the Kenyan Companies Act, 2015

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

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Charles Munkonge Luo, Practising certificate No. 2294.**

CharlesLuo

For and on behalf of Deloitte & Touche LLP

Certified Public Accountants (Kenya)

Nairobi

31 March **2022**

Consolidated Statement of profit or loss and other comprehensive income

	Note	2021 Shs'000	2020 Shs'000
Interest income	5	4,841,525	4,168,647
Interest expense	6	(1,249,576)	(1,219,604)
Net interest income		**3,591,949**	**2,949,043**
Fees and commission income	7(a)	570,541	550,757
Fees and commission expense	7(b)	(154,714)	(167,282)
Net fees and commission income		**415,827**	**383,475**
Other operating income	8	319,489	26,280
Foreign exchange income	8	488,338	465,048
Credit impairment losses	15(ii)	(719,234)	(615,196)
Operating expenses	9	(2,257,480)	(2,094,439)
Profit before income tax		**1,838,889**	**1,114,211**
Current income tax	11	(459,768)	(453,677)
Deferred income tax	11	(144,578)	154,543
Profit for the year		**1,234,543**	**815,077**
Other Comprehensive Income:			
Items that may be subsequently reclassified to profit or loss			
Fair value changes on financial assets held at fair value through other comprehensive income	28	(9,150)	10,983
Deferred income tax		2,745	(3,295)
Currency translation differences		93,836	133,566
Other comprehensive loss, net of tax		87,431	141,254
Total comprehensive income for the year		**1,321,974**	**956,331**
Profit or loss attributable to:			
Equity holders of the Company		1,216,546	801,839
Non-controlling interest		17,997	13,238
		1,234,543	**815,077**
Total comprehensive income attributable to:			
Equity holders of the company		1,303,737	941,332
Non-controlling interest		18,236	14,999
Total comprehensive income for the year		**1,321,974**	**956,331**

Separate Statement of profit or loss and other comprehensive income

	Note	2021	2020
		Shs'000	Shs'000
Interest income	5	3,011,647	2,548,580
Interest expense	6	(979,163)	(915,095)
Net interest income		**2,032,484**	**1,633,485**
Fees and commission income	7(a)	203,054	178,522
Fees and commission expense	7(b)	(55,388)	(75,222)
Net fees and commission income		**147,666**	**103,300**
Other operating income	8	149,802	4,273
Foreign exchange income	8	201,107	200,792
Credit impairment losses	15(ii)	(549,144)	(502,039)
Operating expenses	9	(1,080,324)	(946,421)
Profit before income tax		**901,591**	**493,390**
Current income tax	11	(180,525)	(264,238)
Deferred income tax	11	(156,577)	144,449
Profit for the year		**564,489**	**373,601**
Other Comprehensive Income:			
Items that may be subsequently reclassified to profit or loss			
Fair value changes on financial assets held at fair value through other comprehensive income	28	(9,150)	10,983
Deferred income tax		2,745	(3,295)
Other comprehensive loss, net of tax		(6,405)	7,688
Total comprehensive income for the year		**558,084**	**381,289**

Consolidated Statement of financial position

	Notes	2021 Shs'000	2020 Shs'000
Assets			
Cash and balances with the Central Bank of Kenya	12	5,820,555	5,064,962
Deposits and balances due from other banks	14	3,969,793	2,843,024
Financial Assets held at amortized cost	13	8,631,377	7,414,778
Financial Assets held at FVTOCI	13	8,331,179	8,189,194
Due from group companies	31	462,800	374,932
Loans and advances to customers	15	24,591,880	21,356,171
Current income tax	11	47,352	-
Other assets	21	914,739	1,054,008
Property and equipment	17	570,912	665,369
Intangible assets	18	223,108	290,405
Right-of-use asset	19	519,733	681,752
Deferred income tax	20	494,322	612,690
Total assets		**54,577,750**	**48,547,285**
Liabilities			
Deposits and balances due to other banks	23	162,623	2,466
Deposits from customers	22	40,725,926	37,487,728
Due to group companies	31	3,011	2,421
Current income tax	11	-	111,030
Other liabilities	25	921,537	1,055,365
Borrowing	32	1,701,302	-
Lease liabilities	24	574,405	721,303
Total liabilities		**44,088,804**	**39,380,313**
Capital and reserves			
Share capital	26	1,280,934	1,280,934
Share premium	26	4,225,323	4,225,323
Statutory reserve	27	477,111	435,465
Other reserves	28	(157,121)	(244,314)
Retained earnings		4,223,287	3,387,079
Proposed Dividend	34	338,692	-
		10,388,226	9,084,487
Non-controlling interest		100,720	82,485
Total equity		**10,488,946**	**9,166,972**
Total equity and liabilities		**54,577,750**	**48,547,285**

The financial statements on pages 15 to 115 were approved for issue by the Board of Directors on 22 March 2022 and signed on its behalf by:

Olabayo Veracruz
Director

Nalinkumar Narshi Shah
Director

Dhanji Hansraj Chandaria
Director

Separate Statement of financial position

	Notes	2021 Shs'000	2020 Shs'000
Assets			
Cash and balances with the Central Bank of Kenya	12	1,283,784	1,409,593
Deposits and balances due from other banks	14	806,312	932,948
Financial Assets held at amortized cost	13	2,508,275	2,390,662
Financial Assets held at FVTOCI	13	8,331,179	8,189,194
Due from group companies	31	26,349	39,760
Loans and advances to customers	15	16,648,976	13,081,715
Investment in subsidiary	16	3,375,990	3,375,990
Current income tax	11	110,137	-
Other assets	21	476,139	775,530
Property and equipment	17	185,629	259,682
Intangible assets	18	82,160	114,168
Right-of-use asset	19	188,426	272,548
Deferred income tax	20	295,407	449,239
Total assets		**34,318,763**	**31,291,029**
Liabilities			
Deposits and balances due to other banks	23	-	2,466
Deposits from customers	22	22,315,115	21,313,800
Due to group companies	31	96,181	2,419
Current income tax	11	-	44,902
Other liabilities	25	245,479	451,758
Borrowings	32	1,701,302	-
Lease liabilities	24	213,572	286,654
Total liabilities		**24,571,649**	**22,101,999**
Capital and reserves			
Share capital	26	1,280,934	1,280,934
Share premium	26	4,225,323	4,225,323
Statutory reserve	27	414,966	382,371
Other reserves	28	11,315	17,720
Retained earnings		3,475,884	3,282,682
Proposed Dividend	34	338,692	-
Total equity		**9,747,114**	**9,189,030**
Total equity and liabilities		**34,318,763**	**31,291,029**

The financial statements on pages 15 to 115 were approved for issue by the Board of Directors on 22 March 2022 and signed on its behalf by:

I.O. Veracruz

Olabayo Veracruz
Director

Dhanji Hansraj Chandaria
Director

Nalinkumar Narshi Shah
Director

Consolidated Statement of changes in equity

	Notes	Share capital	Share premium	Retained earnings	Regulatory reserve	Proposed Dividends	Other reserves	Total	Non-Controlling interest	Total Equity
		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
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:										
Profit for the year		-	-	801,839	-	-	-	801,839	13,238	815,077
Other comprehensive losses		-	-	(384,501)	407,116	-	116,878	139,493	1,761	141,254
Total comprehensive income		-	-	417,338	407,116	-	116,878	941,332	14,999	956,331
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**
Year ended 31 December 2021										
At start of year		1,280,934	4,225,323	3,387,079	435,465	-	(244,314)	9,084,487	82,485	9,166,972
Total comprehensive Income for the year:										
Profit for the year		-	-	1,216,546	-	-	-	1,216,546	17,997	1,234,543
Other comprehensive income		-	-	(41,646)	41,646	-	87,193	87,193	238	87,431
Total Comprehensive income		-	-	1,174,900	41,646	-	87,193	1,303,739	18,235	1,321,974
Proposed dividends		-	-	(338,692)	-	338,692	-	-	-	-
At the end of the year		**1,280,934**	**4,225,323**	**4,223,287**	**477,111**	**338,692**	**(157,121)**	**10,388,226**	**100,720**	**10,488,946**

Separate Statement of changes in equity

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Regulatory reserve Shs'000	Proposed dividends Shs'000	Other reserves Shs'000	Total Equity Shs'000
Year ended 31 December 2020								
At start of year		1,280,934	4,225,323	3,291,452	-	-	10,032	8,807,741
Total comprehensive Income for the year:								
Profit for the year		-	-	373,601	-	-	-	373,601
Other comprehensive income		-	-	-	-	-	7,688	7,688
Total comprehensive income		-	-	373,601	-	-	7,688	381,289
Transfer to regulatory reserves		-	-	(382,371)	382,371	-	-	-
At the end of the year		**1,280,934**	**4,225,323**	**3,282,682**	**382,371**	**-**	**17,720**	**9,189,030**
Year ended 31 December 2021								
At start of year		1,280,934	4,225,323	3,282,682	382,371	-	17,720	9,189,030
Total comprehensive Income for the year:								
Profit for the year		-	-	564,489	-	-	-	564,489
Other comprehensive income/(loss)		-	-	-	-	-	(6,405)	(6,405)
Total comprehensive income		-	-	564,489	-	-	(6,405)	558,084
Transfer to regulatory reserves		-	-	(32,595)	32,595	-	-	-
Proposed dividends		-	-	(338,692)	-	338,692	-	-
At the end of the year		**1,280,934**	**4,225,323**	**3,475,884**	**414,966**	**338,692**	**11,315**	**9,747,114**

Consolidated statement of cash flows

	Notes	2021 Shs'000	2020 Shs'000
Cash flows from operating activities			
Interest receipts		4,710,567	3,875,063
Interest payments		(1,240,137)	(1,219,604)
Net fee and commission receipts		415,827	383,475
Other income received		488,338	465,048
Recoveries from loans previously written off		313,495	23,683
Payments to employees and suppliers		(1,826,658)	(1,667,186)
Income tax paid	11	(619,228)	(504,426)
Cash flows generated from operating activities before changes in operating assets -and liabilities		2,242,204	1,356,053
Changes in operating assets and liabilities:			
Loans and advances		(3,823,988)	(961,022)
Cash reserve requirement		(115,301)	57,391
Government securities		1,726,045	(3,147,396)
Other assets		139,415	(323,212)
Customer deposits		3,238,198	6,637,166
Other liabilities		(133,588)	497,136
Due from group companies		(87,278)	661,711
Net cash generated from operating activities		**3,185,707**	**4,777,827**
Cash flows from investing activities			
Purchase of property and equipment	17	(66,943)	(134,875)
Purchase of intangible assets	18	(13,255)	(26,411)
Proceeds from sale of property and equipment		678	2,597
Net cash used in investing activities		**(79,520)**	**(158,689)**
Cash flows from financing activities			
Borrowing		1,701,000	-
Payments of principal portion of the lease liability	24	(181,204)	(129,704)
Net cash used in financing activities		**1,519,796**	**(129,704)**
Net increase in cash and cash equivalents		4,625,983	4,489,434
Cash and cash equivalents at start of year		10,169,139	5,553,526
Effects of foreign currency translation		65,550	126,179
Cash and cash equivalents at end of year	30	**14,860,672**	**10,169,139**

Separate Statement of cash flows

	Notes	2021 Shs'000	2020 Shs'000
Cash flows from operating activities			
Interest receipts		2,958,641	2,254,448
Interest payments		(985,729)	(915,095)
Net fee and commission receipts		147,666	103,300
Other income received		201,107	200,792
Recoveries from loans previously written off		149,660	3,095
Payments to employees and suppliers		(860,269)	(733,450)
Income tax paid	11	(335,564)	(330,565)
Cash flows from operating activities before changes in operating assets -and liabilities		1,275,512	582,525
Changes in operating assets and liabilities:			
Loans and advances		(4,063,371)	254,580
Cash reserve requirement		(46,233)	6,545
Government securities		896,187	(554,416)
Other assets		299,391	(277,632)
Customer deposits		1,001,315	3,855,831
Other liabilities		(206,279)	239,611
Due to group companies		107,173	(709,659)
Net cash (used in)/generated from operating activities		**(736,305)**	**3,397,385**
Cash flows from investing activities			
Purchase of property and equipment	17	(11,960)	(96,340)
Purchase of intangible assets	18	(4,291)	(1,691)
Proceeds from sale of property and equipment		430	1,178
Net cash used in investing activities		**(15,821)**	**(96,752)**
Cash flows from financing activities			
Borrowing	32	1,701,000	-
Payments of principal portion of the lease liability	24	(89,159)	(76,314)
Net cash used in financing activities		**1,611,841**	**(76,314)**
Net increase in cash and cash equivalents		859,715	3,224,319
Cash and cash equivalents at start of year		3,480,842	256,523
Cash and cash equivalents at end of year	30	**4,340,557**	**3,480,842**

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 immediate parent company of the Bank is Guaranty Trust Bank Ltd, a private limited liability company incorporated in Nigeria whereas the ultimate holding company of the Bank is Guaranty Trust Holding Company Plc which is a public limited liability company incorporated and domiciled in Nigeria and listed in the Nigerian Stock exchange and the London Stock exchange. The consolidated financial statements of the Bank as at and for the year ended 31 December 2021 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 2021 and have been adopted by the Group. Their adoption has not had any material impact on the Group financial statements.

