Guaranty Trust Bank (Kenya) Ltd

GUARANTY TRUST BANK (KENYA) LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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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		Independent Non Executive Director
Mr. Hanish Chandaria	(British)	Non Executive Director
Mr. Julius Olusegun Agbaje*	(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
Mr. Jubril Adeniji****	(Nigerian)	Chief Executive Officer

KEY MANAGEMENT

Mr. Jubril Adeniji****	(Nigerian)	Chief Executive Officer
Mr. Ayodele Opeyemi Popoola	(Nigerian)	Chief Operating Officer
Ms. Angela Koech		Chief Finance Officer
Mr. Villupuram Abiraman		Head, Commercial Banking
Ms. Jemimah Gichure		Head, Systems and Control
Ms. Caroline Tegek		Head, Treasury
Mr. Teddy Donat		Head, Credit
Mr. Michael Oriang'		Head, Information Technology
Ms. Beth Karanja		Head, Legal Services and Company Secretary
Ms. Milkah Wamae		Head, Human Resources

BOARD CREDIT COMMITTEE

Mr. John Mark Wandolo	Chairman
Mr. Julius Olusegun Agbaje*	Member
Mr. Hanish Chandaria	Member
Mr. Nalinkumar Narshi Shah	Member

BOARD AUDIT COMMITTEE

Mr. Nalinkumar Narshi Shah	Chairman
Mr. John Mark Wandolo	Member

BOARD RISK MANAGEMENT COMMITTEE

Mr. Nalinkumar Narshi Shah	Chairman
Mr. Julius Olusegun Agbaje*	Member
Ms. Waceke Nduati**	Member

BOARD HUMAN RESOURCE COMMITTEE

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

* Mr. Julius Olusegun resigned as a Non Executive Director effective November 10, 2022

**Ms. Waceke Nduati resigned as an Independent Non Executive Director effective March 22, 2022

*** Mr. Olabayo Veracruz resigned as an Executive Director/CEO effective June 1, 2022

**** Mr. Jubril Adeniji was appointed as an Executive Director/CEO effective March 30, 2023

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
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

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Guaranty Trust Bank is committed to adhering to the highest standards of good corporate governance at all levels of its operations. This commitment is rooted in our core values and beliefs.

We have put in place elaborate governance processes which comply with industry best practice.

Board charter and work plan

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

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

Board composition and appointments

The Board currently consists of:

- Chairman 1
- Non-Executive Directors 3

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, Credit, Strategy and Adhoc committees as at 31 December 2022 is detailed below:

	Board	Audit	Risk	Credit	HR	Adhoc	Strategy
Number of meetings during the year	4	4	4	4	4	8	1
Mr. Dhanji Hansraj Chandaria	100%	-	-	-	-	100%	100%
Mr. Nalinkumar Narshi Shah	100%	100%	100%	100%	-	100%	100%
Mr. Hanish Chandaria	100%	-	-	100%	100%	100%	100%
Mr. Julius Olusegun Agbaje*	100%	-	100%	100%	-	100%	Absent
Mr. John Mark Wandolo	100%	100%	-	100%	100%	100%	100%
Ms. Waceke Nduati**	100%	-	100%	-	100%		
Mr. Olabayo Veracruz***	100%	100%	100%	100%	100%		
Average Attendance	100%	100%	100%	100%	100%	100%	80%

* Mr. Julius Olusegun Agbaje resigned as a Non Executive Director effective November 10, 2022

** Ms. Waceke Nduati resigned as a Non Executive Director effective March 22, 2022

*** Mr. Olabayo Veracruz resigned as an Executive Director/CEO effective June 1, 2022.

Board meetings (Continued)

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.

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 2022.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

In the year 2022, the group registered improved performance compared to 2021. This was supported by increased economic activity following the continued recovery of the East African countries following a subdued economic performance that was brought about by Covid 19 lock downs.

The total assets of the group stood at Shs 54.23 billion, a 0.6% drop from Shs 54.58 billion in December 2021. Customer deposits grew by 1.6 % to close at Shs 41.4 billion whereas the loan book reduced by 17.4% to close as at Shs 20.3 billion, primarily driven by loan repayments in GTBank Kenya. Notably, government securities increased by Shs 1.91 billion to close at Shs 18.87 billion as a result of effective utilization of excess liquidity.

During the year, the group recorded profit before tax of Shs 2.026 billion, which is a 10.2% increase from the profit before tax of Shs 1.84 billion that was recorded in 2021. This growth is attributable to recoveries of the economies across East Africa, improved balance sheet management, increased recovery of bad and written off loans, as well as operational efficiency. Credit impairment costs decreased by 57% year on year. The Group continues to build on its digital capabilities to include a rich variety of channels and services, while ensuring that our customers enjoy the same superior experience across our channels and platforms. This will improve the customer experience across all our touch points and will result in a positive growth trajectory. The key financial ratios are as below;

	Group	Group	Bank	Bank
Performance ratios	**2022**	**2021**	**2022**	**2021**
Net interest margin	8%	8%	8%	7%
Return on asset	4%	4%	4%	3%
Return on equity	17%	18%	13%	9%
Cost to income ratio	48%	49%	42%	44%

The net profit for the year of Shs 1.247 billion (2021: Shs 1.234 billion) 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 2022 of Shs 352.84 (2021: Shs 264) per share totalling Shs 451.97 million (2021: Shs 338.69 million).

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 based on 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

30 March **2023**

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 30 March 2023 and signed on its behalf by:

Mr. John Mark Wandolo
Director

Mr. Nalinkumar Narshi Shah
Director

Deloitte.

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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 117, each of which comprise the consolidated and separate statements of financial position statement of financial position as at 31 December 2022 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 2022 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.

Emphasis of Matter

We draw attention to Note 4(f) which shows that as at 31 December 2022, Guaranty Trust Bank (Uganda) Limited had paid-up capital of UGX 51.954 billion and Capital Funds of UGX 52.112 billion which is below the minimum capital requirement of UGX 120 billion. Bank of Uganda (BOU) granted the Bank an extension up to 30 June 2023 to comply.

The Minister of Finance, Planning and Economic Development issued a statutory instrument on 16 November 2022 under Section 2(1-3) stating that the minimum paid-up cash capital required for Commercial Banks is UGX 120 billion by 31 December 2022, the minimum capital funds unimpaired by losses shall at all times not be less than UGX 120 billion and the minimum paid-up cash capital required for Commercial Banks is UGX 150 billion by 30 June 2024.

Partners: D.M. Mbogho; A.N. Muraya; F. O. Aloo; J. Nyang'aya; B.W. Irungu; I. Karim; F. Okwiri; F.O Omondi; F. Mitambo; P. Seroney; D. Waweru; C Luo.

Deloitte & Touche, a partnership with registration No. 177912, converted to Deloitte & Touche LLP Registration No. LLP-A21DDP effective 14 June 2021.

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited.

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

Emphasis of Matter (continued)

The Bank has shared its proposed recapitalization plan with the regulator with a proposed compliance by 30 June 2024 of the UGX 150 billion requirement which was prepared and submitted to Bank of Uganda as per the guidance notes circular Ref: EDS.306.2., and is at the date of this report, in discussions with the regulator for stakeholder engagement with regards to the proposed compliance plan.

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.

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.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 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 and separate 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.

Charleshwo

For and on behalf of Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Nairobi

31 March **2023**

Consolidated Statement of profit or loss and other comprehensive income

	Note	2022 Shs'000	2021 Shs'000
Interest income	5	5,159,327	4,841,525
Interest expense	6	(1,325,467)	(1,249,576)
Net interest income		**3,833,860**	**3,591,949**
Fees and commission income	7(a)	593,523	570,541
Fees and commission expense	7(b)	(205,528)	(154,714)
Net fees and commission income		**387,995**	**415,827**
Other operating income	8(a)	81,508	319,489
Foreign exchange income	8(b)	625,002	488,338
Impairment losses	10	(635,744)	(719,234)
Operating expenses	9	(2,266,399)	(2,257,480)
Profit before income tax		**2,026,222**	**1,838,889**
Current income tax	11	(745,161)	(459,768)
Deferred income tax	11	(33,758)	(144,578)
Profit for the year		**1,247,303**	**1,234,543**
Other Comprehensive Income:			
Items that may be subsequently reclassified to profit or loss, net of tax			
Fair value changes on financial assets held at fair value through other comprehensive income	28	(7,565)	(6,405)
Currency translation differences	28	301,164	93,836
Other comprehensive loss, net of tax		293,599	87,431
Total comprehensive income for the year		**1,540,902**	**1,321,974**
Profit or loss attributable to:			
Equity holders of the Company		1,236,298	1,216,546
Non-controlling interest		11,005	17,997
		1,247,303	**1,234,543**
Total comprehensive income attributable to:			
Equity holders of the company		1,529,897	1,303,737
Non-controlling interest		11,005	18,236
Total comprehensive income for the year		**1,540,902**	**1,321,974**

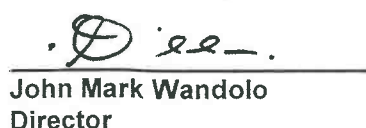
Separate Statement of profit or loss and other comprehensive income

	Note	2022 Shs'000	2021 Shs'000
Interest income	5	3,135,283	3,011,647
Interest expense	6	(997,404)	(979,163)
Net interest income		**2,137,879**	**2,032,484**
Fees and commission income	7(a)	169,362	203,054
Fees and commission expense	7(b)	(68,867)	(55,388)
Net fees and commission income		**100,495**	**147,666**
Other operating income	8(a)	25,949	149,802
Foreign exchange income	8(b)	319,338	201,107
Impairment losses	10	(212,884)	(549,144)
Operating expenses	9	(1,038,691)	(1,080,324)
Profit before income tax		**1,332,086**	**901,591**
Current income tax	11	(456,371)	(180,525)
Deferred income tax	11	(122,430)	(156,577)
Profit for the year		**753,285**	**564,489**
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	(7,565)	(6,405)
Other comprehensive loss, net of tax		(7,565)	(6,405)
Total comprehensive income for the year		**745,720**	**558,084**