Interest Rate Benchmark Reform – Phase 2 –Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform.

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).
Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

c) Changes in accounting policies and disclosures (continued)

Interest Rate Benchmark Reform – Phase 2 –Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (continued)

IBOR reform Phase 2 provides temporary reliefs that allow the Bank's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Bank to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the Bank may elect on a hedge by hedge basis to reset the cumulative fair value change to zero.
The Bank may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives.
For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the Bank reasonably expects the RFR to become separately identifiable within 24 months. For hedges of groups of items, the Bank is required to transfer to subgroups those instruments that reference RFRs. Any hedging relationships that prior to application of IBOR reform Phase 2, have been discontinued solely due to IBOR reform and meet the qualifying criteria for hedge accounting when IBOR reform Phase 2 is applied, must be reinstated upon initial application.

The amendments did not have material impact on the Group.

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

This standard becomes effective for annual periods beginning on or after 1 June 2021 and early adoption is permitted.

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

The change did not have any material impact to 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 2021, 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.

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 IFRS 3 – Reference to the Conceptual Framework (continued)

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.

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 – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 *Agriculture.* The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

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)

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.
The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted.

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

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

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 (continued)

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still 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 IFRS 9 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

Notes (continued)

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

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

Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Notes (continued)

2 Summary of significant accounting policies (continued)

2.3 Foreign currency translation (continued)

(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.

2.4.1 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.4 Revenue recognition (continued)

2.4.1 Interest income and expense (continued)

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.

2.4.2 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.

2.4.3 Foreign exchange income

Foreign exchange income includes gains and losses from spot and forward contracts and other currency derivatives. Income arises from both the sale and purchase of trading positions, which are achieved through market-making and customer business and from changes in fair value caused by movements in interest and exchange rates and other market variables.

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.

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, which is the trade date or the settlement date.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

2.6.1 Financial assets (continued)

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.

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 and returns. 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

2.6.1 Financial assets (continued)

d) 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 and returns. 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, borrowings, amount due to group companies 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)

2.6.3 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.
The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

2.6.4 Derecognition

Modification of financial assets

With the implementation of IFRS 9 there are new disclosure requirements for modifications. The assessment of whether a modification to a financial asset results in derecognition or not, is relevant as it impacts the assessment of the initial credit risk of a financial asset against which any subsequent significant deterioration in credit risk would be assessed. The Group assesses modifications to financial assets in the following manner:
A loan modification is a permanent change to one or more of the terms of the loan. Enforcing or adopting terms that were present in the original terms of the facility is not a modification. The treatment of a renegotiation or modification of the contractual cash flows of a financial asset depend on whether the modification is done for commercial reasons or because of financial difficulty of the borrower.
Contractual modifications on commercial terms are treated as a new transaction resulting in derecognition of the original financial asset and the recognition of a 'new' financial asset. Any difference between the carrying amount of the derecognised asset and the fair value of the new asset is recognised in profit or loss.

When the Group modifies the contractual conditions due to financial difficulties of the borrower, the asset is not derecognised unless the terms of the contract are substantively changed (such as the inclusion of an equity participation or a substantial change in counterparty). If the asset is not substantially modified, then the gross carrying amount of the financial asset is recalculated to be the present value of the modified cash flows discounted at the original EIR and any gain or loss is recognised in profit or loss as part of the total impairment loss

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.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

2.6.4 Derecognition

Modifications leading to Derecognition (continued)

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).

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Modification of financial liabilities

Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified (taking into account both quantitative and qualitative factors), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Where the terms of an existing liability are not substantially modified, the liability is not derecognised. Costs incurred on such transactions are treated as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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:

Notes (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

2.6.6 Classes of financial instruments (continued)

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 at fair value through other comprehensive income	Debt securities	Treasury bills
				Treasury bonds
			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
			Loans to corporate entities	Overdrafts
				Term loans
		Investment securities - debt instruments	Debt securities HTM	Treasury bonds-HTM
		Investments in Subsidiaries	Investments in Subsidiaries	
	Financial liabilities at amortised cost	Deposits from banks		
		Borrowings		
		Due to group companies		
		Other liabilities		
		Deposits from customers	Retail customers	
			Mid - corporate	
			SMEs	
Off-balance sheet financial Instruments	Loan commitments			
	Guarantees, acceptances and other financial facilities			

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.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

2.6.7 Impairment of financial assets (continued)

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.

2.6.9 Write Off

The Group writes off a loan or a portion of a loan from its balance sheet when it loses control of the co rights over the loan or when all or part of a loan is deemed uncollectible or there is no realistic prc recovery. This normally evident at a stage where-

a) The Group loses control of the contractual rights that comprise the loan or part of the loan as de by a court of law.

b) All forms of securities or collateral have been called, realized, but proceeds failed to cover the enti outstanding.

c) The Group is not able to collect or there is no longer reasonable assurance that the group will c amounts due according to the contractual terms of the loan/advances agreement.

d) The borrower becomes bankrupt

e) Where efforts to collect debt are abandoned for any other reason.

Notes (continued)

2 Summary of significant accounting policies (continued)

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.

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 at each financial year end adjusted prospectively, if appropriate. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

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.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.9 Intangible assets (continued)

a) Goodwill (continued)

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.

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.

A computer software is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of a computer software, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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 and contingent liabilities

Provisions
Provisions for restructuring costs and legal claims are recognised when: The Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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.

Contingent liabilities
Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the statement of financial position but are disclosed unless the outflow of economic resources is remote.

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.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.13 Income tax (continued)

(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.

(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 if 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.16 Leases (continued)

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. 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"**
GTBank Kenya	10.32%	N/A
GTBank Uganda	10.87%	2.75%
GTBank Rwanda	10%	N/A

2.0 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 non-cash 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 2.9. 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 portfolios 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 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 2021, the Group estimated the ECL for these financial assets using using these models 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. If a facility has a rating of 1 or 2 (these are investment grade facilities) it is automatically in stage 1. If there has been an increase of 2 or more in the customer's rating, the facility is categorized as stage 2. After 6 months of satisfactory performance, the loan may be moved to stage 1.

(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 x LGD x 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 2021 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

All Customers			
Macroeconomic Data	**Base**	**Upside**	**Downside**
GDP	6.00%	8.40%	-0.30%
Inflation	5.00%	4.70%	9.64%

The weightings and overall macroeconomic overlay assigned to each economic scenario at 31 December 2021 were as follows:

All Customers			
	Base	**Upside**	**Downside**
Weightings	49%	31%	20%
Overall Macro overlay	0%	3.12%	-3.05%

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)

Overview of modified and forborne loans

'Forbearance' is not an IFRS term, although its concept is based on IFRS 9.5.5.12. As a result of technical guidance published by the European banking Authority (EBA), Banks with significant European operations started to use the terminology in their financial statements. Detailed disclosures below: -

From a risk management point of view, once an asset is forborne or modified due to financial difficulties of the borrower, the Bank's special department for distressed assets continues to monitor the exposure until it exits forbearance, i.e., it is either cured or completely and ultimately derecognised.

The table below includes stage 2 and 3 assets that were modified and, therefore, treated as forborne during the period, with the related modification loss suffered by the Bank.

In Shs '000s	Group		Bank	
	2021	2020	2021	2020
Amortized cost of financial assets modified during the period	2,385,381	3,929,765	1,394,404	2,782,272
Net modification loss	-	-	-	-

The table below shows the gross carrying amount of previously modified financial assets for which loss allowance has changed to Shs 0 ECL measurement during the period.

31 December 2021	**Bank and Group**			
	Post modification		**Pre-modification**	
In Shs '000s	**Gross carrying amount**	**Correspondin g amount**	**Gross carrying amount**	**Correspondin g amount**
Facilities that have cured since modification and are now measured using 12mECL (Stage 1)	-	-	-	-
Facilities that reverted to (Stage 2/3) LTECL having once cured	-	-	-	-

31 December 2020	**Bank and Group**			
	Post modification		**Pre-modification**	
In Shs '000s	**Gross carrying amount**	**Correspondin g amount**	**Gross carrying amount**	**Correspondin g amount**
Facilities that have cured since modification and are now measured using 12mECL (Stage 1)	-	-	-	-
Facilities that reverted to (Stage 2/3) LTECL having once cured	-	-	-	-

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 2021 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%	59%	26%	15%	828
Weightings -10%	39%	36%	25%	(34)

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%	8.12%	-3.05%	(1,918)
Upside overlay -5%	0%	-1.88%	-3.05%	1,918
Downside overlay -10%	0%	3.12%	-13.05%	2,551

(iv) Maximum exposure to credit risk before collateral

	Group		Bank	
	2021	**2020**	**2021**	**2020**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Balances with Central Banks	4,531,098	4,031,791	1,164,847	1,235,710
Government and other securities at amortised cost	8,631,377	7,414,778	2,508,275	2,390,662
Government and other securities at FVOCI	8,331,179	8,189,194	8,331,179	8,189,194
Deposits and balances due from other banks	3,969,793	2,843,024	806,312	932,948
Due from group companies	462,800	374,932	26,349	39,760
Loans and advances to customers	24,591,880	21,356,171	16,648,976	13,081,715
Other assets	914,593	1,054,008	476,139	775,530
Credit exposure relating to off-balance sheet items:				
- Acceptances and letters of credit	3,896,203	1,484,394	2,548,442	919,633
- Guarantees and performance bonds	5,651,181	5,430,507	1,977,576	1,384,907
- Commitments to lend	1,666,076	2,486,628	1,079,652	1,810,075
	62,646,180	**54,665,427**	**35,567,747**	**30,760,134**

The above table represents a worst-case scenario of credit risk exposure to the Group and Bank at 31 December 2021 and 31 December 2020, 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:

- 79% 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	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Stage 1 Loans	20,674,885	16,399,296	14,689,325	10,047,562
Stage 2 Loans	1,449,733	1,007,542	809,981	647,323
Stage 3 Loans	4,075,928	5,612,953	2,354,273	3,866,383
Gross	26,200,546	23,019,791	17,853,579	14,561,268
Less: allowance for impairment (Note 15)	1,608,666	1,663,620	1,204,603	1,479,553
Net	24,591,880	21,356,171	16,648,976	13,081,715

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	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Standard	20,674,885	16,399,296	14,689,325	10,047,562

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	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Past due up to 30 days	799,083	1,118,628	144,848	164,006
Past due 31 – 60 days	165,162	71,899	133,780	42,521
Past due 61 – 90 days	201,088	367,756	163,722	332,776
Past due but not impaired	1,449,733	1,007,542	809,981	647,323

Loans and advances in stage 3

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

	Group		Bank	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Individually assessed impaired loans and advances	4,075,928	5,612,954	2,354,273	3,866,383
Fair value of collateral held	4,137,469	3,563,935	3,203,649	2,635,860

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

2021-Bank

Type of collateral or credit enhancement		Fair value of collateral and credit enhancements held									
Shs "000"	**Maximum Exposure Credit Risk**	**Cash**	**Securities**	**3rd party /gov Guarantees**	**Property**	**Other**	**Total Collateral**	**Surplus Collateral**	**Net exposure**	**% Of exposure subject to collateral requirements**	**Associated ECL**
Financial Assets											
Cash and balances with Central Banks	1,283,784	-	-	-	-	-	-	-	1,283,784	0%	-
Deposits and balances due from banking institutions	806,312						-	-	806,312	0%	
Loans and advances to customers				-							
Corporate Banking	16,458,737	320,122	186,000	-	22,467,058		22,973,181	6,514,444	-	140%	792,648
SME Banking	863,458	78,850	56,000	-	2,992,183		3,127,033	2,263,575	-	362%	13,100
Retail Banking	939,406	678,856		-	272,802		951,657	12,251	-	101%	16,424
	18,261,601	1,077,828	242,000	-	25,732,043	-		8,790,270	-	0%	822,172
Debt Instruments at amortized cost	2,508,275						-	-	-	0%	-
Total financial assets at amortized cost	**22,859,972**	**1,077,828**	**242,000**	**-**	**25,732,043**	**-**	**27,051,871**	**8,790,270**	**2,090,096**		**822,172**
Total financial instruments at fair value through profit and loss	**22,859,972**										
Debt instruments at fair value through OCI	8,331,179								8,331,179	0%	-
Total debt instruments at fair value through OCI	**8,331,179**	**-**	**-**	**-**	**-**	**-**		**-**	**8,331,179**	**0%**	**-**
	31,191,151	**1,077,828**	**242,000**	**-**	**25,732,043**	**-**	**-**	**8,790,270**	**10,421,275**	**0%**	**822,172**
Financial guarantees	1,977,576						-	(1,977,576)	1,977,576	0%	-
Letter of credit for customers	2,548,442						-	(2,548,442)	2,548,442	0%	-
	4,526,018	-	-	-	-	-		(4,526,018)	4,526,018	-	-
Total	**35,717,169**	**1,077,828**	**242,000**	**-**	**25,732,043**	**-**		**4,264,252**	**14,947,293**	**-**	**822,172**

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

2020-Bank

Type of collateral or credit enhancement		Fair value of collateral and credit enhancements held									
Shs "000"	Maximum Exposure Credit Risk	Cash	Securities	3rd party /gov Guarantees	Property	Other	Total Collateral	Surplus Collateral	Net exposure	% Of exposure subject to collateral requirements	Associated ECL
Financial Assets											
Cash and balances with Central Banks	1,409,593	-	-	-	-	-	-	-	1,409,593	0%	
Deposits and balances due from banking institutions	932,948	-	-	-	-	-	-	-	932,948	0%	
Loans and advances to customers											
Corporate Banking	13,472,754	442,430	116,666	-	20,550,463	-	21,109,558	7,636,804	-	157%	1,177,865
SME Banking	692,029	57,310	56,000	-	1,278,758	-	1,392,068	700,039	-	201%	77,911
Retail Banking	1,050,529	204,246	-	-	587,147	-	791,392	(259,136)	259,136	75%	11,568
	15,215,312	703,985	172,666	-	22,416,367	-		8,077,706	259,136	4 %	1,267,345
Debt Instruments at amortised cost	2,390,662	-	-	-	-	-	-	-	2,390,662	0%	-
Total financial assets at amortised cost	**19,948,515**	**703,985**	**172,666**	-	**22,416,367**	-	**22,416,368**	**8,077,706**	**4,992,339**	**433%**	**1,267,345**
Total financial instruments at fair value through profit and loss	**19,948,515**	-	-	-	-	-	-	-	-	-	-
Debt instruments at fair value through OCI	8,189,194	-	-	-	-	-	-	-	8,189,194	0%	-
Total debt instruments at fair value through OCI	**8,189,194**	-	-	-	-	-		-	**8,189,194**	**0%**	-
	28,137,709	**703,985**	**172,666**	-	**22,416,367**	-	-	**8,077,706**	**13,181,533**	**4**	**1,267,345**
Financial guarantees	1,384,907	-	-	-	-	-	-	(1,384,907)	1,384,907	-	-
Letter of credit for customers	919,633	-	-	-	-	-	-	(919,633)	919,633	-	-
Other commitments	-	-	-	-	-	-	-	-	-	-	-
	2,304,540	-	-	-	-	-		**(2,304,540)**	**2,304,540**		-
Total	**30,442,249**	**703,985**	**172,666**	-	**22,416,367**	-	-	**5,773,166**	**15,486,073**		**1,267,345**

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

2021-Group
Type of collateral or credit enhancement

		Fair value of collateral and credit enhancements held									
Shs "000"	**Maximum Exposure Credit Risk**	**Cash**	**Securities**	**3rd party /gov guarantees**	**Property**	**Other**	**Total Collateral**	**Surplus Collateral**	**Net exposure**	**% Of exposure subject to collateral requirements**	**Associated ECL**
Financial Assets											
Cash and balances with Central Banks	5,820,556						-	-	5,820,556	0%	
Deposits and balances due from banking institutions	4,194,210						-	-	4,194,210	0%	
Loans and advances to customers											
Corporate Banking	22,581,144	788,424	186,000	389,601	30,742,132	591,051	32,697,208	10,116,064	-	145%	1,172,642
SME Banking	1,929,930	88,105	56,000		6,129,034	23,977	6,297,116	4,367,186	-	326%	26,475
Retail Banking	1,763,352	744,858			1,903,083	41,854	2,689,795	926,442	-	153%	27,114
	26,274,426	1,621,387	242,000	389,601	38,774,249	656,882	41,689,118	15,409,692	-	624%	1,226,232
Debt Instruments at amortised cost	8,631,375						-	-	8,631,375	0%	-
Total financial assets at amortised cost	**44,920,567**	**1,621,387**	**242,000**	**389,601**	**38,774,249**	**656,882**	**41,689,118**	**15,409,692**	**18,646,140**		**1,226,232**
Total financial instruments at fair value through profit and loss	**44,920,567**										
Debt instruments at fair value through OCI	8,331,179						-	-	-	0%	-
Total debt instruments at fair value through OCI	8,331,179	-	-	-	-	-		-	8,331,179	-	-
	53,251,746	**1,621,387**	**242,000**	**389,601**	**38,774,249**	**656,881**	**-**	**15,409,692**	**26,977,319**		**1,226,232**
Financial guarantees	5,651,181	1,512,183			2,056,071	143,230	3,711,484	(1,939,696)	1,939,696	66%	-
Letter of credit for customers	3,896,203	1,372,209		1,872,066	61,405		3,305,680	(590,524)	590,524	85%	-
Other commitments	586,424						-	(586,424)	586,424	0%	-
	10,133,808	**2,884,391**	**-**	**1,872,066**	**2,117,476**	**143,230**		**(3,116,644)**	**3,116,644**		**-**
Total	**63,385,553**	**4,505,779**	**242,000**	**2,261,667**	**40,891,725**	**800,112**		**12,293,048**	**30,093,963**		**1,226,232**

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

2020-Group
Type of collateral or credit enhancement

		Fair value of collateral and credit enhancements held									
Shs "000"	**Maximum Exposure Credit Risk**	**Cash**	**Securities**	**3rd party /gov Guarantees**	**Property**	**Other**	**Total Collateral**	**Surplus Collateral**	**Net exposure**	**% Of exposure subject to collateral requirements**	**Associat ECL**
Financial Assets											
Cash and balances with Central Banks	5,064,962						-	-	5,064,962	0%	
Deposits and balances due from banking institutions	3,002,094						-	-	3,002,094	0%	
Loans and advances to customers											
Corporate Banking	19,500,543	1,337,793	116,666	416,277	29,742,786		31,613,522	12,112,979	-	162%	1,281,2
SME Banking	2,140,912	172,620	56,000		4,108,881		4,337,501	2,196,589	-	203%	99,4
Retail Banking	1,899,512	268,276			2,280,066		2,548,342	648,829	-	134%	19,4
	23,540,967	1,778,689	172,666	416,277	36,131,733	-	38,499,365	14,958,397	-		1,400,2
Debt Instruments at amortised cost	7,414,777						-	-	7,414,777	0%	
Total financial assets at amortised cost	**39,022,800**	**1,778,689**	**172,666**	**416,277**	**36,131,733**	**-**	**38,499,365**	**14,958,397**	**15,481,833**	**-**	**1,400,2**
Total financial instruments at fair value through profit and loss	**39,022,800**										
Debt instruments at fair value through OCI	8,189,194						-	-	8,189,194		
Total debt instruments at fair value through OCI	**8,189,194**	-	-	-	-	-		-	8,189,194	-	
	47,211,994	**1,778,689**	**172,666**	**416,277**	**36,131,733**	**-**	**-**	**14,958,397**	**23,671,027**	**-**	**1,400,2**
Financial guarantees	5,430,507	1,533,918	-	2,584,852	1,034,360		5,153,129	(277,378)	277,378	95%	
Letter of credit for customers	1,484,394	467,201	-	-	5,364	237,397	709,962	(774,431)	774,431	48%	
Other commitments	676,553	-	-	-	-	-	-	(676,553)	676,553	0%	
	7,591,453	**2,001,119**	**-**	**2,584,852**	**1,039,723**	**237,397**	**-**	**(1,728,362)**	**1,728,362**	**-**	
Total	**54,803,447**	**3,779,808**	**172,666**	**3,001,129**	**37,171,457**	**237,397**	**-**	**13,230,035**	**25,399,389**	**-**	**1,400,2**

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

Group

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECL when the expected value of the collateral, measured using multiple economic scenarios, is greater than the LGD. However, the stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is lower than fair value at the reporting date

2021
Type of collateral or credit enhancement for stage 3 assets

		Fair Value of collateral and credit enhancements held under the base case scenario									
Shs "000"	**Maximum Exposure Credit Risk**	**Cash**	**Securities**	**3rd party /gov Guarantees**	**Property**	**Other**	**Offsetting agreements**	**Surplus Collateral**	**Net exposure**	**% Of exposure subject to collateral requirements**	**Associated ECL**
Loans and advances to customers											
Corporate Banking	2,967,968	-	-	54,705	3,047,001	113,700	3,215,406	247,438	-	108%	944,325
SME Banking	234,909	-	-	-	583,077	-	583,077	348,167	-	248%	33,395
Retail Banking	191,593	-	-	-	155,348	1,808	157,155	(34,438)	34,438	82%	13,416
	3,394,470	-	-	54,705	3,785,426	115,508	3,955,638	561,167	34,438	-	991,135
Debt Instruments at amortized cost	-	-	-	-	-	-	-	-	-	-	-
Total financial assets at amortized cost	**3,394,470**	**-**	**-**	**54,705**	**3,785,426**	**115,508**	**3,955,638**	**561,167**	**34,438**	**-**	**991,135**
Debt instruments at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-
	3,394,470	**-**	**-**	**54,705**	**3,785,426**	**115,508**	**3,955,638**	**561,167**	**34,438**	**-**	**991,135**
Other Commitments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**3,394,470**	**-**	**-**	**54,705**	**3,785,426**	**115,508**	**3,955,638**	**561,167**	**34,438**	**-**	**991,135**

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

2020

Type of collateral or credit enhancement for stage 3 assets

		Fair Value of collateral and credit enhancements held under the base case scenario									
Shs "000"	**Maximum Exposure Credit Risk**	**Cash**	**Securities**	**3rd party /gov Guarantees**	**Property**	**Other**	**Offsetting agreements**	**Surplus Collateral**	**Net exposure**	**% Of exposure subject to collateral requirements**	**Associated ECL**
Loans and advances to customers											
Corporate Banking	3,790,117	-	-	65,907	3,546,836	-	3,612,743	(177,373)	177,373	95%	1,172,532
SME Banking	403,519	-	-	-	857,825	-	857,825	454,306	-	213%	14,755
Retail Banking	269,143	-	-	-	460,713	-	460,713	191,570	-	171%	67,905
	4,462,779	-	-	65,907	4,865,374	-	4,931,281	468,502	177,373	-	1,255,192
Debt Instruments at amortized cost	-	-	-	-	-	-	-	-	-	-	-
Total financial assets at amortized cost	**4,462,779**	-	-	**65,907**	**4,865,374**	-	**4,931,281**	**468,502**	**177,373**	-	**1,255,192**
Debt instruments at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-
	4,462,779	-	-	**65,907**	**4,865,374**	-	**4,931,281**	**468,502**	**177,373**	-	**1,255,192**
Other Commitments	-	-	-	-	-	-	-	-	-	-	-
Total	**4,462,779**	-	-	**65,907**	**4,865,374**	-	**4,931,281**	**468,502**	**177,373**	-	**1,255,192**

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

Bank

2021
Type of collateral or credit enhancement for stage 3 assets

		Fair Value of collateral and credit enhancements held under the base case scenario									
Shs "000"	**Maximum Exposure Credit Risk**	**Cash**	**Securities**	**3rd party /gov Guarantees**	**Property**	**Other**	**Offsetting agreements**	**Surplus Collateral**	**Net exposure**	**% Of exposure subject to collateral requirements**	**Associated ECL**
Loans and advances to customers											
Corporate Banking	2,453,742	-	-	-	2,727,070	-	2,727,070	273,328	-	111%	662,865
SME Banking	42,722	-	-	-	72,400	-	72,400	29,678	-	169%	8,207
Retail Banking	133,812	-	-	-	12,077		12,077	(121,735)	121,735	9%	5,286
	2,630,276	-	-	-	2,811,547	-	2,811,547	181,271	121,735	-	676,358
Debt Instruments at amortized cost	-	-	-	-	-	-	-	-	-	-	-
Total financial assets at amortized cost	**2,630,276**	-	-	-	**2,811,547**	-	**2,811,547**	**181,271**	**121,735**	-	**676,358**
Debt instruments at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-
	2,630,276	-	-	-	**2,811,547**	-	**2,811,547**	**181,271**	**121,735**	-	**676,358**
Other Commitments	-	-	-	-	-	-	-	-	-	-	-
Total	**2,630,276**	-	-	-	**2,811,547**	-	**2,811,547**	**181,271**	**121,735**	-	**676,358**