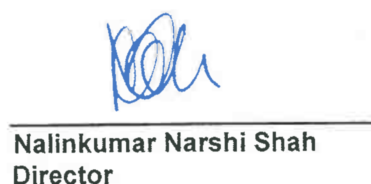
Consolidated Statement of financial position

	Notes	2022 Shs'000	2021 Shs'000
Assets			
Cash and balances with the Central Bank of Kenya	12	5,726,020	5,820,555
Deposits and balances due from other banks	14	5,767,366	3,969,793
Financial assets held at amortized cost	13	10,411,043	8,631,377
Financial assets held at FVTOCI	13	8,459,006	8,331,179
Due from group companies	31	1,255,405	462,800
Loans and advances to customers	15	20,322,903	24,591,880
Corporate tax recoverable	11	-	47,352
Other assets	21	764,466	914,739
Property and equipment	17	519,112	570,912
Right-of-use asset	19	376,973	519,733
Intangible assets	18	151,800	223,108
Deferred income tax	20	477,130	494,322
Total assets		**54,231,224**	**54,577,750**
Liabilities			
Deposits and balances due to other banks	23	-	162,623
Deposits from customers	22	41,371,407	40,725,926
Due to group companies	31	105	3,011
Corporate tax payable	11	131,633	-
Other liabilities	25	533,626	921,537
Borrowing	32	80,741	1,701,302
Lease liabilities	24	422,556	574,405
Total liabilities		**42,540,068**	**44,088,804**
Capital and reserves			
Share capital	26	1,280,934	1,280,934
Share premium	26	4,225,323	4,225,323
Statutory reserve	27	609,229	477,111
Other reserves	28	136,478	(157,121)
Retained earnings		4,875,496	4,223,287
Proposed dividend	34	451,971	338,692
		11,579,431	10,388,226
Non-controlling interest		111,725	100,720
Total equity		**11,691,156**	**10,488,946**
Total equity and liabilities		**54,231,224**	**54,577,750**

The financial statements on pages 15 to 117 were approved for issue by the Board of Directors on 30 March 2023 and signed on its behalf by:



John Mark Wandolo
Director



Nalinkumar Narshi Shah
Director

Dhanji Hansraj Chandaria
Director

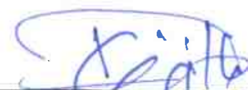
Separate Statement of financial position

	Notes	2022 Shs'000	2021 Shs'000
Assets			
Cash and balances with the Central Bank of Kenya	12	1,015,478	1,283,784
Deposits and balances due from other banks	14	2,696,208	806,312
Financial assets held at amortized cost	13	2,374,702	2,508,275
Financial assets held at FVTOCI	13	8,459,006	8,331,179
Due from group companies	31	1,012,042	26,349
Loans and advances to customers	15	13,173,781	16,648,976
Investment in subsidiary	16	3,375,990	3,375,990
Corporate tax recoverable	11	-	110,137
Other assets	21	452,813	476,139
Right-of-use asset	19	99,241	188,426
Property and equipment	17	119,638	185,629
Intangible assets	18	50,602	82,160
Deferred income tax	20	176,218	295,407
Total assets		**33,005,719**	**34,318,763**
Liabilities			
Deposits from customers	22	22,361,248	22,315,115
Due to group companies	31	2,409	96,181
Corporate tax payable	11	147,657	-
Other liabilities	25	229,385	245,479
Borrowings	32	-	1,701,302
Lease liabilities	24	110,878	213,572
Total liabilities		**22,851,577**	**24,571,649**
Capital and reserves			
Share capital	26	1,280,934	1,280,934
Share premium	26	4,225,323	4,225,323
Statutory reserve	27	463,730	414,966
Other reserves	28	3,750	11,315
Retained earnings		3,728,434	3,475,884
Proposed dividend	34	451,971	338,692
Total equity		**10,154,142**	**9,747,114**
Total equity and liabilities		**33,005,719**	**34,318,763**

The financial statements on pages 15 to 117 were approved for issue by the Board of Directors on 30 March 2023 and signed on its behalf by:

John Mark Wandolo
Director

Nalinkumar Narshi Shah
Director



Dhanji Hansraj Chandaria
Director

Consolidated 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 Shs'000	Non-Controlling interest Shs'000	Total Equity Shs'000
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
Transfer to statutory reserve		-	-	(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	34	-	-	(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**
Year ended 31 December 2022										
At start of year		1,280,934	4,225,323	4,223,287	477,111	338,692	(157,121)	10,388,226	100,720	10,488,946
Dividends paid in the year		-	-	-	-	(338,692)	-	(338,692)	-	(338,692)
Total comprehensive income for the year:										
Profit for the year		-	-	1,236,298	-	-	-	1,236,298	11,005	1,247,303
Transfer to statutory reserve		-	-	(132,118)	132,118	-	293,599	293,599	-	293,689
Total Comprehensive income		-	-	1,104,180	132,118	(338,692)	293,599	1,191,205	11,005	1,202,210
Proposed dividends	34	-	-	(451,971)	-	451,971	-	-	-	-
At the end of the year		**1,280,934**	**4,225,323**	**4,875,496**	**609,229**	**451,971**	**136,478**	**11,579,431**	**111,725**	**11,691,156**

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 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		-	-	-	-	-	(6,405)	(6,405)
Total comprehensive income		-	-	564,489	-	-	(6,405)	558,084
Transfer to regulatory reserves		-	-	(32,595)	32,595	-	-	-
Proposed dividends	34	-	-	(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**
Year ended 31 December 2022								
At start of year		1,280,934	4,225,323	3,475,884	414,966	338,692	11,315	9,747,114
Dividends paid in the year		-	-	-	-	(338,692)	-	(338,692)
Total comprehensive Income for the year:								
Profit for the year		-	-	753,285	-	-	-	753,285
Other comprehensive loss		-	-	-	-	-	(7,565)	(7,565)
Total comprehensive income/(loss)		-	-	753,285	-	-	(7,565)	407,028
Transfer to regulatory reserves		-	-	(48,764)	48,764	-	-	-
Proposed dividends	34	-	-	(451,971)	-	451,971	-	-
At the end of the year		**1,280,934**	**4,225,323**	**3,728,434**	**463,730**	**451,971**	**3,750**	**10,154,142**

Consolidated statement of cash flows

	Notes	2022 Shs'000	2021 Shs'000
Cash flows from operating activities			
Interest receipts		5,443,044	4,710,567
Interest payments		(1,332,378)	(1,240,137)
Net fee and commission receipts		387,995	415,827
Other income received		625,002	488,338
Recoveries from loans previously written off		72,362	313,495
Payments to employees and suppliers		(1,836,286)	(1,826,658)
Income tax paid	11	(570,318)	(619,228)
Cash flows generated from operating activities before changes in operating assets -and liabilities		2,789,421	2,242,204
Changes in operating assets and liabilities:			
Loans and advances		3,672,647	(3,823,988)
Cash reserve requirement		(163,671)	(115,301)
Government securities		(6,391,324)	1,726,045
Other assets		150,127	139,415
Customer deposits		645,481	3,238,198
Other liabilities		(468,981)	(133,588)
Due from group companies		(795,511)	(87,278)
Net cash (used in)/generated from operating activities		**(561,812)**	**3,185,707**
Cash flows from investing activities			
Purchase of property and equipment	17	(92,676)	(66,943)
Purchase of intangible assets	18	(4,964)	(13,255)
Proceeds from sale of property and equipment		3,633	678
Dividend payment		(338,692)	-
Net cash used in investing activities		**(432,699)**	**(79,520)**
Cash flows from financing activities			
Proceeds from borrowings	32	80,741	1,701,000
Repayment of principal portion of borrowing	32	(1,701,000)	-
Payments of principal portion of the lease liability	24	(206,418)	(181,204)
Net cash (used in)/generated from financing activities		**(1,826,677)**	**1,519,796**
Net (decrease)/increase in cash and cash equivalents		(2,821,188)	4,625,983
Cash and cash equivalents at start of year		14,860,672	10,169,139
Effects of foreign currency translation		375,207	65,550
Cash and cash equivalents at end of year	30	**12,414,691**	**14,860,672**

Separate Statement of cash flows

	Notes	2022 Shs'000	2021 Shs'000
Cash flows from operating activities			
Interest receipts		3,394,761	2,958,641
Interest payments		(998,034)	(985,729)
Net fee and commission receipts		100,495	147,666
Other income received		319,338	201,107
Recoveries from loans previously written off		23,964	149,660
Payments to employees and suppliers		(827,305)	(860,269)
Income tax paid	11	(198,577)	(335,564)
Cash flows from operating activities before changes in operating assets and liabilities		1,814,642	1,275,512
Changes in operating assets and liabilities:			
Loans and advances		3,002,833	(4,063,371)
Cash reserve requirement		15,043	(46,233)
Government securities		(3,169,271)	896,187
Other assets		23,486	299,391
Customer deposits		46,133	1,001,315
Other liabilities		(16,094)	(206,279)
Due to group companies		-	107,173
Due from group companies		(1,079,465)	-
Net cash generated from/(used in) operating activities		**637,307**	**(736,305)**
Cash flows from investing activities			
Purchase of property and equipment	17	(21,719)	(11,960)
Purchase of intangible assets	18	(4,167)	(4,291)
Proceeds from sale of property and equipment		1,992	430
Dividend payment		(338,692)	
Net cash used in investing activities		**(362,586)**	**(15,821)**
Cash flows from financing activities			
Proceeds from borrowings	32	-	1,701,000
Repayment of principal portion of borrowing	32	(1,701,000)	-
Payments of principal portion of the lease liability	24	(106,359)	(89,159)
Net cash used in financing activities		**(1,807,359)**	**1,611,841**
Net increase in cash and cash equivalents		(1,532,638)	859,715
Cash and cash equivalents at start of year		4,340,557	3,480,842
Cash and cash equivalents at end of year	30	**2,807,919**	**4,340,557**

Notes (continued)

1 General information

Guaranty Trust Bank (Kenya) Limited (the Bank) is incorporated in Kenya under the Companies Act, 2015 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 2022 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 2022 and have been adopted by the Group. Their adoption has not had any material impact on the Group financial statements.