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

2020
Type of collateral or credit enhancement for stage 3 assets

		Fair Value of collateral and credit enhancements held under the base case scenario									
Shs "000"	**Maximum Exposure Credit Risk**	**Cash**	**Securities**	**3rd party /gov Guarantees**	**Property**	**Other**	**Offsetting agreements**	**Surplus Collateral**	**Net exposure**	**% Of exposure subject to collateral requirements**	**Associated ECL**
Loans and advances to customers											
Corporate Banking	3,382,363	-	-	-	2,918,501	-	2,918,501	(463,862)	463,862	86%	1,068,587
SME Banking	154,645	-	-	-	142,925	-	142,925	(11,720)	11,720	92%	8,273
Retail Banking	190,033	-	-	-	286,625	-	286,625	96,592	-	151%	64,748
	3,727,041	-	-	-	3,348,051	-	3,348,051	(378,990)	475,582	-	1,141,608
Debt Instruments at amortized cost	-	-	-	-	-	-	-	-	-	-	-
Total financial assets at amortized cost	**3,727,041**	-	-	-	**3,348,051**	-	**3,348,051**	**(378,990)**	**475,582**	-	**1,141,608**
Debt instruments at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-
	3,727,041	-	-	-	**3,348,051**	-	**3,348,051**	**(378,990)**	**475,582**	-	**1,141,608**
Other Commitments	-	-	-	-	-	-	-	-	-	-	-
Total	**3,727,041**	-	-	-	**3,348,051**	-	**3,348,051**	**(378,990)**	**475,582**	-	**1,141,608**

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

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

b) Concentration risk

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

(i) Loans and advances

	Group		Bank	
	2021	**2020**	**2021**	**2020**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Manufacturing	6,110,804	5,263,396	4,196,829	3,765,784
Wholesale and retail trade	6,418,724	5,436,902	4,286,447	2,618,448
Transport and communications	787,961	626,337	673,183	395,216
Agricultural	1,642,102	808,899	1,582,713	716,956
Hotel, Restaurant and tourism	2,400,269	2,196,995	2,400,269	2,196,995
Social community and other services	3,943,980	2,675,407	2,612,120	2,514,518
Building, Construction and Real Estate	2,722,049	3,173,159	1,572,483	1,635,611
Mining	214,808	514,301	46,852	514,301
Finance and Insurance	791,960	793,687	791,960	793,687
Energy	932,266	627,092	98,746	63,795
Others	643,647	1,557,657	-	-
Gross	**26,608,570**	**23,673,832**	**18,261,602**	**15,215,311**

(ii) Off-balance sheet items

Manufacturing	1,502,155	745,555	1,279,559	381,887
Wholesale and retail trade	1,173,965	686,127	794,721	331,662
Transport and communications	294,356	152,932	161,383	152,932
Business services	1,319,307	340,900	1,042,323	254,048
Agricultural	851,551	120,470	851,418	119,236
Individuals	-	2,869	-	-
Real estate and construction	3,538,640	1,944,064	354,748	379,282
Information and Technology	1,263,971	332,241	8,193	2,547
Mining	57,137	-	-	-
Energy	-	84,758	-	84,758
Others*	33,675	2,504,987	33,675	598,190
Gross	**10,034,757**	**6,914,903**	**4,526,020**	**2,304,542**

*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)

a) Credit risk (continued)

An analysis of risk concentration in gross carrying amounts and corresponding ECL in the loans portfolio by type of lending and industry is presented below:

Group

2021 Loans and advances per industry segment	**Gross carrying amount**				**Allowance for ECL**				**ECL coverage %**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	Shs"000"	**Shs"000"**	**Shs"000"**	**Shs"000"**	**Shs"000"**	**Shs"000"**	**Shs"000"**	**Shs"000"**				
Manufacturing	4,868,103	236,721	1,005,980	6,110,804	39,079	287	382,740	422,106	0.8%	0.1%	38.0%	6.9%
Wholesale and retail trade	6,195,168	148,738	50,894	6,394,800	57,771	4,274	12,901	74,946	0.9%	2.9%	25.3%	1.2%
Transport and communications	1,133,015	17,430	83,694	1,234,139	9,308	396	10,123	19,827	0.8%	2.3%	12.1%	1.6%
Agricultural	1,557,527	31,445	53,130	1,642,102	8,145	951	5,088	14,184	0.5%	0.0%	9.6%	0.9%
Hotel, Restaurant and tourism	1,646,856	35,204	805,952	2,488,012	2,232	825	99,809	102,866	0.1%	0.0%	12.4%	4.1%
Social community and Other services	2,641,407	162,063	293,711	3,097,181	20,859	1,911	7,990	30,760	0.8%	1.2%	2.7%	1.0%
Building, Construction and Real Estate	1,673,324	397,180	633,266	2,703,770	6,914	2,209	206,477	215,600	0.4%	0.6%	32.6%	8.0%
Mining	34,786	168,600	11,423	214,809	2,042	1	14	2,057	5.9%	0.0%	0.1%	1.0%
Finance and Insurance	969,314	3,158	16,956	989,429	20,499	-	5,450	25,949	2.1%	0.0%	32.1%	2.6%
Energy	562,806	25,325	337,743	925,874	1,333	31	300,168	301,532	0.2%	0.1%	88.9%	32.6 %
Others	684,225	21,704	101,721	807,650	570	520	15,317	-	0.0%	0.0%	0.0%	0.0%
Total	**21,966,531**	**1,247,568**	**3,394,470**	**26,608,569**	**168,752**	**11,404**	**1,046,076**	**1,209,825**	**0.8%**	**0.9%**	**30.8%**	**4.5%**

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

<u>Group</u>

2020

Loans and advances per industry segment		**Gross carrying amount**				**Allowance for ECL**				**ECL coverage %**		
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	Shs"000"	**Shs"000"**	**Shs"000"**	**Shs"000"**	**Shs"000"**	**Shs"000"**	**Shs"000"**	**Shs"000"**				
Manufacturing	3,694,522	185,310	1,383,564	5,263,396	34,024	820	418,801	453,645	0.9%	0.4%	30.3%	8.6%
Wholesale and retail trade	4,959,436	36,698	368,896	5,365,030	44,542	326	60,533	105,402	0.9%	0.9%	16.4%	2.0%
Transport and communications	548,320	4,292	73,725	626,338	2,607	1	8,373	10,981	0.5%	0.0%	11.4%	1.8%
Agricultural	797,080	-	11,818	808,898	4,418	-	-	4,418	0.6%	-	0.0%	0.5%
Hotel, Restaurant & tourism	1,599,849	13,947	675,548	2,289,343	5,619	1	100,551	106,172	0.4%	0.0%	14.9%	4.6%
Social community & Other services	2,782,428	39,093	314,971	3,136,492	27,883	2,256	69,763	99,902	1.0%	5.8%	22.1%	3.2%
Building, Construction and Real Estate	2,406,860	81,012	685,286	3,173,159	7,413	4,038	105,271	116,721	0.3%	5.0%	15.4%	3.7%
Mining	33,184	80,057	481,117	594,358	139	-	362,191	362,330	0.4%	0.0%	75.3%	61.0 %
Finance and Insurance	855,369	66	137,565	992,999	16,852	-	60,171	77,023	2.0%	0.3%	43.7%	7.8%
Energy	400,626	28,108	198,359	627,092	2,027	96	104,040	106,162	0.5%	0.3%	52.5%	16.9 %
Others	673,041	5,363	118,323	796,727	1,352	177	7,127	8,656	-	-	-	-
Total	**18,750,717**	**473,945**	**4,449,171**	**22,877,106**	**146,877**	**7,715**	**1,296,819**	**1,451,411**	**0.8%**	**1.6%**	**29.1%**	**6.3%**

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

Bank

2021

Loans and advances per industry segment	**Gross carrying amount**				**Allowance for ECL**				**ECL coverage %**			
	Stage 1 Shs"000"	**Stage 2 Shs"000"**	**Stage 3 Shs"000"**	**Total Shs"000"**	**Stage 1 Shs"000"**	**Stage 2 Shs"000"**	**Stage 3 Shs"000"**	**Total Shs"000"**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Manufacturing	3,110,463	233,865	852,502	4,196,829	35,027	287	381,981	417,295	1.1%	0.1%	44.8%	9.9%
Wholesale and retail trade	4,212,655	63,215	10,577	4,286,447	55,871	2,825	1,185	59,880	1.3%	4.5%	11.2%	1.4%
Transport and communications	578,102	11,386	83,694	673,183	4,803	316	10,123	15,242	0.8%	2.8%	12.1%	2.3%
Agricultural	1,529,583	-	53,130	1,582,713	8,059	-	5,088	13,147	0.5%	0.0%	9.6%	0.8%
Hotel, Restaurant and tourism	1,610,548	-	789,721	2,400,269	2,063	-	98,941	101,004	0.1%	0.0%	12.5%	4.2%
Social community and Other services	2,334,023	30,542	247,555	2,612,120	18,082	37	7,484	25,604	0.8%	0.1%	3.0%	1.0%
Building, Construction and Real Estate	1,027,215	1,227	544,041	1,572,483	4,057	42	171,495	175,594	0.4%	3.4%	31.5%	11.2 %
Mining	34,786	644	11,423	46,852	79	1	14	94	0.2%	0.2%	0.1%	0.2%
Finance and Insurance	791,945	3	12	791,960	14,190	-	-	14,190	1.8%	0.1%	0.1%	1.8%
Energy	35,799	25,325	37,621	98,746	44	31	46	121	0.1%	0.1%	0.1%	0.1%
Others	-	-	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%
Total	**15,265,118**	**366,207**	**2,630,276**	**18,261,601**	**142,276**	**3,539**	**676,357**	**822,172**	**0.9%**	**1.0%**	**25.7%**	**4.5%**

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

Bank

2020
Loans and advances per industry segment

	Gross carrying amount				Allowance for ECL				ECL coverage %			
	Stage 1 Shs"000"	**Stage 2 Shs"000"**	**Stage 3 Shs"000"**	**Total Shs"000"**	**Stage 1 Shs"000"**	**Stage 2 Shs"000"**	**Stage 3 Shs"000"**	**Total Shs"000"**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Manufacturing	2,394,514	139,705	1,231,564	3,765,784	31,772	475	415,238	447,485	1.3%	0.3%	33.7%	11.9%
Wholesale and retail trade	2,352,429	5,432	260,587	2,618,448	38,874	18	56,697	95,589	1.7%	0.3%	21.8%	3.7%
Transport and communications	321,277	214	73,725	395,216	2,425	1	8,373	10,799	0.8%	0.3%	11.4%	2.7%
Agricultural	716,956	-	-	716,956	4,150	-	-	4,150	0.6%	-	0.3%	0.6%
Hotel, Restaurant and tourism	1,521,106	342	675,548	2,196,995	5,169	1	96,990	102,160	0.3%	0.3%	14.4%	4.7%
Social community and Other services	2,220,512	15,492	278,515	2,514,518	23,375	53	64,189	87,616	1.1%	0.3%	23.0%	3.5%
Building, Construction and Real Estate	1,044,545	242	590,825	1,635,611	3,792	1	77,760	81,553	0.4%	0.3%	13.2%	5.0%
Mining	33,184	-	481,117	514,301	139	-	362,191	362,330	0.4%	0.3%	75.3%	70.5%
Finance and Insurance	658,464	66	135,157	793,687	15,275	-	60,171	75,446	2.3%	0.3%	44.5%	9.5%
Energy	35,687	28,108	-	63,795	121	96	-	217	0.3%	0.3%	0.3%	0.3%
Others	-	-	-		-	-	-	-	-	-	-	-
Total	**11,298,674**	**189,600**	**3,727,038**	**15,215,312**	**125,092**	**644**	**1,141,608**	**1,267,345**	**1.1%**	**0.3%**	**30.6%**	**8.3%**

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 2021	56.73%	77.5%	67.51%
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.

Notes (continued)

4 Financial Risk Management (continued)

c) Liquidity risk (continued)

(i) Group

At December 2021	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	20,953,525	10,077,704	8,049,341	1,874,796	-	40,955,366
Deposits and balances due to banking institutions	162,623	-	-	-	-	162,623
Amounts due to group companies	3,011	-	-	-	-	3,011
Lease liabilities	-	-	57,073	266,050	303,640	626,763
Borrowing			54,934	1,701,452		1,756,386
Total financial liabilities	**21,119,159**	**10,077,704**	**8,161,348**	**3,842,298**	**303,640**	**43,504,149**
Assets						
Cash and balances with Central Banks	5,820,555	-	-	-	-	5,820,555
Government and other securities held	3,544,158	3,085,687	6,987,835	3,344,876	-	16,962,556
Deposits and balances due from banking institutions	3,433,199	501,393	35,201	-	-	3,969,793
Deposits and balances due from group companies	462,800	-	-	-	-	462,800
Loans and advances to customers	2,095,354	3,660,340	6,114,601	11,178,509	2,288,514	25,337,318
Total financial assets	**15,356,066**	**7,247,420**	**13,137,637**	**14,523,385**	**2,288,514**	**52,553,022**
Net liquidity gap	**5,763,093**	**2,830,284**	**(4,976,289)**	**(10,681,087)**	**(1,984,874)**	**(9,048,873)**

Notes (continued)

4 Financial Risk Management (continued)

c) Liquidity risk (continued)

(i) Group

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	13,398,888	11,878,543	10,627,956	1,910,656	-	37,816,043
Deposits and balances due to banking institutions	2,466	-	-	-	-	2,466
Amounts due to group companies	2,421	-	-	-	-	2,421
Lease liabilities	-	-	84,916	264,796	482,246	831,958
Total financial liabilities	**13,403,775**	**11,878,543**	**10,712,872**	**2,175,452**	**482,246**	**38,652,888**
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	1,511,607	3,145,385	5,704,527	11,974,940	2,117,944	24,454,403
Total financial assets	**11,606,286**	**5,870,118**	**13,677,995**	**15,068,948**	**2,117,944**	**48,341,291**
Net liquidity gap	**1,797,489**	**6,008,425**	**(2,965,123)**	**(12,893,496)**	**(1,635,698)**	**(9,688,403)**

Notes (continued)

4 Financial Risk Management (continued)

c) Liquidity risk (continued)

(ii) Bank

At December 2021	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	13,883,643	7,086,822	1,571,253	2,837	-	22,544,555
Deposits and balances due to banking institutions	-	-	-	-	-	-
Amounts due to group companies	96,181	-	-	-	-	96,181
Lease liabilities	-	-	132,373	107,378	-	239,751
Borrowings	-	-	54,934	1,701,452	-	1,756,386
Total financial liabilities	**13,979,824**	**7,086,822**	**1,758,560**	**1,811,667**	**-**	**24,636,873**
Assets						
Cash and balances with Central Bank of Kenya	1,283,784	-	-	-	-	1,283,784
Government and other securities held	1,200,000	2,000,000	4,745,441	2,894,013	-	10,839,454
Deposits and balances due from banking institutions	806,312	-	-	-	-	806,312
Due from group companies	26,349	-	-	-	-	26,349
Loans and advances to customers	774,172	2,565,163	4,458,925	7,846,507	1,749,647	17,394,413
Total financial assets	**4,090,617**	**4,565,163**	**9,204,366**	**10,740,520**	**1,749,647**	**30,350,313**
Net liquidity gap	**9,889,207**	**2,521,659**	**(7,445,806)**	**(8,928,853)**	**(1,749,647)**	**(5,713,440)**

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	7,340,099	9,533,514	4,752,685	15,815	-	21,642,113
Balances due to banking institutions	2,466	-	-	-	-	2,466
Due to group companies	2,419	-	-	-	-	2,419
Lease liabilities	-	-	121,278	223,674	-	344,952
Total financial liabilities	**7,344,984**	**9,533,514**	**4,873,963**	**239,489**	**-**	**21,991,950**
Assets						
Cash and balances with Central Banks	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
Balances due from banking institutions	932,948	-	-	-	-	932,948
Due from group companies	39,760	-	-	-	-	39,760
Loans and advances to customers	515,840	1,569,361	4,096,732	8,337,538	1,660,475	16,179,947
Total financial assets	**3,495,116**	**2,985,730**	**9,840,340**	**11,160,442**	**1,660,475**	**29,142,103**
Net liquidity gap	**3,849,868**	**6,547,784**	**(4,966,377)**	**(10,920,953)**	**(1,660,475)**	**(7,150,153)**

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 2021. 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 **At 31 December 2021**	**USD** **Shs'000**	**GBP** **Shs'000**	**EURO** **Shs'000**	**OTHER** **Shs'000**	**Total** **Shs'000**
Assets					
Cash and balances with Central Banks	3,055,766	39,653	423,429	636,479	4,155,327
Deposits and balances due from banking institutions	3,110,938	107,965	46,176	491,825	3,756,904
Loans and advances to customers	8,422,818	200,876	368,440	-	8,992,134
Other financial assets	488,654	65	1,715	-	490,434
Total Assets	**15,078,176**	**348,559**	**839,760**	**1,128,304**	**17,394,799**

Notes (continued)

4 Financial Risk Management (continued)

d) Market risk (continued)

(i) Currency risk (continued)

Liabilities	**USD Shs'000**	**GBP Shs'000**	**EURO Shs'000**	**OTHER Shs'000**	**Total Shs'000**
Customer deposits	13,724,262	327,828	648,708	19	14,700,817
Deposits and balances due to banking institutions	111,820	-	-	-	111,820
Borrowings	1,701,302	-	-	-	1,701,302
Other liabilities	169,676	339	150	6,167	176,332
Total liabilities	**15,707,060**	**328,167**	**648,858**	**6,186**	**16,690,271**
Net on Balance sheet position	**(628,884)**	**20,392**	**190,902**	**1,122,118**	**704,528**
Net off Balance sheet position	**1,582,727**	**(4,599)**	**(343,760)**	**91,270**	**1,325,638**
Overall position	**953,843**	**15,793**	**(152,858)**	**1,213,388**	**2,030,166**
At 31 December 2020					
Total Assets	9,883,489	237,091	1,049,384	5,612	11,175,576
Total Liabilities	11,388,431	237,391	779,377	19,359	12,424,558
Net on Balance sheet position	**(1,504,942)**	**(300)**	**270,007**	**(13,747)**	**(1,248,982)**
Net off Balance sheet position	**594,360**	**346,453**	**(354,048)**	**3,254**	**590,019**
Overall position	**(910,582)**	**346,153**	**(84,041)**	**(10,493)**	**(658,963)**

Notes (continued)

4 Financial Risk Management (continued)

d) Market risk (continued)

(i) Currency risk (continued)

Bank

At 31 December 2021	**USD Shs'000**	**GBP Shs'000**	**EURO Shs'000**	**Other Shs'000**	**Total Shs'000**
Assets					
Cash and balances with Central Bank of Kenya	102,822	19,286	10,805	663	133,576
Deposits and balances due from banking institutions	614,915	104,210	8,631	28,438	756,194
Loans and advances to customers	7,383,549	200,876	368,440	-	7,952,865
	8,101,286	**324,372**	**387,876**	**29,101**	**8,842,635**
Liabilities					
Customer deposits	6,582,283	306,055	196,625	-	7,084,963
Deposits and balances due to banking institutions	92,155	-	-	-	92,155
Borrowing	1,701,302				1,701,302
Total liabilities	**8,375,740**	**306,055**	**196,625**	**-**	**8,878,420**
Net on Balance sheet position	**(274,454)**	**18,317**	**191,251**	**29,101**	**(35,785)**
Net off Balance sheet position	**1,170,900**	**(4,599)**	**(346,207)**	**91,270**	**911,364**
Overall position	**896,446**	**13,718**	**(154,956)**	**120,371**	**875,579**

Notes (continued)

4 Financial Risk Management (continued)

d) Market risk (continued)

(i) Currency risk (continued)

At 31 December 2020	USD Shs'000	GBP Shs'000	EURO Shs'000	Other Shs'000	Total Shs'000
Total Assets	4,476,160	213,192	569,681	723	5,259,756
Total Liabilities	5,780,283	210,536	208,795	13,206	6,212,820
Net on Balance sheet position	**(1,304,123)**	**2,656**	**360,886**	**(12,483)**	**(953,064)**
Net off Balance sheet position	**594,360**	**346,453**	**(354,048)**	**3,254**	**590,019**
Overall position	**(709,763)**	**349,109**	**6,838**	**(9,229)**	**(363,045)**

At 31 December 2021, 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 111 million (2020: Shs 20 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 2021	Upto 1 month	1 - 3 months	3 - 12 months	Over 1 year	Non interest bearing	Total
Assets						
Cash and balances with Central Banks	-	-	-	-	5,820,555	5,820,555
Government and other securities at amortised cost	2,344,158	1,085,687	2,298,779	2,902,753	-	8,631,377
Government and other securities at FVOCI	1,194,823	1,974,448	4,683,365	478,543	-	8,331,179
Deposits and balances due from banking institutions	3,761,746	-	208,047	-	-	3,969,793
Amounts due from group companies	462,800	-	-	-	-	462,800
Loans and advances to customers	24,591,881	-	-	-	-	24,591,881
Other financial assets	-	-	-	-	914,593	914,593
Total financial assets	**32,355,408**	**3,060,135**	**7,190,191**	**3,381,296**	**6,735,148**	**52,722,178**
Liabilities						
Customer deposits	28,167,649	8,890,228	3,652,209	15,840	-	40,725,926
Deposits and balances due to banking institutions	162,623	-	-	-	-	162,623
Amounts due to group companies	3,011	-	-	-	-	3,011
Lease liabilities	-	-	281,835	292,570	-	574,405
Borrowings	-	-	-	1,701,302	-	1,701,302
Other financial liabilities	-	-	-	-	921,777	921,777
Total financial liabilities	**28,333,283**	**8,890,228**	**3,934,044**	**2,009,712**	**921,777**	**44,089,044**
Total interest repricing gap	**4,022,125**	**(5,830,093)**	**3,256,147**	**1,371,584**	**5,813,371**	**8,633,134**

Notes (continued)

4 Financial Risk Management (continued)

d) Market risk (continued)

(i) Interest rate risk (continued)

At 31 December 2020	**Upto 1 month**	**1 - 3 months**	**3 - 12 months**	**Over 1 year**	**Non interest bearing**	**Total**
Total financial Assets	26,637,271	2,306,353	8,507,615	2,726,856	6,118,971	46,297,066
Total financial Liabilities	24,804,941	8,569,550	4,393,793	445,634	1,055,365	39,269,283
Total interest repricing gap	**1,832,330**	**(6,263,197)**	**4,113,822**	**2,281,222**	**5,063,606**	**7,027,783**

Bank

At December 2021	**Upto 1 month**	**1 - 3 months**	**3 - 12 months**	**Over 1 year**	**Non interest bearing**	**Total**
Assets						
Cash and balances with Central Banks	-	-	-	-	1,283,784	1,283,784
Government and other securities at amortised cost	-	-	112,118	2,396,157	-	2,508,275
Government and other securities at FVOCI	1,194,823	1,974,448	4,683,365	478,544	-	8,331,180
Deposits and balances due from banking institutions	806,312	-	-	-	-	806,312
Due from group companies	26,349	-	-	-	-	26,349
Loans and advances to customers	16,648,976	-	-	-	-	16,648,976
Other financial assets	-	-	-	-	476,140	476,140
Total financial assets	**18,676,460**	**1,974,448**	**4,795,483**	**2,874,700**	**1,759,924**	**30,081,016**

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	13,853,974	7,054,692	1,403,613	2,837	-	22,315,115
Deposits and balances due to banking institutions	-	-	-	-	-	-
Due to group companies	96,181	-	-	-	-	96,181
Borrowings	-	-	-	1,701,302	-	1,701,302
Lease liabilities	-	-	-	213,572	-	213,572
Other financial liabilities	-	-	-	-	245,479	245,479
Total financial liabilities	**13,950,155**	**7,054,692**	**3,104,915**	**1,917,711**	**245,479**	**24,571,649**
Total interest repricing gap	**4,726,305**	**(5,080,244)**	**1,690,568**	**956,989**	**1,514,444**	**5,509,365**
At 31 December 2020						
Total Assets	14,789,075	1,278,691	6,110,760	2,455,752	2,185,123	26,819,401
Total Liabilities	12,321,832	7,176,518	1,818,767	288,222	451,758	22,057,097
Total interest repricing gap	**2,467,243**	**(5,897,827)**	**4,291,993**	**2,167,529**	**1,733,365**	**4,762,304**

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 2021, an increase/decrease of 75 basis points would have resulted in an increase/decrease in consolidated post tax profit of Group; Shs 112 million (2020: Shs 95million) and Bank Shs 89 million (2020: 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 2021 is estimated at; Shs 8,331 million (2020: Shs 8,189 million) for the Group and Bank as compared to their carrying values of Shs 8,331 million (2020: Shs 8,189 million). The fair value of freehold land and building is estimated at; Shs 89 million (2020: Shs 95million) for the Group as compared to their carrying values of Shs 63 million (2020: 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, un observable inputs) (level 3).