Amendments to IAS 16 - Property, Plant and Equipment- Proceeds before intended use	These are amendments regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. This amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of 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)

Amendments to IFRS 3: Reference to the Conceptual Framework	The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The changes in Reference to the Conceptual Framework are as follows; a) Update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; b) Add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and c) Add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references at the same time or earlier.
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'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle (*Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities, IAS 41 Agriculture – Taxation in fair value Measurements, IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*)	**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:D16(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 Accounting 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:D16(a).

Notes (continued)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

c) Changes in accounting policies and disclosures (Continued)

	IFRS 9 Financial Instruments The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.
	IFRS 16 Leases The amendment removes the illustration of the reimbursement of leasehold improvements.
	IAS 41 Agriculture The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

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 2022, 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:

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. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

Notes (continued)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

c) Changes in accounting policies and disclosures (Continued)

IFRS 17 Insurance Contracts	In June 2021, 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 (incorporating the amendments) 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. For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application. The directors do not expect that the adoption of the Standard will have a material impact on the financial statements of the Group.

IFRS 10 and IAS 28 (amendments) ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The directors of the Bank anticipate that the application of these amendments may have an impact on the Bank's financial statements in future periods should such transactions arise. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Bank.

Amendments to IAS 1- Classification of Liabilities as Current or Non-current	The amendments aim at providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position- not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

Notes (continued)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (continued)

c) Changes in accounting policies and disclosures (Continued)

Amendments to IAS 1- Classification of Liabilities as Current or Non-current	They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. In July 2021, the Board tentatively decided to defer the effective date of the 2020 amendments to no earlier than 1 January 2024. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are to be applied retrospectively. Earlier application is permitted. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.
Amendments to IAS 8: Definition of accounting estimates	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The changes to IAS 8 focus entirely on accounting estimates and clarify the following: a) The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". b) Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. c) The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. d) A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods. The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of 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)

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.
Amendments to IAS 1 and IFRS practice statement 2: Disclosure of accounting policies	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways: a) An entity is now required to disclose its material accounting policy information instead of its significant accounting policies; b) several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material; c) the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial; the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and d) the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1. The amendments are applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.

Notes (continued)

2 Summary of significant accounting policies (continued)

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 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.

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.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(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).

(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.

Notes (continued)

2 Summary of significant accounting policies (continued)

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.

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.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial instruments

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

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

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

- The business model adopted
- Contractual cash flow characteristics

2.6.1 Financial assets

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

The Group classifies its financial assets into the following categories:

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

a) Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented within "Net trading income" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in "Net investment income". Interest income from these financial assets is included in "interest income" using the effective interest rate method.

b) Financial assets measured at amortised cost

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

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

Notes (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

2.6.1 Financial assets (continued)

c) Financial assets at fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Net investment income" using the effective interest rate method.

Group's business model: The business model reflects how the Group manages the assets in order to generate cash flows 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.

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.

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

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.

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.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

2.6.3 Recognition and subsequent measurement (continued)

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 (e).

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.

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 Effective Interest Rate and any gain or loss is recognised in profit or loss as part of the total impairment loss

Notes (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

2.6.4 Derecognition (continued)

Modifications leading to Derecognition

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

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

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

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

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

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

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

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

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

Notes (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

2.6.4 Derecognition (continued)

Modifications leading to Derecognition (continued)

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)

<table>
<tr><th colspan="2">Category
(as defined by IFRS 9)</th><th colspan="2">Class
(as determined by the Group)</th><th>Subclasses</th></tr>
<tr><td rowspan="15">Financial assets</td><td rowspan="3">Financial assets at fair value through other comprehensive income</td><td rowspan="3">Financial Assets at fair value through other comprehensive income</td><td>Debt securities</td><td>Treasury bills
Treasury bonds</td></tr>
<tr><td>Derivatives – non-hedging</td><td></td></tr>
<tr><td>Equity securities</td><td></td></tr>
<tr><td rowspan="5">Measured at Amortised Cost</td><td colspan="2">Loans and advances to banks</td><td></td></tr>
<tr><td rowspan="2">Loans and advances to customers</td><td>Loans to individuals (retail)</td><td>Overdrafts
Term loans</td></tr>
<tr><td>Loans to corporate entities</td><td>Overdrafts
Term loans</td></tr>
<tr><td>Investment securities - debt instruments</td><td>Debt securities HTM</td><td>Treasury bonds-HTM</td></tr>
<tr><td>Investments in Subsidiaries</td><td>Investments in Subsidiaries</td><td></td></tr>
<tr><td rowspan="7">Financial liabilities at amortised cost</td><td colspan="2">Deposits from banks</td><td></td></tr>
<tr><td colspan="2">Borrowings</td><td></td></tr>
<tr><td colspan="2">Due to group companies</td><td></td></tr>
<tr><td colspan="2">Other liabilities</td><td></td></tr>
<tr><td rowspan="3">Deposits from customers</td><td>Retail customers</td><td></td></tr>
<tr><td>Mid - corporate</td><td></td></tr>
<tr><td>SMEs</td><td></td></tr>
<tr><td rowspan="2">Off-balance sheet financial Instruments</td><td colspan="3">Loan commitments</td><td></td></tr>
<tr><td colspan="2">Guarantees, acceptances and other financial facilities</td><td colspan="2"></td></tr>
</table>

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 contractual rights over the loan or when all or part of a loan is deemed uncollectible or there is no realistic prospect of 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 determined by a court of law.
b) All forms of securities or collateral have been called, realized, but proceeds failed to cover the entire facility outstanding.
c) The Group is not able to collect or there is no longer reasonable assurance that the group will collect all 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 equipment	5 years
Motor vehicles	4 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

2.16 Leases (continued)

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Group is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease.

If that rate cannot be readily determined, the Group's incremental borrowing rate is used. For leases that contain non-lease components, the Group allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components. 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 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

2.17 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)

2.18 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.

2.19 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 2022, 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 10 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'.

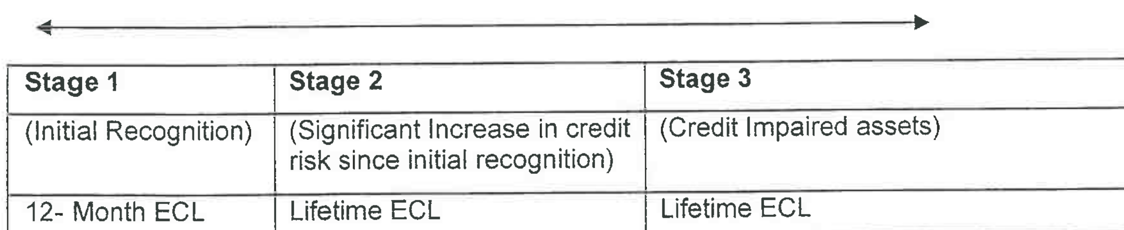
Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

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 2022 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

All Customers			
Macroeconomic Data	**Base**	**Upside**	**Downside**
Inflation	7.1%	9.64%	4.70%
Interest Rate	13.0%	13.67%	12.00%
GDP	5.30%	8.40%	-0.30%

The weightings and overall macroeconomic overlay assigned to each economic scenario at 31 December 2022 were as follows:

All Customers			
	Base	**Upside**	**Downside**
Weightings	49%	22%	29%
Overall Macro overlay	0%	-3.81%	5.47%

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	
	2022	2021	2022	2021
Amortized cost of financial assets modified during the period	-	2,385,381	-	1,394,404
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 2022	Bank and Group			
	Post modification		Pre-modification	
In Shs '000s	Gross carrying amount	Corresponding amount	Gross carrying amount	Corresponding 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 2021	Bank and Group			
	Post modification		Pre-modification	
In Shs '000s	Gross carrying amount	Corresponding amount	Gross carrying amount	Corresponding 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 2022 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%	17%	24%	718
Weightings -10%	39%	27%	34%	(574)

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%	-8.81%	5.47%	(1,579)
Upside overlay -5%	0%	1.19%	5.47%	288
Downside overlay -10%	0%	-3.81%	15.47%	1,880

Maximum exposure to credit risk before collateral

	Group		Bank	
	2022	**2021**	**2022**	**2021**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Balances with Central Banks	5,726,020	5,820,555	1,015,478	1,283,784
Government and other securities at amortised cost	10,411,043	8,631,377	2,374,702	2,508,275
Government and other securities at FVOCI	8,459,006	8,331,179	8,459,006	8,331,179
Deposits and balances due from other banks	5,767,366	3,969,793	2,696,208	806,312
Due from group companies	1,255,405	462,800	1,012,042	26,349
Loans and advances to customers	20,322,903	24,591,880	13,173,781	16,648,976
Other assets	554,974	670,819	309,388	330,228
Credit exposure relating to off-balance sheet items:				
- Acceptances and letters of credit	1,513,594	3,896,203	1,325,246	2,548,442
- Guarantees and performance bonds	4,570,274	5,651,181	2,029,414	1,977,576
- Commitments to lend	2,736,668	1,666,076	1,863,663	1,079,652
	61,317,253	**63,691,863**	**34,258,928**	**35,540,773**

The above table represents a worst-case scenario of credit risk exposure to the Group and Bank at 31 December 2022 and 31 December 2021, 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)

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:

- 77% 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	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Stage 1 Loans	16,374,806	20,674,885	10,824,208	14,689,325
Stage 2 Loans	852,301	1,449,733	750,912	809,982
Stage 3 Loans	4,095,238	4,075,928	2,421,266	2,354,272
Gross	21,322,345	26,200,546	13,996,387	17,853,579
Less: allowance for impairment (Note 15)	999,442	1,608,666	822,606	1,204,603
Net	20,322,903	24,591,880	13,173,781	16,648,976

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	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Standard	16,374,806	20,674,885	10,824,208	14,689,325