Group	**Level 1 Shs'000**	**Level 2 Shs'000**	**Level 3 Shs'000**
31 December 2021			
Assets			
Financial assets at fair value through OCI	8,331,179	-	-
Freehold land and building	-	-	83,711
31 December 2020			
Assets			
Financial assets at fair value through OCI	8,189,194	-	-
Freehold land and building	-	-	89,452

Notes (continued)

4 Financial Risk Management (continued)

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

Bank

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000
31 December 2021			
Assets			
Financial assets at fair value through OCI	8,331,179	-	-
31 December 2020			
Assets			
Financial assets at fair value through OCI	8,189,194	-	-

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 2021; (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)

f) Capital Management (continued)

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

	Group		Bank	
	31-Dec-21	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Tier 1 capital	10,067,998	8,413,540	5,941,795	5,412,950
Tier 1 + Tier 2 capital	10,512,170	8,680,623	6,232,135	5,672,875

Risk - weighted assets	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
On balance sheet	27,651,347	25,403,135	16,545,755	14,901,426
Off balance sheet	4,262,936	3,505,871	2,028,330	1,063,017
Total market risk weighted assets	1,171,838	1,540,740	1,231,218	1,485,591
Total operational risk weighted assets	7,964,276	6,698,601	3,421,897	3,343,942
Total risk weighted assets	41,050,397	37,148,347	23,227,200	20,793,976
Basel ratio				
Tier 1	24.53%	22.65%	25.58%	26.03%
Tier 1 + Tier 2	25.61%	23.37%	26.83%	27.28%

The capital adequacy ratios for the subsidiaries are summarized below;

Tier 1	**2021**	**2020**
GTBank Kenya (CBK minimum - 10.5%)	25.58%	26.03%
GTBank Rwanda PLC (BNR minimum - 10.5%)	18.73%	16.20%
GTBank Uganda (BOU minimum - 8%)	24.20%	18.89%
Tier 1 + Tier 2	**2021**	**2020**
GTBank Kenya (CBK minimum - 14.5%)	26.83%	27.28%
GTBank Rwanda PLC (BNR minimum - 15%)	18.83%	16.36%
GTBank Uganda (BOU minimum - 12%)	27.50%	19.07%

Notes (continued)

5 Interest income

	Group		Bank	
	31-Dec-21 Shs'000	31-Dec-20 Shs'000	31-Dec-21 Shs'000	31-Dec-20 Shs'000
Loans and advances	3,060,333	2,553,067	1,885,055	1,457,064
Credit related fees and commissions	286,229	247,447	119,528	136,946
Government securities - Amortised cost	608,805	422,319	229,912	119,188
Government securities - FVOCI	757,318	811,046	757,318	811,046
Cash and short-term funds	126,486	124,261	17,480	13,829
Other securities*	2,354	10,507	2,354	10,507
	4,841,525	4,168,647	3,011,647	2,548,580

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

6 Interest expense

	Group		Bank	
	31-Dec-21 Shs'000	31-Dec-20 Shs'000	31-Dec-21 Shs'000	31-Dec-20 Shs'000
Customer deposits	1,141,639	1,089,789	902,048	813,278
Borrowed funds	1,571	62	301	-
Deposits by banks	27,065	30,144	19,715	26,359
Interest expense on lease liabilities	42,099	59,720	19,897	35,569
Other interest expenses*	37,202	39,889	37,202	39,889
	1,249,576	1,219,604	979,163	915,095

*Other interest expense comprises of premium on swap contracts

7 Fees and commission

	Group		Bank	
a) Fees and commission income	31-Dec-21 Shs'000	31-Dec-20 Shs'000	31-Dec-21 Shs'000	31-Dec-20 Shs'000
Clearing and Funds transfer commission	204,403	151,349	42,902	34,808
Commissions on guarantees	76,547	134,687	35,632	30,608
Current account ledger fees	64,849	57,984	25,938	23,831
Letters of credit commissions	51,068	36,008	19,706	8,649
Mastercard commission	37,569	33,732	23,094	23,050
Mobile and Ebanking commissions	34,889	24,681	17,494	16,141
Cash withdrawal commissions	13,186	14,070	-	-
ATM commissions	8,028	9,742	3,783	4,011
Cheque book charges	6,028	7,071	2,880	2,867
Other fee income	73,974	81,433	31,625	34,557
	570,541	550,757	203,054	178,522

*Other fee income include overdraft penalty charge, commission on invoice discounting, commission on customer treasury investment, profit and loss on trading of government securities, postage revenue etc.

Notes (continued)

7 Fees and commission (continued)

	Group		Bank	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
b) Fees and commission expense	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Master card expense	104,803	119,692	48,717	69,215
Banking services	18,115	15,216	6,237	5,798
Foreign currency import/export charges	17,320	6,182	434	209
Other fee expenses	14,476	26,192	-	-
	154,714	167,282	55,388	75,222

* Other fee expenses include MTN push and pull support fees from Rwanda

8 Other operating income

	Group		Bank	
	31-Dec-21 Shs'000	31-Dec-20 Shs'000	31-Dec-21 Shs'000	31-Dec-20 Shs'000
Bad debts recovered	313,495	23,683	149,372	3,095
Gain on disposal of assets	678	2,597	430	1,178
Other income	5,316	-		-
	319,489	26,280	149,802	4,273

*Other income includes unclaimed balance write back from Rwanda

Foreign exchange gains

	Group		Bank	
	31-Dec-21 Shs'000	31-Dec-20 Shs'000	31-Dec-21 Shs'000	31-Dec-20 Shs'000
Unrealised foreign exchange losses	258	(2,233)	(3,095)	(1,527)
Realised foreign exchange gains	488,081	467,281	204,202	202,319
	488,339	465,048	201,107	200,792

Notes (continued)

9 Operating expenses

	Group 31-Dec-21 Shs'000	31-Dec-20 Shs'000	Bank Dec-21 Shs'000	Dec-20 Shs'000
Employee benefits expense (Note 10)	939,510	882,699	406,291	368,728
Depreciation (Note 17)	160,994	157,526	86,013	80,081
Depreciation of right-of-use assets (Note 19)	184,217	181,474	97,798	94,321
Repairs and maintenance	130,363	133,430	76,235	75,880
Other administrative expenses	93,972	25,121	52,793	13,213
Amortisation of intangible assets (Note 18)	85,611	88,254	36,272	38,569
Mobile and E-Banking charges	76,381	80,420	30,657	31,854
Consultancy costs	72,714	47,455	9,937	989
Deposit protection insurance	47,526	41,657	30,568	25,862
Security costs	38,799	37,304	19,083	18,105
Communication	38,316	40,222	13,039	13,170
Director fees (Note 31)	35,831	45,090	16,713	17,426
ATM expenses	35,981	25,243	34,405	23,154
Water and electricity costs	34,302	35,194	11,815	10,968
Legal fees	34,393	21,118	18,765	355
Insurance	31,246	30,366	18,737	18,737
Reuters and Bloomberg charges	31,112	21,385	19,799	17,607
Auditors' remuneration	24,609	26,008	11,200	12,159
Operating lease rentals	22,261	18,853	19,668	4,904
Advertising and publicity	22,229	36,364	14,304	22,218
Travel and accommodation	17,309	15,367	10,949	8047
Correspondent bank charges	16,235	14,533	9,320	7,601
Printing and stationery	14,261	14,968	3,897	4,135
Office housekeeping	13,791	13,146	8,922	8,896
Office cash handling charges	11,328	10,453	1,833	2,093
Periodicals and other book subscriptions	10,272	8,877	325	523
Courier charges	9,876	4,108	3,856	3,905
Subscriptions expenses	7,429	7,579	5,158	6,130
Motor vehicle expenses	5,226	5,999	2,360	2,153
Operating license fees	5,289	5,198	4,978	4,906
Outsourced service fees	1,497	3,647	997	3,229
Sundry losses	1,697	8,454	899	483
Donation and grants	200	5,431	200	5,256
Fines and Penalties	165	838	-	106
IFC loan appraisal fees expense	1,888	-	1,888	-
Tax audit expense	650	658	650	658
	2,257,480	2,094,439	1,080,324	946,421

10 Employee benefits expense

Salaries and wages	757,999	716,720	335,532	301,513
Pension fund contribution	43,296	42,628	13,865	14,880
Other staff costs and benefits	138,215	123,351	56,894	52,335
	939,510	882,699	406,291	368,728

*Other staff costs and benefits include training expense, staff medical, work permit related expenses, subscription to clubs, staff group life insurance, staff per diem and executive residence expenses.

Notes (continued)

11 Taxation

	Group		Bank	
	31-Dec-21 Shs'000	**31-Dec-20 Shs'000**	**31-Dec-21 Shs'000**	**31-Dec-20 Shs'000**
Current income tax	459,768	453,677	180,525	264,238
Deferred income tax (Note 20)	144,578	(154,543)	156,577	(144,449)
	604,346	299,134	337,102	119,789

	Group 31-Dec-21	Group 31-Dec-20	Bank 31-Dec-21	Bank 31-Dec-20
Profit before income tax	1,838,888	1,114,211	901,590	493,390
Tax calculated at domestic rates applicable to profits in the respective countries - 30% (2020- 25%)	551,666	278,553	270,477	123,347
Tax effect of:				
- Income not subject to tax	(68,037)	(81,422)	(7,228)	(6,964)
- Expenses not deductible for tax purposes	120,717	95,037	73,854	27,481
- Effect of change in deferred tax rate	-	(24,075)	-	(24,075)
- Effect of different tax rates of subsidiaries in different jurisdictions	-	31,041	-	-
	604,346	299,134	337,103	119,789

Corporate tax recoverable/(payable)

	Group 31-Dec-21	Group 31-Dec-20	Bank 31-Dec-21	Bank 31-Dec-20
At the beginning of the year	(111,030)	(154,699)	(44,902)	(111,229)
Charge for the year	(459,768)	(453,677)	(180,525)	(264,238)
Taxation paid	619,228	504,426	335,564	330,565
Translation difference	(1,078)	(7,080)	-	-
At the end of the year	47,352	(111,030)	110,137	(44,902)
Comprising of:				
Corporate tax recoverable	47,352	-	110,137	-
Corporate tax payable	-	(111,030)	-	(44,902)
	47,352	(111,030)	110,137	(44,902)

Notes (continued)

12 Cash and balances with the Central Bank

	Group		Bank	
	31-Dec-21 Shs'000	31-Dec-20 Shs'000	31-Dec-20 Shs'000	31-Dec-20 Shs'000
Cash in hand	1,289,457	1,033,171	118,937	173,883
Cash reserve ratio	1,355,508	1,240,207	918,810	872,577
Balances with the Central Banks	3,175,590	2,791,584	246,037	363,133
	5,820,555	5,064,962	1,283,784	1,409,593

13 Financial assets

(a) Held at amortised cost

Government securities – at amortised cost				
- Maturing within 90 days of acquisition date	3,419,184	1,628,159	-	137,677
- Maturing after 90 days of acquisition date	5,212,193	5,786,619	2,508,275	2,252,985
	8,631,377	7,414,778	2,508,275	2,390,662

(b) Held at FVOCI

Government securities				
- Maturing within 90 days of acquisition date	3,169,271	1,875,667	3,169,271	1,875,667
- Maturing after 90 days of acquisition date	5,161,908	6,313,527	5,161,908	6,313,527
	8,331,179	8,189,194	8,331,179	8,189,194

14 Deposits and balances due from other banks

Due from local banking institutions	73,400	518,985	73,400	518,985
Due from foreign banking institutions	3,896,393	2,324,039	732,912	413,963
	3,969,793	2,843,024	806,312	932,948

Notes (continued)

15 Loans and advances to customers

	Group 31-Dec-21 Shs'000	Group 31-Dec-20 Shs'000	Bank 31-Dec-21 Shs'000	Bank 31-Dec-20 Shs'000
Overdrafts	5,933,732	5,284,284	3,447,612	2,914,314
Commercial loans	18,025,527	15,471,822	13,504,251	10,849,671
Personal loans	1,579,155	1,772,187	901,716	797,283
Mortgages	662,132	491,498	-	-
Gross loans and advances	26,200,546	23,019,791	17,853,579	14,561,268
Less: Provision for impairment losses				
- Stage 1 loans	340,327	286,109	117,445	80,558
- Stage 2 loans	252,914	244,982	249,691	246,601
- Stage 3 loans	1,015,425	1,132,529	837,467	1,152,394
	1,608,666	1,663,620	1,204,603	1,479,553
Net loans and advances	24,591,880	21,356,171	16,648,976	13,081,715

(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 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	50,758	323,450
Gross carrying amount as at 31 December 2020	16,399,296	1,007,542	5,612,953	23,019,791

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 2021	16,399,296	1,007,542	5,612,953	23,019,791
Changes in the gross carrying amount				
– Transfer from stage 1 to stage 2	(812,793)	812,793	-	-
– Transfer from stage 1 to stage 3	(224,941)	-	224,941	-
– Transfer from stage 2 to stage 3	-	(10,098)	10,098	-
– Transfer from stage 3 to stage 2	-	608	(608)	-
– Transfer from stage 2 to stage 1	340,540	(340,540)	-	-
– Write-offs	-	-	(1,072,421)	(1,072,421)
New financial assets originated or purchased	9,847,294	260,239	27,553	10,135,086
Financial assets that have been derecognised	(4,987,610)	(288,272)	(751,044)	(6,026,926)
Translation differences	113,099	7,461	24,455	145,015
Gross carrying amount as at 31 December 2021	20,674,885	1,449,733	4,075,928	26,200,546

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	606	205,433	3,415,286
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	647,323	3,866,383	14,561,268

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 2021	10,047,562	647,323	3,866,383	14,561,268
Changes in the gross carrying amount				
– Transfer from stage 1 to stage 2	(280,223)	280,223	-	-
– Transfer from stage 1 to stage 3	(168,282)	-	168,282	-
– Transfer from stage 2 to stage 3	-	(3,708)	3,708	-
– Transfer from stage 3 to stage 2	-	0	(0)	-
– Transfer from stage 2 to stage 1	140,210	(140,210)	-	-
– Write-offs	-	-	(1,054,897)	(1,054,897)
New financial assets originated or purchased	6,417,818	34,011	318	6,452,147
Financial assets that have been derecognised	(1,467,760)	(7,667)	(629,522)	(2,104,949)
Gross carrying amount as at 31 December 2021	14,689,325	809,981	2,354,273	17,853,589

(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 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)	-	-
New financial assets originated or purchased	(24,425)	(1,050)	(2,364)	(27,839)
Financial assets that have been derecognised	74,983	4,232	563,820	643,035
Write-offs	-	-	(135,162)	(135,162)
Reclassification	-	-	23,197	23,197
Translation differences	8,800	1,698	(2,519)	7,979
Loss allowance as at 31 December 2020	286,110	244,981	1,132,529	1,663,620

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 2021	286,110	244,981	1,132,529	1,663,620
Charge to profit or loss	50,344	7,688	661,202	719,234
– Transfer from stage 1 to stage 2	(16,234)	16,234	-	-
– Transfer from stage 1 to stage 3	(13,597)	-	13,597	-
– Transfer from stage 2 to stage 3	-	(886)	886	-
– Transfer from stage 3 to stage 2	-	-	-	-
– Transfer from stage 2 to stage 1	4,581	(4,581)	-	-
Financial assets that have been derecognised	(16,792)	(8,139)	(129,297)	(154,228)
New financial assets originated or purchased	92,386	5,060	776,016	873,462
Write-offs	-	-	(841,617)	(841,617)
Reclassification	-	-	62,228	62,228
Translation Differences	3,873	244	1,084	5,201
Loss allowance as at 31 December 2021	340,327	252,914	1,015,425	1,608,666

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

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 2021	80,558	246,601	1,152,394	1,479,553
Charge to profit or loss	36,887	3,091	509,166	549,144
– Transfer from stage 1 to stage 2	(439)	439	-	-
– Transfer from stage 1 to stage 3	(126)	-	126	-
– Transfer from stage 2 to stage 3	-	-	-	-
– Transfer from stage 3 to stage 2	-	-	-	-
– Transfer from stage 2 to stage 1	-	-	-	-
Financial assets that have been derecognised	(14,003)	-	(116,921)	(130,924)
New financial assets originated or purchased	51,455	2,652	625,961	680,068
Write-offs	-	-	(824,094)	(824,094)
Loss allowance as at 31 December 2021	117,445	249,692	837,466	1,204,603

16 Investment in subsidiaries

Name	Country of incorporation	2021 % interest held	2020 Shs'000	2021 % interest held	2020 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			3,375,990		3,375,990

	31-Dec-21 Shs'000	31-Dec-20 Shs'000
At start of year	3,375,990	3,375,990

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

	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)
Depreciation charge	(714)	(13,835)	(16,999)	(28,829)	(97,149)	-	(157,526)
Currency translation difference	2,388	4,977	343	1,587	5,219	1,020	15,534
Closing net book amount	89,452	136,724	58,951	56,856	310,060	13,326	665,369
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

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 2021							
Opening net book amount	89,452	136,724	58,951	56,856	310,060	13,326	665,369
Additions	-	418	7,049	9,237	49,533	706	66,943
Reclassification	-	-	-	9,228	455	(9,683)	-
Disposals	-	-	-	(2,500)	(2,586)	-	(5,086)
Depreciation charge	(709)	(13,797)	(20,210)	(31,170)	(95,108)	-	(160,994)
Elimination on disposal	-	-	-	2,500	2,586	-	5,086
Currency translation difference	(633)	(1,640)	36	(428)	1,536	723	(406)
Closing net book amount	88,110	121,705	45,826	43,723	266,476	5,072	570,912
At 31 December 2021							
Cost or valuation	134,310	249,971	220,672	209,294	1,595,178	5,072	2,414,497
Accumulated depreciation	(46,200)	(128,266)	(174,846)	(165,571)	(1,328,702)	-	(1,843,585)
Net book Amount	88,110	121,705	45,826	43,723	266,476	5,072	570,912

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 Nkabije, 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:

	2021 Shs'000	2020 Shs'000
Cost	110,949	111,622
Accumulated depreciation	(48,607)	(48,902)
Net book amount	62,342	62,720

(b) Bank

Year ended 31 December 2020	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	39,918	42,795	160,839	26	243,578
Additions	26,819	3,700	65,663	29	96,211
Depreciation charge	(14,344)	(13,334)	(52,403)	-	(80,081)
Reclassification	1,333	-	(1,333)	(26)	(26)
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)

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 2021					
Opening net book amount	53,726	33,161	172,766	29	259,682
Additions	2,321	7,400	2,239	-	11,960
Disposals	-	(2,500)	-	-	(2,500)
Depreciation charge	(16,705)	(15,647)	(53,661)	-	(86,013)
Elimination on disposal	-	2,500	-	-	2,500
Depreciation on reclassification	-	-	-	-	-
Closing net book amount	39,342	24,914	121,344	29	185,629
At 31 December 2021					
Cost or valuation	123,044	70,536	720,329	29	913,938
Accumulated depreciation	(83,702)	(45,622)	(598,985)	-	(728,309)
Net book Amount	39,342	24,914	121,344	29	185,629

Notes (continued)

18 Intangible assets

(a) Group	Computer Software Shs'000	Goodwill Shs'000	Total Shs'000
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

	Computer Software Shs'000	Goodwill Shs'000	Total Shs'000
Year ended 31 December 2021			
Opening net book amount	290,405	21,812	312,217
Additions	13,255	-	13,255
Amortization	(85,611)	-	(85,611)
Currency translation difference	(16,752)	-	(16,752)
At end of year	201,296	21,812	223,108
At 31 December 2021			
Cost	936,058	21,812	957,870
Accumulated depreciation	(734,762)	-	(734,762)
Net book amount	201,296	21,812	223,108

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 2020			
Opening net book amount	151,018	-	151,018
Additions	1,719	-	1,719
Amortization	(38,569)	-	(38,569)
At end of year	114,168	-	114,168
At 31 December 2020			
Cost	389,445	-	389,445
Accumulated depreciation	(275,277)	-	(275,277)
Net book amount	114,168	-	114,168
Year ended 31 December 2021			
Opening net book amount	114,168	-	114,168
Additions	4,291	-	4,291
Amortization	(36,272)	-	(36,272)
At end of year	82,160	-	82,160
At 31 December 2021			
Cost	393,709	-	393,709
Accumulated depreciation	(311,549)	-	(311,549)
Net book amount	82,160	-	82,160

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 2021. 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-21 Shs'000**	**31-Dec-20 Shs'000**
At start of year	681,752	746,915
	681,752	746,915
Additions	2,074	49,896
Depreciation charge	(184,217)	(181,474)
Currency translation difference	6,448	15,365
Adjustment made during the year	13,676	51,050
At end of year	519,733	681,752

*The adjustment was made in the year to match the discount rate to the term of the leases.

Notes (continued)

19 Right-of-use assets (continued)

(b) Bank	31-Dec-21 Shs'000	31-Dec-20 Shs'000
At start of year	272,548	334,959
Additions	-	45,229
Depreciation charge	(97,798)	(94,321)
Derecognition	-	(13,319)
Adjustment made during the year	13,676	-
At end of year	188,426	272,548

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% (2020: 30%). The gross movement on the deferred income tax account is as follows:

	Group		Bank	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
At start of year	612,690	447,729	449,239	308,085
Credit/(charge) to profit or loss (Note 11)	(144,578)	154,543	(156,577)	144,449
Credit/(charge) to other comprehensive income	26,210	10,418	2,745	(3,295)
At end of year	494,322	612,690	295,407	449,239

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

Year ended 31 December 2021	01.01.2021 Shs'000	(Charged)/credit to profit or loss Shs'000	Charged to equity Shs'000	31.12.2021 Shs'000
Deferred income tax assets				
Property and equipment	14,344	17,440	-	31,784
Other temporary differences	419,867	(170,968)	-	248,899
Lease liability	85,997	(21,093)	-	64,904
Restoration costs	9,127	-	-	9,127
Revaluation of FVOTCI	7,952	-	-	7,952
Tax losses carried forward	197,922	(2,173)	-	195,749
Translation differences	4,831	-	23,439	28,270
	740,040	(176,794)	23,439	586,685
Deferred income tax liabilities				
Property and equipment	(6,906)	6,979	-	73
Revaluation of FVOTCI	(15,547)	-	2,745	(12,802)
Right-of-use assets	(79,298)	25,237	-	(54,061)
Translation differences	(25,599)	-	26	(25,573)
	(127,350)	32,216	2,771	(92,363)
Net deferred tax asset	612,690	(144,578)	26,210	494,322

Notes (continued)

20 Deferred income tax (continued)

(a) Group (continued)	01.01.2020 Shs'000	(Charged)/credit to profit or loss Shs'000	Charged to equity Shs'000	31.12.2020 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
	583,321	142,959	13,760	740,040
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)
	(135,592)	11,584	(3,342)	(127,350)
Net deferred tax asset	447,729	154,543	10,418	612,690

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	01.01.2021 Shs'000	(Charged)/ credited to profit or loss Shs'000	Charged to equity Shs'000	31.12.2021 Shs'000
Year ended 31 December 2021				
Property and equipment	21,851	17,440	-	39,291
Right-of-use assets	(81,765)	25,237	-	(56,528)
Lease liability	85,997	(21,925)	-	64,072
Restoration costs	9,127	-	-	9,127
Revaluation of available for sale securities	(7,594)	-	2,745	(4,849)
Other temporary differences	421,623	(177,329)	-	244,294
Deferred income tax asset	449,239	(156,577)	2,745	295,407

Notes (continued)

20 Deferred income tax (continued)

(b) Bank

Year ended 31 December 2020	01.01.2020 Shs'000	(Charged)/ credited to profit or loss Shs'000	Charged to equity Shs'000	31.12.2020 Shs'000
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

21 Other assets

	Group		Bank	
	31-Dec-21 Shs'000	31-Dec-20 Shs'000	31-Dec-21 Shs'000	31-Dec-20 Shs'000
Items in the course of collection	130,845	69,026	84,357	69,026
Prepayments	112,929	90,577	61,555	34,747
Other receivables	670,965	894,405	330,228	671,757
	914,739	1,054,008	476,140	775,530

22 Customer deposits

Current and demand deposits	22,457,997	17,818,989	8,797,473	6,073,538
Savings accounts	2,932,522	2,792,053	842,170	999,265
Time deposit accounts	15,335,407	16,876,686	12,675,472	14,240,997
	40,725,926	37,487,728	22,315,115	21,313,800
Current	40,710,086	37,486,160	22,312,278	21,312,232
Non-current	15,840	1,568	2,837	1,568
	40,725,926	37,487,728	22,315,115	21,313,800

Notes (continued)

23 Deposits due to other banks

	Group		Bank	
	31-Dec-21 Shs'000	**31-Dec-20 Shs'000**	**31-Dec-21 Shs'000**	**31-Dec-20 Shs'000**
Due to local banking institution	-	-	-	-
Due to foreign banking Institution	162,623	2,466	-	2,466
	162,623	2,466	-	2,466

24 Lease liabilities

Expected to be settled within 12 months after the year end	137,088	132,952	106,194	89,159
Expected to be settled more than 12 months after the year end	437,317	588,351	107,378	197,495
	574,405	721,303	213,572	286,654
The total cash outflow for leases in the year was:				
Payments of principal portion of the lease liability	181,204	129,704	89,159	76,314
Interest paid on lease liabilities	42,099	60,185	26,179	35,569
	223,303	189,889	115,338	111,883

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-21 Shs'000	31-Dec-20 Shs'000	31-Dec-21 Shs'000	31-Dec-20 Shs'000
Movement in lease liability				
Lease liability at 1 January	721,304	768,366	286,654	332,933
Interest expense charged	42,099	59,720	26,179	35,569
Interest paid	(42,099)	(60,185)	(26,179)	(35,569)
Principal elements of lease payments	(181,204)	(92,784)	(89,159)	(76,314)
Currency translation difference	9,065	463	-	-
Additions	25,240	45,723	16,075	30,035
	574,405	721,303	213,571	286,654
Amounts recognised in the statement of profit or loss				
Depreciation charge of right-of-use assets	184,217	181,474	97,798	94,321
Interest expense	42,099	59,720	26,179	35,569