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

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	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Past due up to 30 days	432,984	994,099	381,477	265,229
Past due 31 – 60 days	277,555	205,470	244,537	244,962
Past due 61 – 90 days	141,762	250,164	124,898	299,790
Past due but not impaired	852,301	1,449,733	750,912	809,981

Loans and advances in stage 3

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

	Group		Bank	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Individually assessed impaired loans and advances	4,095,238	4,075,928	2,421,266	2,354,272
Fair value of collateral held	3,958,867	4,137,469	3,020,255	3,203,649

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

2022-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	1,015,478	-	-	-	-	-	-	-	1,015,478	0%	-
Deposits and balances due from banking institutions	2,696,208	-	-	-	-	-	-	-	2,696,208	0%	-
Loans and advances to customers				-							
Corporate Banking	12,414,458	158,726	346,000	-	26,581,576	-	27,086,302	14,671,843	-	100%	319,983
SME Banking	879,350	58,105	-	-	2,402,948	-	2,461,053	1,581,703	-	100%	15,534
Retail Banking	702,580	5,000		-	341,297	-	346,297	-	356,282	49%	16,024
	13,996,388	221,831	346,000	-	29,325,821	-	29,893,652	16,253,546	356,282	0%	351,541
Debt Instruments at amortized cost	2,374,702		-	-	-	-	-	-	2,374,702	0%	-
Total financial assets at amortized cost	**20,082,776**	**221,831**	**346,000**	**-**	**29,325,821**	**-**	**29,893,652**	**16,253,546**	**6,442,670**		**351,541**
Total financial instruments at fair value through profit and loss	**20,082,776**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0%**	**-**
Debt instruments at fair value through OCI	8,459,006	-	-	-	-	-	-	-	8,459,006	0%	-
Total debt instruments at fair value through OCI	**8,459,006**	**-**	**-**	**-**	**-**	**-**		**-**	**8,459,006**	**0%**	**-**
	28,541,782	**221,831**	**346,000**	**-**	**29,325,821**	**-**	**29,893,652**	**16,253,546**	**14,901,676**	**0%**	**351,541**
Financial guarantees	2,029,414						-	-	2,029,414	0%	-
Letter of credit for customers	1,325,246						-	-	1,325,246	0%	-
	3,354,660	-	-	-	-	-		-	3,354,660	-	-
Total	**31,896,442**	**221,831**	**346,000**	**-**	**29,325,821**	**-**	**29,893,652**	**16,253,546**	**18,256,336**	**-**	**351,541**

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	-	100%	792,648
SME Banking	863,458	78,850	56,000	-	2,992,183		3,127,033	2,263,575	-	100%	13,100
Retail Banking	939,406	678,856		-	272,802		951,657	12,251	-	100%	16,424
	18,261,601	1,077,828	242,000	-	25,732,043	-	27,051,871	8,790,270	-	0%	822,172
Debt Instruments at amortized cost	2,508,275						-	-	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**	**4,598,371**		**822,172**
Total financial instruments at fair value through profit and loss	**22,859,972**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0%**	
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**	**-**	**27,051,871**	**8,790,270**	**12,929,550**	**0%**	**822,172**
Financial guarantees	1,977,576	-	-	-	-	-	-	-	1,977,576	0%	-
Letter of credit for customers	2,548,442	-	-	-	-	-	-	-	2,548,442	0%	-
	4,526,018	-	-	-	-	-		-	4,526,018	-	-
Total	**35,717,169**	**1,077,828**	**242,000**	**-**	**25,732,043**	**-**	**27,051,871**	**8,790,270**	**17,455,568**	**-**	**822,172**

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

2022-Group
Type of collateral or credit enhancement

Shs "000"	Maximum Exposure Credit Risk	Fair value of collateral and credit enhancements held: 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	5,726,020	-	-	-	-	-	-	-	5,726,020	0%	-
Deposits and balances due from banking institutions	5,767,366	-	-	-	-	-	-	-	5,767,366	0%	-
Loans and advances to customers											
Corporate Banking	18,147,421	1,093,811	346,000	277,621	33,872,979	388,845	35,979,257	17,831,836	-	100%	463,580
SME Banking	1,546,253	84,833	-		4,428,186	20,752	4,533,772	2,987,518	-	100%	29,819
Retail Banking	1,628,671	750,520			2,659,001	42,077	3,451,599	1,822,928	-	100%	34,979
	21,322,345	1,929,165	346,000	277,621	40,960,166	451,674	43,964,627	22,642,282	-	-	528,377
Debt Instruments at amortised cost	10,411,043	-	-	-	-	-	-	-	10,411,043	0%	-
Total financial assets at amortised cost	**43,226,774**	**1,929,165**	**346,000**	**277,621**	**40,960,166**	**451,674**	**43,964,627**	**22,642,282**	**21,904,429**		**528,377**
Debt instruments at fair value through OCI	8,459,006						-	-	-	0%	-
Total debt instruments at fair value through OCI	8,459,006	-	-	-	-	-		-	8,459,006	-	-
	51,685,780	**1,929,165**	**346,000**	**277,621**	**40,960,166**	**451,674**	-	**22,642,282**	**30,363,435**		**528,377**
Financial guarantees	4,570,274	1,351,933			2,160,220	131,761	3,643,914	-	926,360	80%	-
Letter of credit for customers	1,513,594	103,114		-	160,650		263,764	-	1,249,830	17%	-
Other commitments	873,005						-	-	873,005	0%	-
	6,956,873	**1,455,047**	-	-	**2,320,870**	**131,761**	**3,907,678**	-	**3,049,195**		-
Total	**58,642,653**	**3,384,212**	**346,000**	**277,621**	**43,281,036**	**583,436**	**47,872,305**	**22,642,282**	**33,412,630**		**528,377**

Notes (continued)

4 Financial Risk Management (continued)

a) *Credit risk (continued)*

2021-Group
Type of collateral or credit enhancement

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
	Fair value of collateral and credit enhancements held										
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	-	100%	1,172,642
SME Banking	1,929,930	88,105	56,000		6,129,034	23,977	6,297,116	4,367,186	-	100%	26,475
Retail Banking	1,763,352	744,858			1,903,083	41,854	2,689,795	926,442	-	100%	27,114
	26,274,426	1,621,387	242,000	389,601	38,774,249	656,882	41,689,118	15,409,692	-	0%	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**	**41,689,118**	**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	66%	-
Letter of credit for customers	3,896,203	1,372,209		1,872,066	61,405		3,305,680	-	590,524	85%	-
Other commitments	586,424						-	-	586,424	0%	-
	10,133,808	**2,884,391**	-	**1,872,066**	**2,117,476**	**143,230**	**7,017,164**	-	**3,116,644**		-
Total	**63,385,553**	**4,505,779**	**242,000**	**2,261,667**	**40,891,725**	**800,112**	**48,706,282**	**15,409,692**	**30,093,963**		**1,226,232**

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

2022
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	3,060,854	-	-	460	6,236,201	54,271	6,333,219	3,272,365	-	207%	333,443
SME Banking	281,208	-	-	-	467,078	-	467,628	186,420	-	166%	5,850
Retail Banking	166,739	-	-	-	103,591	6,258	109,850	(56,890)	56,890	66%	20,481
	3,508,802	-	-	460	6,806,870	60,529	6,910,696	3,401,895	56,890	-	359,774
Debt Instruments at amortized cost	-	-	-	-	-	-	-	-	-	-	-
Total financial assets at amortized cost	**3,508,802**	-	-	**460**	**6,806,870**	**60,529**	**6,910,696**	**3,401,895**	**56,890**	-	**359,774**
Debt instruments at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-
	3,508,802	-	-	**460**	**6,806,870**	**60,529**	**6,910,696**	**3,401,895**	**56,890**	-	**359,774**
Other Commitments	-	-	-	-	-	-	-	-	-	-	-
Total	**3,508,802**	-	-	**460**	**6,806,870**	**60,529**	**6,910,696**	**3,401,895**	**56,890**	-	**359,774**

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

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)

Bank

2022
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	2,412,662	-	-	-	5,087,720	-	5,130,008	2,717,346	-	213%	215,365
SME Banking	158,965	-	-	-	160,150	-	160,700	1,735	-	101%	4,369
Retail Banking	110,276	-	-	-	33,547		33,547	(76,729)	76,729	30%	10,553
	2,681,904	-	-	-	5,281,417	-	5,324,255	2,642,351	76,729	-	230,287
Debt Instruments at amortized cost	-	-	-	-	-	-	-	-	-	-	-
Total financial assets at amortized cost	**2,681,904**	-	-	-	**5,281,417**	-	**5,324,255**	**2,642,351**	**76,729**	-	**230,287**
Debt instruments at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-
	2,681,904	-	-	-	**5,281,417**	-	**5,324,255**	**2,642,351**	**76,729**	-	**230,287**
Other Commitments	-	-	-	-	-	-	-	-	-	-	-
	2,681,904	-	-	-	**5,281,417**	-	**5,324,255**	**2,642,351**	**76,729**	-	**230,287**

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

2021
Type of collateral or credit enhancement for stage 3 assets

Shs "000"	Maximum Exposure Credit Risk	Fair Value of collateral and credit enhancements held under the base case scenario: 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)

Concentration risk

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

(i) Loans and advances

	Group		Bank	
	2022	**2021**	**2022**	**2021**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Manufacturing	4,977,804	6,110,805	3,241,214	3,920,836
Wholesale and retail trade	5,272,884	5,986,777	3,464,709	4,154,428
Transport and communications	1,256,432	1,234,139	470,388	673,183
Agricultural	1,254,133	1,642,101	1,200,595	1,582,713
Hotel, Restaurant and tourism	1,785,069	2,488,012	1,723,655	2,400,269
Social community and other services	2,610,932	3,097,181	1,556,897	2,612,120
Building, Construction and Real Estate	2,369,072	2,703,770	1,566,592	1,572,483
Mining	47,313	214,809	47,313	46,852
Finance and Insurance	1,178,679	989,429	647,833	791,960
Energy	342,867	925,873	77,191	98,735
Others*	227,160	807,650	-	-
Gross	**21,322,345**	**26,200,546**	**13,996,387**	**17,853,579**

(ii) Off-balance sheet items

	Group		Bank	
	2022	**2021**	**2022**	**2021**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Manufacturing	448,607	1,502,155	336,995	1,279,559
Wholesale and retail trade	545,985	1,173,965	350,451	794,721
Transport and communications	400,428	294,356	303,625	161,383
Social community and other services	2,009,827	1,319,307	1,815,508	1,042,323
Agricultural	528,025	851,551	527,962	851,418
Building, Construction and Real Estate	1,666,867	3,051,267	17,066	354,748
Information and Technology	78,158	1,263,971	-	8,193
Mining	-	57,137	-	-
Energy	344,051	-	123	-
Others*	61,920	33,675	2,930	33,673
Gross	**6,083,868**	**9,547,384**	**3,354,660**	**4,526,018**

*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

2022
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	4,116,944	305,542	555,318	4,977,804	25,944	27,016	54,922	107,882	0.63%	8.8%	9.9%	2.2%
Wholesale and retail trade	3,531,399	354,112	1,387,373	5,272,884	222,618	224,273	38,951	485,842	5.41%	63.3%	2.8%	9.2%
Transport and communications	1,107,732	0	148,700	1,256,432	8,585	0	22,282	30,867	0.21%	0.2%	15.0%	2.5%
Agricultural	1,216,307	4,477	33,349	1,254,133	6,793	66	14,889	21,747	0.17%	0.0%	44.6%	1.7%
Hotel, Restaurant and tourism	1,439,373	13,737	331,959	1,785,069	3,784	15	22,135	25,934	0.09%	0.0%	6.7%	1.5%
Social community and Other services	2,021,267	118,611	471,054	2,610,932	16,078	485	42,794	59,357	0.39%	0.4%	9.1%	2.3%
Building, Construction and Real Estate	1,388,031	29,114	951,927	2,369,072	10,120	31	454,713	464,864	0.25%	0.1%	47.8%	19 %
Mining	-	-	47,313	47,313	-	-	3,273	3,273	0.00%	-	6.9%	6.9%
Finance and Insurance	1,178,671	-	8	1,178,679	6,805	-	-	6,805	0.17%	-	0.0%	0.6%
Energy	177,555	15,900	149,412	342,867	1,474	14	8,098	9,586	0.04%	0.1%	5.4%	2.8%
Others	197,527	10,808	18,825	227,160	2207	2	285	2,495	0.05%	0.0%	0.0%	0.0%
Total	**16,374,806**	**852,301**	**4,095,238**	**21,322,345**	**304,408**	**251,902**	**662,342**	**1,218,652**	**1.86%**	**29.56%**	**10.82%**	**4.69%**

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

Group

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	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	4,903,523	350,903	732,351	5,986,777	229,346	245,783	12,900	488,029	4.7%	70.0%	25.3%	8.2%
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 & 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 & 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	175,826	184,949	0.4%	0.6%	27.8%	6.8%
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	989,428	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	684,224	21,704	101,722	807,650	570	520	15,317	16,407	0.0%	0.0%	0.0%	0.0%
Total	**20,674,885**	**1,449,733**	**4,075,928**	**26,200,546**	**340,327**	**252,914**	**1,015,425**	**1,608,666**	**1.6%**	**17.4%**	**24.9%**	**6.1%**

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

<u>Bank</u>

2022

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	2,539,722	305,542	395,950	3,241,214	22,174	27,016	54,922	104,112	0.9%	8.8%	13.9%	3.2%
Wholesale and retail trade	2,678,372	357,302	429,033	3,464,707	18,401	229,286	8,140	255,827	0.7%	64.2%	1.9%	7.4%
Transport and communications	323,589	-	146,799	470,388	6,851	0	47,198	54,049	2.1%	0.2%	32.2%	12%
Agricultural	1,167,246	-	33,349	1,200,595	6,301	0	25,644	31,945	0.5%	0.0%	76.9%	2.7%
Hotel, Restaurant and tourism	1,402,416	6,291	314,948	1,723,655	3,414	15	45,074	48,503	0.2%	0.0%	14.3%	2.8%
Social community and Other services	1,188,539	81,777	286,581	1,556,897	13,898	472	62,453	76,823	1.2%	0.6%	21.8%	4.9%
Building, Construction and Real Estate	876,071	-	690,521	1,566,592	2,131	-	225,255	227,386	0.2%	-	32.6%	14.%
Mining	-	-	47,313	47,313	-	-	3,273	3,273	-	-	6.9%	6.9%
Finance and Insurance	647,827	-	8	647,835	4,042	-	6	4,048	0.6%	-	79.0%	0.6%
Energy	426	-	76,765	77,191	2	-	16,638	16,640	0.3%	-	21.7%	21 %
Others	-	-	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%
Total	**10,824,208**	**750,912**	**2,421,267**	**13,996,387**	**77,214**	**256,789**	**488,603**	**822,606**	**0.7%**	**34.2%**	**20%**	**6%**

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	576,499	3,920,826	35,027	287	381,981	417,295	1.1%	0.1%	66.3%	10.6%
Wholesale and retail trade	3,636,862	506,989	10,577	4,154,428	31,040	248,978	1,185	281,202	0.9%	49.1%	11.2%	6.8%
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	-	260,050	262,113	0.1%	0.0%	32.9%	10.9%
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	791,944	3	12	791,959	14,190	-	-	14,190	1.8%	0.1%	0.1%	1.8%
Energy	35,799	25,326	37,620	98,746	45	31	46	122	0.1%	0.1%	0.1%	0.1%
Others	-	-	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%
Total	**14,689,325**	**809,982**	**2,354,272**	**17,853,579**	**117,445**	**249,692**	**837,466**	**1,204,603**	**1%**	**31%**	**36%**	**7%**

Notes (continued)

4 Financial Risk Management (continued)

b) 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 2022	68.34%	82.3%	84.6%
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)*

b) Liquidity risk (continued)

(i) Group

At December 2022	**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	17,426,763	6,945,345	17,136,428	320,419	-	41,828,955
Due to group companies	105	-	-	-	-	105
Lease liabilities	-	38,732	43,956	225,845	114,023	422,556
Borrowing	-	-	-	80,741	-	80,741
Other liabilities	207,765	6,450	154,761	-		368,977
Total financial liabilities	**17,634,633**	**6,990,527**	**17,335,145**	**627,005**	**114,023**	**42,701,334**
Assets						
Cash and balances with Central Banks	2,385,572	950,757	2,345,828	43,863	-	5,726,020
Government and other securities held	3,150,048	2,538,441	9,841,292	3,340,268	-	18,870,049
Deposits and balances due from banking institutions	5,264,241	261,701	241,424	-	-	5,767,366
Deposits and balances due from group companies	1,255,405	-	-	-	-	1,255,405
Loans and advances to customers	3,757,816	3,641,640	4,142,246	10,451,260	2,894,539	24,887,501
Other assets*	350,812		184,473	19,688		554,974
Total financial assets	**16,163,894**	**7,392,539**	**16,755,263**	**13,855,079**	**2,894,539**	**57,061,314**
Net liquidity gap	**1,470,739**	**(402,012)**	**579,882**	**(13,228,074)**	**(2,780,516)**	**(14,359,980)**

*Other assets include Mpesa C2B accounts, Mpesa float account and other items under collection.

Notes (continued)

4 *Financial Risk Management (continued)*

b) 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	9,908,297	15,840	49,004,707
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			1,756,386	-		1,756,386
Other financial liabilities	304,298	4,242	2,433	7,033		318,006
Total financial liabilities	**21,423,457**	**10,081,946**	**9,865,233**	**10,181,380**	**319,480**	**51,871,496**
Assets						
Cash and balances with Central Banks	2,488,764	1,196,984	956,064	1,176,862	1,881	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
Other financial assets	458,430	163,936		48,452		670,819
Total financial assets	**12,482,705**	**8,608,340**	**14,093,701**	**15,748,699**	**2,290,395**	**53,223,840**
Net liquidity gap	**8,940,752**	**1,473,606**	**(4,228,468)**	**(5,567,319)**	**(1,970,915)**	**(1,352,344)**

Notes (continued)

4 Financial Risk Management (continued)

b) Liquidity risk (continued)

(ii) Bank

At December 2022	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	11,600,139	4,487,197	6,642,875	161	-	22,730,372
Deposits and balances due to banking institutions	-	-	-	-	-	-
Amounts due to group companies	2,409	-	-	-	-	2,409
Lease liabilities	-	16,732	50,195	43,952	-	110,878
Other Liabilities	115,823	-	-	-	-	115,823
Total financial liabilities	**11,718,371**	**4,503,929**	**6,693,069**	**44,113**	**-**	**22,959,482**
Assets						
Cash and balances with Central Bank of Kenya	518,236	200,465	296,770	7	-	1,015,478
Government and other securities held	2,288,132	945,110	5,070,071	2,530,396	-	10,833,709
Deposits and balances due from banking institutions	2,696,208	-	-	-	-	2,696,208
Due from group companies	1,012,042	-	-	-	-	1,012,042
Loans and advances to customers	1,600,434	2,828,570	3,253,048	6,803,292	1,860,921	16,346,264
Other financial assets	295,481			13,907		309,388
Total financial assets	**8,410,533**	**3,974,145**	**8,619,889**	**9,347,602**	**1,860,921**	**32,213,089**
Net liquidity gap	**3,307,838**	**529,784**	**(1,926,819)**	**(9,303,489)**	**(1,860,921)**	**(9,253,607)**

Notes (continued)

4 Financial Risk Management (continued)

b) Liquidity risk (continued)

(ii) Bank

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	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	-	26,549	105,825	107,378	-	239,751
Borrowings	-	-	1,756,386	-	-	1,756,386
Other liabilities	128,026			-		128,026
Total financial liabilities	**14,107,850**	**7,113,371**	**3,433,464**	**110,215**	**-**	**24,764,900**
Assets						
Cash and balances with Central Bank of Kenya	790,594	403,554	89,474	162	-	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
Other financial assets	314,938			15,290		330,228
Total financial assets	**3,912,365**	**4,968,717**	**9,293,840**	**10,755,972**	**1,749,647**	**30,680,540**
Net liquidity gap	**10,195,485**	**2,144,654**	**(5,860,376)**	**(10,645,757)**	**(1,749,647)**	**(5,915,640)**