25 Other liabilities

Outstanding bankers' cheques	18,125	23,543	14,949	15,820
*Derivative financial instruments	10,780	23,556	10,780	23,556
Other payables and accrued expenses	849,665	956,809	219,750	412,382
**Accrued tax liability	42,967	51,457	-	-
	921,537	1,055,365	245,479	451,758

*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 Withholding tax and reverse-charge VAT due to Uganda Revenue Authority 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 2021	1,280,934	1,280,934	4,225,323	5,506,257
At 1 January and 31 December 2020	1,280,934	1,280,934	4,225,323	5,506,257

Notes (continued)

27 Statutory reserve

	Group		Bank	
	31-Dec-21 Shs'000	31-Dec-20 Shs'000	31-Dec-21 Shs'000	31-Dec-20 Shs'000
At start of year	435,465	28,349	382,371	-
Transfer from retained earnings	41,646	407,116	32,595	382,371
At end of year	477,111	435,465	414,966	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				Bank
	Fair value on available for sale assets	Revaluation reserves	Currency translation reserve	Total	Fair value on available for sale assets
Year ended 31 December 2020	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
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
Year ended 31 December 2021					
At start of year:	17,720	46,009	(308,043)	(244,314)	17,720
Fair value gain on FVTOCI assets	(6,404)	-	-	(6,404)	(6,404)
Currency translation differences	-	-	93,597	93,597	-
Revaluation reserves		-		-	
At end of year:	11,316	46,009	(214,446)	(157,121)	11,316

Notes (continued)

29 Financial guarantees, letter of credit and other undrawn 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-21 Shs'000	31-Dec-20 Shs'000	31-Dec-21 Shs'000	31-Dec-20 Shs'000
- Acceptances and letters of credit	3,896,203	1,484,394	2,548,442	919,633
- Guarantees and performance bonds	5,651,181	5,430,507	1,977,576	1,384,907
	9,547,384	6,914,901	4,526,018	2,304,540

Acceptance

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-21 Shs'000	31-Dec-20 Shs'000	31-Dec-21 Shs'000	31-Dec-20 Shs'000
Not later than one year	115,338	110,584	115,338	110,584
Later than 1 year and not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
	115,338	110,584	115,338	110,584

Other Commitments

Undrawn formal stand-by facilities, credit lines and other commitments to lend	1,666,076	2,486,628	1,079,652	1,810,075
Foreign exchange forward and swap contracts	1,081,890	1,756,379	1,081,890	1,756,379
	2,747,966	4,243,007	2,161,542	3,566,454

Commitments

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 Group 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-21	31-Dec-20	31-Dec-21	31-Dec-20
	Shs'000	Shs'000	Shs'000	Shs'000
Cash and balances with Central Banks (Note 12)	5,820,555	5,064,962	1,283,784	1,409,593
Less: Cash reserve ratio	(1,355,508)	(1,240,207)	(918,810)	(872,577)
Government securities maturing within 90 days of the date of acquisition	6,588,455	3,503,826	3,169,271	2,013,344
Balances due from other banks (Note 14)	3,969,793	2,843,024	806,312	932,948
Deposits due to other banks (Note 23)	(162,623)	(2,466)	-	(2,466)
	14,860,672	10,169,139	4,340,557	3,480,842

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% 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	
(a) Amounts due:	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
	Shs'000	Shs'000	Shs'000	Shs'000
From group companies	462,800	374,932	26,349	39,760
From other related parties	2,443	1,239	2,443	1,239
Interest income earned	2,375	2,995	2,144	2,050

Due from group companies includes balances due from GTBank UK; Shs 462.3 million (2020: Shs 344.3 million) GTBank PLC; Shs Nil (2020: Shs 28 million) and GTBank TZ; Shs Nil (2020: Shs Nil)

Notes (continued)

31 Related party transactions (continued)

(b) Amounts due to:	**Group** 31-Dec-21 Shs'000	**Group** 31-Dec-20 Shs'000	**Bank** 31-Dec-21 Shs'000	**Bank** 31-Dec-20 Shs'000
Group companies	3,011	2,421	96,181	2,419
Other related parties	1,039,703	1,622,181	1,029,934	1,577,666
Interest expense incurred	2,146	4,814	2,144	4,809

(c) Loans to directors and their associates

Advances to customers at 31 December 2021 include loans to directors, loans to companies controlled by directors and their associates, and loans to employees as follows:

	Group 31-Dec-21 Shs'000	**Group** 31-Dec-20 Shs'000	**Bank** 31-Dec-21 Shs'000	**Bank** 31-Dec-20 Shs'000
At start of year	1,302	4,435	1,239	2,702
Repayments	(1,118)	(5,365)	(940)	(3,513)
Interest charged	2,148	2,232	2,144	2,050
At end of year	2,332	1,302	2,443	1,239
Interest income earned	2,148	2,232	2,144	2,050

At 31 December 2021, advances to companies controlled by directors and their associates amounted to Shs 2 million (2020: Shs 1 million).

At 31 December 2021 advances to employees amounted to Shs 7.5 million (2020: Shs 13 million).

Notes (continued)

31 Related party transactions (continued)

(d) Deposits by directors and their associates

	Group		Bank	
	31-Dec-21 Shs'000	31-Dec-20 Shs'000	31-Dec-21 Shs'000	31-Dec-20 Shs'000
At start of year	1,491,927	1,400,528	1,469,540	1,404,354
Net movement	(555,118)	19,421	(519,913)	(6,792)
Interest credited	80,307	71,978	80,307	71,978
At end of year	1,017,116	1,491,927	1,029,934	1,469,540
Interest expense incurred	80,307	71,978	80,307	71,978

(e) Key management compensation

Salaries and other short-term employment benefits	304,277	240,628	139,783	105,332

(f) Directors' remuneration

Fees for services as a director	35,831	45,090	16,713	17,426

(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-21 Shs'000	31-Dec-20 Shs'000	31-Dec-21 Shs'000	31-Dec-20 Shs'000
IT Related costs	49,419	51,003	29,260	30,844
Communication and advertising	33,524	34,119	9,753	10,348
Electronic channels	40,367	41,787	26,009	27,429
	123,310	126,909	65,022	68,621

32 Borrowing

IFC Short term debt	1,701,000	-	1,701,000	-
Accrued interest on IFC long term debt	302	-	302	-
	1,701,302	-	1,701,302	-

Notes (continued)

32 Borrowing (continued)

The short-term debt is a USD 15,000,000 loan from the International Financial Corporation (IFC). The loan is priced at libor + 2.850 % margin and a maturity date of 15 December 2023. Interest is payable semi-annually starting 15 June 2022. IFC requires the borrower to maintain at all times, and abstain from any action which may result in a breach of the financial ratios provided for in the lending agreement. The Bank was not in breach any agreement as at 31 December .2021. There is no collateral held against the IFC borrowing.

33. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled. Trading assets and liabilities including derivatives have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products.

As at 31 December 2021

Group	**Within 12 months Shs'000**	**After 12 months Shs'000**	**Total Shs'000**
Assets			
Cash and balances with Central Bank of Kenya	5,820,555	-	5,820,555
Deposits and balances due from other banks	3,969,793	-	3,969,793
Financial assets held at amortised cost	6,098,709	2,532,668	8,631,377
Financial assets held at FVTOCI	7,192,603	1,138,576	8,331,179
Due from group companies	462,800	-	462,800
Loans and advances to customers	11,113,124	13,478,756	24,591,880
Property and equipment	-	570,912	570,912
Intangible assets	-	223,108	223,108
Right-of-use assets	-	519,733	519,733
Deferred income tax	-	494,322	494,322
Current income tax	47,352	-	47,352
Other assets	914,739	-	914,739
Total Assets	**35,619,674**	**18,958,076**	**54,577,750**
Liabilities			
Deposits due to other banks	162,623	-	162,623
Customer deposits	40,710,086	15,840	40,725,926
Due to group companies	3,011	-	3,011
Other liabilities	921,537	-	921,537
Borrowings	54,934	1,646,368	1,701,302
Lease liabilities	137,088	437,317	574,405
Total Liabilities	**41,883,361**	**2,205,443**	**44,088,804**
Net	**(6,263,687)**	**16,752,633**	**10,488,946**

Notes (continued)

33. Maturity analysis of assets and liabilities (continued)

As at 31 December 2020

Group	Within 12 months Shs'000	After 12 months Shs'000	Total Shs'000
Assets			
Cash and balances with the Central Bank of Kenya	5,064,962	-	5,064,962
Deposits and balances due from other banks	2,843,024	-	2,843,024
Financial Assets held at amortized cost	4,512,025	2,902,753	7,414,778
Financial Assets held at FVTOCI	7,710,651	478,543	8,189,194
Due from group companies	374,932	-	374,932
Loans and advances to customers	12,095,602	9,260,569	21,356,171
Property and equipment	-	665,369	665,369
Intangible assets	-	290,405	290,405
Right-of-use asset	-	681,752	681,752
Deferred income tax	-	612,690	612,690
Other assets	1,054,008	-	1,054,008
Total assets	**33,655,204**	**14,892,081**	**48,547,285**
Liabilities			
Deposits and balances due to other banks	2,466		2,466
Deposits from customers	37,471,915	15,813	37,487,728
Due to group companies	2,421	-	2,421
Other liabilities	1,055,365	-	1,055,365
Lease liabilities	132,952	588,351	721,303
Current income tax	111,030	-	111,030
Total liabilities	**38,776,149**	**604,164**	**39,380,313**
Net	**(5,120,945)**	**14,287,917**	**9,166,972**

Notes (continued)

33. Maturity analysis of assets and liabilities (continued)

As at 31 December 2021

Bank	**Within 12 months Shs'000**	**After 12 months Shs'000**	**Total Shs'000**
Assets			
Cash and balances with Central Bank of Kenya	1,283,784	-	1,283,784
Deposits and balances due from other banks	806,312	-	806,312
Financial assets held at amortised cost	112,118	2,396,157	2,508,275
Financial assets held at FVTOCI	7,852,635	478,544	8,331,179
Due from group companies	26,349	-	26,349
Loans and advances to customers	7,230,369	9,418,605	16,648,974
Investment in subsidiary	-	3,375,990	3,375,990
Property and equipment	-	185,629	185,629
Intangible assets	-	82,160	82,160
Right-of-use assets	-	188,426	188,426
Deferred income tax	-	295,407	295,407
Current income tax	110,137	-	110,137
Other assets	476,141	-	476,141
Total Assets	**17,897,845**	**16,420,918**	**34,318,763**
Liabilities			
Customer deposits	22,312,278	2,837	22,315,115
Due to group companies	96,181	-	96,181
Other liabilities	245,479	-	245,479
Borrowings	54,934	1,646,368	1,701,302
Lease liabilities	106,194	107,378	213,572
Total Liabilities	**22,815,066**	**1,756,583**	**24,571,649**
Net	**(4,917,221)**	**14,664,336**	**9,747,114**

Notes (continued)

33. Maturity analysis of assets and liabilities (continued)

As at 31 December 2020

Bank	Within 12 months Shs'000	After 12 months	Total Shs'000
Assets			
Cash and balances with the Central Bank of Kenya	1,409,593	-	1,409,593
Deposits and balances due from other banks	932,948	-	932,948
Financial Assets held at amortized cost	254,105	2,136,557	2,390,662
Financial Assets held at FVTOCI	7,872,951	316,243	8,189,194
Due from group companies	39,760	-	39,760
Loans and advances to customers	5,080,982	8,000,733	13,081,715
Investment in subsidiary	-	3,375,990	3,375,990
Property and equipment	-	259,682	259,682
Intangible assets	-	114,168	114,168
Right-of-use asset	-	272,548	272,548
Deferred income tax	-	449,239	449,239
Other assets	775,530	-	775,530
Total assets	**16,365,869**	**14,925,160**	**31,291,029**
Liabilities			
Deposits and balances due to other banks	2,466	-	2,466
Deposits from customers	21,297,987	15,813	21,313,800
Due to group companies	2,419	-	2,419
Other liabilities	451,758		451,758
Lease liabilities	89,159	197,495	286,654
Current income tax	44,902	-	44,902
Total liabilities	**21,888,691**	**213,308**	**22,101,999**
Net	**(5,522,822)**	**14,711,852**	**9,189,030**

34 Proposed Dividend

	Group and Bank	
	2021 Shs'000	**2020 Shs'000**
Proposed dividend	338,692	-

Dividend per share is arrived at by dividing the total dividends by the weighted average number of shares in issue during the year.

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting.

These financial statements do not reflect this dividend as payable. The proposed dividend has however been transferred to a separate category of equity. Payment of dividends is subject to withholding tax at a rate of either 5% for resident and 10% for non-resident shareholders. Dividends paid to resident shareholders who own more than 12.5% shareholding are exempt from withholding tax

35 Events after balance sheet date

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