Notes (continued)

4 Financial Risk Management (continued)

c) 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 2022. 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 2022**	**USD** **Shs'000**	**GBP** **Shs'000**	**EURO** **Shs'000**	**OTHER** **Shs'000**	**Total** **Shs'000**
Assets					
Cash and balances with Central Banks	2,193,013	47,404	300,916	2,305,533	4,846,866
Deposits and balances due from banking institutions	5,694,988	53,409	168,144	2,774	5,919,315
Loans and advances to customers	6,148,495	13,851	222,068	6,255,526	12,639,940
Other assets	81,348	-	-	276,153	357,501
Total Assets	**14,117,844**	**114,664**	**691,128**	**8,839,986**	**23,763,622**

Notes (continued)

4 Financial Risk Management (continued)

c) 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	14,063,162	364,912	546,373	12,542,610	27,517,057
Deposits and balances due to banking institutions	105	-	-	-	105
Lease liabilities	-	-	-	-	311,678
Other liabilities	143,073	11	317	181,625	325,026
Total liabilities	**14,206,340**	**364,923**	**546,690**	**13,035,913**	**28,153,866**
Net on Balance sheet position	**(88,496)**	**(250,259)**	**144,438**	**(3,884,249)**	**(4,390,244)**
Net off Balance sheet position	**271,305**	**243,041**	**(91,475)**	**2,540,860**	**2,963,731**
Overall position	**182,809**	**(7,218)**	**52,963**	**(1,343,389)**	**(1,426,513)**
At 31 December 2021					
Total assets	15,078,176	348,559	839,760	1,128,304	17,394,799
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**

Notes (continued)

4 *Financial Risk Management (continued)*

c) Market risk (continued)

(i) Currency risk (continued)

Bank

At 31 December 2022	**USD Shs'000**	**GBP Shs'000**	**EURO Shs'000**	**Other Shs'000**	**Total Shs'000**
Assets					
Cash and balances with Central Bank of Kenya	88,199	33,287	14,550	287	136,324
Deposits and balances due from banking institutions	3,431,652	40,737	151,158	2,491	3,626,038
Loans and advances to customers	5,254,900	13,851	222,068	-	5,490,818
	8,774,751	**87,875**	**387,776**	**2,778**	**9,253,180**
Liabilities					
Customer deposits	7,923,852	335,890	241,974	5,181	8,506,898
Deposits and balances due to banking institutions	1,000	-	-	-	1,000
Borrowing	-				-
Total liabilities	**7,924,853**	**335,890**	**241,974**	**5,181**	**8,507,898**
Net on Balance sheet position	**849,899**	**(248,016)**	**145,802**	**(2,403)**	**745,282**
Net off Balance sheet position	**(100,135)**	**243,041**	**(147,017)**	**3,609**	**(502)**
Overall position	**749,764**	**(4,975)**	**(1,215)**	**1,206**	**744,780**

Notes (continued)

4 Financial Risk Management (continued)

c) Market risk (continued)

(i) Currency risk (continued)

At 31 December 2021	USD Shs'000	GBP Shs'000	EURO Shs'000	Other Shs'000	Total Shs'000
Total Assets	8,101,286	324,372	387,876	29,101	8,842,635
Total Liabilities	8,375,740	306,055	196,625	-	8,878,420
Net on Balance sheet position	**(1,304,123)**	**2,656**	**360,886**	**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**

At 31 December 2022, 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 234 million (2021: Shs 111 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)

c) Market risk (continued)

(ii) Interest rate risk (continued)

Group

At December 2022	Upto 1 month	1 - 3 months	3 - 12 months	Over 1 year	Non interest bearing	Total
Assets						
Cash and balances with Central Banks	-	-	-	-	5,726,018	5,726,018
Government and other securities at amortised cost	861,303	1,672,518	4,259,800	3,953,282	-	10,746,903
Government and other securities at FVOCI	2,288,132	851,771	4,996,063	323,040	-	8,459,006
Deposits and balances due from banking institutions	5,438,603	-	328,763	-	-	5,767,366
Amounts due from group companies	1,255,405	-	-	-	-	1,255,405
Loans and advances to customers	20,322,903	-	-	-	-	20,322,903
Other assets	-	-	-	-	554,974	554,974
Total financial assets	**30,166,345**	**2,524,289**	**9,584,627**	**4,276,322**	**6,280,992**	**52,832,575**
Liabilities						
Customer deposits	25,446,341	5,435,769	9,715,082	320,419	453,796	41,371,407
Deposits and balances due to banking institutions	-	-	-	-	-	-
Amounts due to group companies	105	-	-	-	-	105
Lease liabilities	-	38,732	43,958	225,843	114,023	422,556
Borrowings	-	-	-	-	-	-
Other liabilities	-	-	-	-	368,977	368,977
Total financial liabilities	**25,446,446**	**5,474,501**	**9,759,040**	**546,262**	**936,796**	**42,163,045**
Total interest repricing gap	**4,719,899**	**(2,950,212)**	**(174,413)**	**3,730,060**	**5,344,196**	**10,669,530**

Notes (continued)

4 Financial Risk Management (continued)

c) Market risk (continued)

(ii) Interest rate risk (continued)

At 31 December 2021	Upto 1 month	1 - 3 months	3 - 12 months	Over 1 year	Non interest bearing	Total
Total financial Assets	32,355,408	3,060,135	7,190,191	3,381,296	6,735,148	52,722,178
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**

Bank

At December 2022						
Assets						
Cash and balances with Central Banks	-	-	-	-	1,015,478	1,015,478
Government and other securities at amortised cost	-	93,339	74,040	2,207,323	-	2,374,702
Government and other securities at FVOCI	2,288,132	851,771	4,996,063	323,042	-	8,459,007
Deposits and balances due from banking institutions	2,696,208	-	-	-	-	2,696,208
Due from group companies	1,012,042	-	-	-	-	1,012,042
Loans and advances to customers	13,173,779	-	-	-	-	13,173,779
Other financial assets	-	-	-	-	309,388	309,388
Total financial assets	**19,170,160**	**945,110**	**5,070,103**	**2,530,364**	**1,324,866**	**29,040,604**

Notes (continued)

4 Financial Risk Management (continued)

c) Market risk (continued)

(ii) Interest rate risk (continued)

Liabilities	**Upto 1 month**	**1 - 3 months**	**3 - 12 months**	**Over 1 year**	**Non interest bearing**	**Total**
Customer deposits	11,546,137	4,425,946	6,389,002	161	-	22,361,247
Deposits and balances due to banking institutions	-	-	-	-	-	-
Due to group companies	2,409	-	-	-	-	2,409
Borrowings	-	-	-	-	-	-
Lease liabilities	-	-	-	110,878	-	110,878
Other financial liabilities	-	-	-	-	115,823	115,823
Total financial liabilities	**11,548,546**	**4,425,946**	**6,389,002**	**111,040**	**115,823**	**22,590,357**
Total interest repricing gap	**7,621,614**	**(3,480,837)**	**(1,318,899)**	**2,419,324**	**1,209,043**	**6,450,247**
At 31 December 2021						
Total Assets	18,676,460	1,974,448	4,795,483	2,874,700	1,759,924	30,081,016
Total 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**

Notes (continued)

4 Financial Risk Management (continued)

c) Market risk (continued)

(ii) 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 2022, an increase/decrease of 75 basis points would have resulted in an increase/decrease in consolidated post tax profit of Group; Shs 112 million (2021: Shs 95million) and Bank Shs 89 million (2021: Shs 55 million), mainly as a result of higher/lower interest charges on variable rate borrowings.

d) 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 2022 is estimated at; Shs 8,459 million (2021: Shs 8,331million) for the Group and Bank as compared to their carrying values of Shs 8,459 million (2021: Shs 8,331 million). The fair value of freehold land and building is estimated at; Shs 93 million (2021: Shs 89 million) for the Group as compared to their carrying values of Shs 67 million (2021: Shs 63 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).

Notes (continued)

4 Financial Risk Management (continued)

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

Group	**Level 1 Shs'000**	**Level 2 Shs'000**	**Level 3 Shs'000**
31 December 2022			
Assets			
Financial assets at fair value through OCI	8,459,006	-	-
Freehold land and building	-	-	93,916
31 December 2021			
Assets			
Financial assets at fair value through OCI	8,331,179	-	-
Freehold land and building	-	-	83,711

Bank

31 December 2022 Assets	**Level 1 Shs'000**	**Level 2 Shs'000**	**Level 3 Shs'000**
Financial assets at fair value through OCI	8,459,006	-	-
31 December 2021			
Assets			
Financial assets at fair value through OCI	8,331,179	-	-

e) 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 10.5%; (c) maintain core capital of not less than 10.5% of total deposit liabilities; and (d) maintain total capital of not less than 14.5% of risk-weighted assets plus risk-weighted off-balance sheet items.

Notes (continued)

4 Financial Risk Management (continued)

f) Capital Management

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.

GTBANK Uganda Statutory Capital Requirement

The Uganda subsidiary's 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 Bank of Uganda for supervisory purposes. The required information is filed with the Bank of Uganda on a quarterly basis.
The Financial Institution Act 2004 (Amended 2016) and the financial institutions (Revision of Minimum capital Requirement) instrument 2022 requires each Bank to:

a) hold a minimum level of paid-up capital of UGX.120 billion by 31 December 2022 and UGX.150 billion by 30 June 2024.
b) maintain a ratio of core capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the Basel ratio) at or above the required minimum of 12.5%; and
c) maintain total capital of not less than 14.5% of risk-weighted assets plus risk-weighted off-balance sheet items as per Financial Institutions (Capital Buffers) Regulations 2020.

On 16 November 2022, a statutory instrument from Ministry of Finance, Planning and Economic Development was released stipulating a Revision in the Minimum Capital Requirements for banks in Uganda and it cited that;

- By 31 December 2022, the minimum capital funds unimpaired by losses shall at all times not be less than 6,000,000 currency points (Sec.2 (2). i.e., UGX 120 billion,
- A person proposing to transact a financial institution in business in the capacity of a bank shall have a minimum of paid-up capital of not less than 7,500,000 currency points by 30th June 2024, invested initially in such Liquid assets in Uganda as BOU may approve (Sec.2 (3). i.e., UGX 150 billion.

As at 31 December 2022, the bank had paid up capital of UGX.51.954 billion and shareholders' funds of UGX 52.112 billion which is below the minimum capital requirements by the regulation.

In line with FIA 2004 (amended 2016), on 20 January, after the balance sheet date, and following various engagements, Bank of Uganda asked the bank to submit a capital restoration plan indicating how it intends to meet the revised minimum capital requirement of UGX 120 billion by June 2023 and UGX 150 billion by 30 June 2024. The Bank has shared its proposed recapitalization plan with the regulator which was prepared and submitted to Bank of Uganda as per the guidance notes circular Ref: EDS.306.2., and is at the date of this report, in discussions with the regulator with regards to the proposed compliance plan.

The Group is committed to ensuring compliance with the revised extant regulation on Banks' minimum paid-up capital in Uganda through the sustained profitability of the subsidiary and capital injection from its immediate parent Company; Guaranty Trust Bank (Kenya) Limited through the principal shareholder of the immediate parent Company; Guaranty Trust Bank Limited, Nigeria.
It is worthy of note, that the ultimate parent of the Bank is Guaranty Trust Holding Company, a Pan African Financial Institution listed on the main market of the London Stock Exchange, with presence in ten (10) African Countries and the United Kingdom, with a strong commitment to expanding its presence within the East African region and Uganda being one of the key focus economies in the region.

Notes (continued)

4 Financial Risk Management (continued)

f) Capital Management (continued)

GTBANK Uganda Statutory Capital Requirement (continued)

The Group is committed to the development of the financial sector in Uganda and it is her intention to replicate strong values of innovation, quality service and professionalism within the Ugandan economy on a long term, sustainable basis.

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

	Group		Bank	
	31-Dec-22 Shs'000	**31-Dec-21 Shs'000**	**31-Dec-22 Shs'000**	**31-Dec-21 Shs'000**
Tier 1 capital	10,903,093	10,067,998	5,724,966	5,941,795
Tier 1 + Tier 2 capital	11,157,963	10,512,170	5,969,636	6,232,135

Risk - weighted assets	**31-Dec-22 Shs'000**	**31-Dec-21 Shs'000**	**31-Dec-22 Shs'000**	**31-Dec-20 Shs'000**
On balance sheet	25,045,692	27,651,347	13,371,078	16,545,755
Off balance sheet	2,968,545	4,262,936	1,423,390	2,028,330
Total market risk weighted assets	929,861	1,171,838	904,668	1,231,218
Total operational risk weighted assets	6,698,601	7,964,276	3,825,387	3,421,897
Total risk weighted assets	35,642,699	41,050,397	19,524,523	23,227,200
Basel ratio				
Tier 1	30.59%	24.53%	29.32%	25.58%
Tier 1 + Tier 2	31.31%	25.61%	30.58%	26.83%

The capital adequacy ratios for the subsidiaries are summarized below;

Tier 1	**2022**	**2021**
GTBank Kenya (CBK minimum - 10.5%)	29.32%	25.58%
GTBank Rwanda PLC (BNR minimum - 10.5%)	32.4%	18.73%
GTBank Uganda (BOU minimum - 8%)	33.9%	24.20%
Tier 1 + Tier 2		
GTBank Kenya (CBK minimum - 14.5%)	30.58%	26.83%
GTBank Rwanda PLC (BNR minimum - 15%)	32.5%	18.83%
GTBank Uganda (BOU minimum - 12%)	34.1%	27.50%

Notes (continued)

5 Interest income

	Group		Bank	
	31-Dec-22 Shs'000	31-Dec-21 Shs'000	31-Dec-22 Shs'000	31-Dec-21 Shs'000
Loans and advances	3,139,674	3,060,333	2,012,932	1,885,055
Credit related fees and commissions	208,145	286,229	71,282	119,528
Government securities - Amortised cost	767,646	608,805	241,535	229,912
Government securities - FVOCI	764,446	757,318	764,446	757,318
Cash and short-term funds	278,925	126,486	44,597	17,480
Other securities*	491	2,354	491	2,354
	5,159,327	4,841,525	3,135,283	3,011,647

*Interest income on other securities comprises of interest income on discount on swap contracts and FX forward deals.

6 Interest expense

	Group		Bank	
	31-Dec-22 Shs'000	31-Dec-21 Shs'000	31-Dec-22 Shs'000	31-Dec-21 Shs'000
Customer deposits	1,174,169	1,141,639	870,611	902,048
Borrowed funds	73,316	1,571	72,140	301
Deposits by banks	14,796	27,065	12,424	19,715
Interest expense on lease liabilities	36,382	42,099	15,425	19,897
Other interest expenses*	26,804	37,202	26,804	37,202
	1,325,467	1,249,576	997,404	979,163

*Other interest expense comprises of premium on swap contracts

7 Fees and commission

	Group		Bank	
a) Fees and commission income	31-Dec-22 Shs'000	31-Dec-21 Shs'000	31-Dec-22 Shs'000	31-Dec-21 Shs'000
Clearing and Funds transfer commission	253,693	204,403	44,411	42,902
Commissions on guarantees	52,995	76,547	26,726	35,632
Current account ledger fees	64,042	64,849	19,995	25,938
Letters of credit commissions	54,023	51,068	12,758	19,706
Mastercard commission	33,567	37,569	17,331	23,094
Mobile and E-banking commissions	54,223	34,889	20,045	17,494
Cash withdrawal commissions	10,253	13,186	-	-
ATM commissions	7,960	8,028	3,111	3,783
Cheque book charges	6,049	6,028	2,530	2,880
Other fee income*	56,718	73,974	22,455	31,625
	593,523	570,541	169,362	203,054

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

Notes (continued)

7 Fees and commission (continued)

b) Fees and commission expense

	Group		Bank	
	31-Dec-22 Shs'000	31-Dec-21 Shs'000	31-Dec-22 Shs'000	31-Dec-21 Shs'000
Master card expense	132,419	104,803	61,876	48,717
Banking services	23,380	18,115	6,757	6,237
Foreign currency import/export charges	49,729	17,320	234	434
Other fee expenses*	-	14,476	-	-
	205,528	154,714	68,867	55,388

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

8 (a) Other operating income

	Group		Bank	
	31-Dec-22 Shs'000	31-Dec-21 Shs'000	31-Dec-22 Shs'000	31-Dec-21 Shs'000
Bad debts recovered	72,360	313,495	23,957	149,372
Gain on disposal of assets	3,633	678	1,992	430
Other income	5,515	5,316	-	-
	81,508	319,489	25,949	149,802

*Other income includes unclaimed balance write back from Rwanda

8(b) Foreign exchange income

	Group		Bank	
	31-Dec-22 Shs'000	31-Dec-21 Shs'000	31-Dec-22 Shs'000	31-Dec-21 Shs'000
Unrealised foreign exchange (losses)/gain	(1,370)	258	(2,593)	(3,095)
Realised foreign exchange gains	626,372	488,080	321,931	204,202
	625,002	488,338	319,338	201,107

Notes (continued)

9 Operating expenses

	Group		Bank	
	31-Dec-22 Shs'000	31-Dec-21 Shs'000	Dec-22 Shs'000	Dec-21 Shs'000
Employee benefits expense (Note 9 (a))	843,486	939,510	389,662	406,291
Depreciation (Note 17)	160,789	160,994	82,863	86,013
Depreciation of right-of-use assets (Note 19)	186,049	184,217	92,825	97,798
Repairs and maintenance	125,589	130,363	75,239	76,235
Other administrative expenses	62,334	93,972	5,573	52,793
Amortisation of intangible assets (Note 18)	83,275	85,611	35,698	36,272
Mobile and E-Banking charges	83,651	76,381	41,312	30,657
Consultancy costs	92,792	72,714	10,450	9,937
Deposit protection insurance	54,959	47,526	35,618	30,568
Security costs	39,739	38,799	19,299	19,083
Communication	41,831	38,316	14,117	13,039
Director fees (Note 31)	56,508	35,831	19,483	16,713
ATM expenses	27,825	35,981	24,937	34,405
Water and electricity costs	33,356	34,302	9,168	11,815
Legal fees	35,077	34,393	9,295	18,765
Insurance	47,643	31,246	20,459	18,737
Reuters and Bloomberg charges	31,510	31,112	20,508	19,799
Auditors' remuneration	30,717	24,609	15,200	11,200
Operating lease rentals	6,729	22,261	363	19,668
Advertising and publicity	37,857	22,229	21,493	14,304
Travel and accommodation	31,014	17,309	17,895	10,949
Correspondent bank charges	14,168	16,235	8,838	9,320
Printing and stationery	17,891	14,261	3,813	3,897
Office housekeeping	11,402	13,791	8,232	8,922
Office cash handling charges	13,113	11,328	915	1,833
Periodicals and other book subscriptions	15,010	10,272	312	325
Courier charges	4,155	9,876	3,899	3,856
Subscriptions expenses	12,149	7,429	12,149	5,158
Motor vehicle expenses	9,718	5,226	2,960	2,360
Operating license fees	7,516	5,289	5,871	4,978
Outsourced service fees	1,155	1,497	1,155	997
Sundry losses	23,693	1,697	5,627	899
Donation and grants	701	200	465	200
Fines and penalties	3,395	165	3,395	-
IFC loan appraisal fees expense	19,003	1,888	19,003	1,888
Tax audit expense	600	650	600	650
	2,266,399	2,257,480	1,038,691	1,080,324

9 (a) Employee benefits expense

	31-Dec-22 Shs'000	31-Dec-21 Shs'000	Dec-22 Shs'000	Dec-21 Shs'000
Salaries and wages	667,897	757,999	319,036	335,532
Pension fund contribution	42,554	43,296	11,087	13,865
Other staff costs and benefits	133,035	138,215	59,539	56,894
	843,486	939,510	389,662	406,291

*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 other employee benefits.

Notes (continued)

10 Impairment losses	Group 31-Dec-22 Shs'000	Group 31-Dec-21 Shs'000	Bank 31-Dec-22 Shs'000	Bank 31-Dec-21 Shs'000
Loans and advances (note 15)	312,614	719,234	212,884	549,144
Investment securities (note 13)	323,130	-	-	-
	635,744	719,234	212,884	549,144

11 Taxation

	Group 31-Dec-22	Group 31-Dec-21	Bank 31-Dec-22	Bank 31-Dec-21
Current income tax	745,161	459,768	456,371	180,525
Deferred income tax (Note 20)	33,758	144,578	122,430	156,577
	778,919	604,346	578,801	337,102
Profit before income tax	2,026,220	1,838,888	1,332,086	901,590
Tax calculated at domestic rates applicable to profits in the respective countries - 30% (2021- 30%)	607,866	551,666	399,626	270,477
Tax effect of:				
- Income not subject to tax	(35,426)	(68,037)	(3,139)	(7,228)
- Expenses not deductible for tax purposes	206,479	120,717	182,314	73,854
	778,919	604,346	578,801	337,103
Corporate tax (payable)/recoverable				
At the beginning of the year	47,352	(111,030)	110,137	(44,902)
Charge for the year	(745,161)	(459,768)	(456,371)	(180,525)
Taxation paid	570,318	619,228	198,577	335,564
Translation difference	(4,142)	(1,078)	-	-
At the end of the year	(131,633)	47,352	(147,657)	110,137
Comprising of:				
Corporate tax recoverable	-	47,352	-	110,137
Corporate tax payable	(131,633)	-	(147,657)	-
	(131,633)	47,352	(147,657)	110,137

Notes (continued)

12 Cash and balances with the Central Bank

	Group		Bank	
	31-Dec-22 Shs'000	31-Dec-21 Shs'000	31-Dec-22 Shs'000	31-Dec-21 Shs'000
Cash in hand	1,226,769	1,289,457	162,375	118,937
Cash reserve ratio	3,883,838	1,355,508	853,103	918,810
Balances with the Central Banks	615,413	3,175,590	-	246,037
	5,726,020	5,820,555	1,015,478	1,283,784

13 Financial assets

(a) Held at amortised cost

	Group		Bank	
	31-Dec-22 Shs'000	31-Dec-21 Shs'000	31-Dec-22 Shs'000	31-Dec-21 Shs'000
Government securities – at amortised cost				
- Maturing within 90 days of acquisition date	2,440,484	3,419,184	-	-
- Maturing within 90 days of acquisition date	8,306,419	5,212,193	2,374,702	2,508,275
Eurobonds impairment provision*	(335,860)	-		
	10,411,043	8,631,377	2,374,702	2,508,275

*The GT Bank Rwanda took 45% haircut on Republic of Ghana Eurobonds following pronouncement by the government of the ongoing restructure of the external debts and suspension of payments to investors.

	Group		Bank	
	31-Dec-22 Shs'000	31-Dec-21 Shs'000	31-Dec-22 Shs'000	31-Dec-21 Shs'000
Charge to profit or loss	(323,130)	-	-	-
Translation differences	(12,730)	-	-	-
	(335,860)	-	-	-

(b) Held at FVOCI

	Group		Bank	
	31-Dec-22 Shs'000	31-Dec-21 Shs'000	31-Dec-22 Shs'000	31-Dec-21 Shs'000
Government securities		-		
- Maturing within 90 days of acquisition date	-	-	-	-
- Maturing within 90 days of	8,459,006	8,331,179	8,459,006	8,331,179
	8,459,006	8,331,179	8,459,006	8,331,179

14 Deposits and balances due from other banks

	Group		Bank	
	31-Dec-22 Shs'000	31-Dec-21 Shs'000	31-Dec-22 Shs'000	31-Dec-21 Shs'000
Due from local banking institutions	2,540,676	73,400	2,540,676	73,400
Due from foreign banking institutions	3,226,690	3,896,393	155,532	732,912
	5,767,366	3,969,793	2,696,208	806,312

Notes (continued)

15 Loans and advances to customers

	Group		Bank	
	31-Dec-22 Shs'000	31-Dec-21 Shs'000	31-Dec-22 Shs'000	31-Dec-21 Shs'000
Overdrafts	5,327,860	5,933,732	3,071,797	3,447,612
Commercial loans	14,016,874	18,025,527	10,024,697	13,504,251
Personal loans	1,539,257	1,579,155	899,893	901,716
Mortgages	438,354	662,132	-	-
Gross loans and advances	21,322,345	26,200,546	13,996,387	17,853,579
Less: Provision for impairment losses				
- Stage 1 loans	304,408	340,327	77,214	117,445
- Stage 2 loans	251,902	252,914	256,789	249,691
- Stage 3 loans	443,132	1,015,425	488,603	837,467
	999,442	1,608,666	822,606	1,204,603
Net loans and advances	20,322,903	24,591,880	13,173,781	16,648,976

(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 2021	16,399,296	1,007,542	5,612,953	23,019,791
Changes in the gross carrying amount	(812,793)	812,793	-	-
– 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
Payments and assets 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

Notes (continued)

15 Loans and advances to customers (continued)

(i) 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
Gross carrying amount as at 01 January 2022	20,674,885	1,449,733	4,075,928	26,200,546
Changes in the gross carrying amount				
– Transfer from stage 1 to stage 2	(418,275)	418,275	-	-
– Transfer from stage 1 to stage 3	(1,072,799)	-	1,072,799	-
– Transfer from stage 2 to stage 3	-	(791,101)	791,101	-
– Transfer from stage 3 to stage 2	-	349,720	(349,720)	-
– Transfer from stage 2 to stage 1	54,281	(54,281)	-	-
– Write-offs	-	-	(1,387,936)	(1,387,936)
New financial assets originated or purchased	4,267,991	12,367	138,956	4,419,314
Payments and assets derecognised	(7,632,870)	(576,802)	(292,415)	(8,502,087)
Translation differences	501,593	44,390	46,525	592,507
Gross carrying amount as at 31 December 2022	16,374,806	852,301	4,095,238	21,322,345

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 1 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	-	-	-	-
– 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	34,021	318	6,452,157
Payments and assets derecognised	(1,467,760)	(7,667)	(629,522)	(2,104,949)
Gross carrying amount as at 31 December 2021	14,689,325	809,982	2,354,272	17,853,579

Notes (continued)

15 Loans and advances to customers (continued)

(i) 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**
Gross carrying amount as at 01 January 2022	14,689,325	809,982	2,354,272	17,853,579
Changes in the gross carrying amount				
– Transfer from stage 1 to stage 2	(121,439)	121,439	-	-
– Transfer from stage 1 to stage 3	(907,070)	-	907,070	-
– Transfer from stage 2 to stage 3	-	(417,681)	417,681	-
– Transfer from stage 3 to stage 2	-	305,542	(305,542)	-
– Transfer from stage 2 to stage 1	592	(592)	-	-
– Write-offs	-	-	(940,255)	(940,255)
New financial assets originated or purchased	1,417,956	1,666	93,021	1,512,643
Payments and assets derecognised	(4,255,156)	(69,443)	(104,981)	(4,429,580)
Gross carrying amount as at 31 December 2022	10,824,208	750,912	2,421,266	13,996,387

(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 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)	-	-
New financial assets originated or purchased	92,386	5,060	776,016	873,462
Financial assets that have been derecognised	(16,792)	(8,139)	(129,297)	(154,228)
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

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 2022	340,327	252,914	1,015,425	1,608,666
Charge to profit or loss	(40,011)	(1,212)	353,837	312,614
– Transfer from stage 1 to stage 2	(425)	425	-	-
– Transfer from stage 1 to stage 3	(6,617)	-	6,617	-
– Transfer from stage 2 to stage 3	-	(19,556)	19,556	-
– Transfer from stage 3 to stage 2	-	26,275	(26,275)	-
– Transfer from stage 2 to stage 1	1,987	(1,987)	-	-
Financial assets that have been derecognised	(46,058)	(6,535)	(76,741)	(129,334)
New financial assets originated or purchased	11,102	166	430,680	441,948
Write-offs	-	-	(955,447)	(955,447)
Reclassification	-	-	-	-
Translation Differences	4,092	199	29,318	33,609
Loss allowance as at 31 December 2022	304,408	251,902	443,132	999,442

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	(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 2021	117,445	249,692	837,466	1,204,603

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 2022	117,445	249,691	837,467	1,204,603
Charge to profit or loss	(40,231)	7,098	246,016	212,884
– Transfer from stage 1 to stage 2	(268)	268	-	-
– Transfer from stage 1 to stage 3	(6,617)	-	6,617	-
– Transfer from stage 2 to stage 3	-	(19,444)	19,444	-
– Transfer from stage 3 to stage 2	-	26,275	(26,275)	-
– Transfer from stage 2 to stage 1	-	-	-	-
Financial assets that have been derecognised	(40,784)	-	(37,892)	(78,676)
New financial assets originated or purchased	7,439	-	284,121	291,560
Write-offs	-	-	(594,881)	(594,881)
Loss allowance as at 31 December 2022	77,214	256,789	488,603	822,606

16 Investment in subsidiaries

Name	Country of incorporation	2022 % interest held	2021 Shs'000	2022 % interest held	2021 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-22 Shs'000	31-Dec-21 Shs'000
At start of year	3,375,990	3,375,990

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)
Accumulated depreciation eliminated 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)

(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 2022							
Opening net book amount	88,110	121,705	45,826	43,723	266,476	5,072	570,912
Additions	-	-	9,921	29,481	44,085	9,189	92,676
Reclassification	2,255	-	-	-	1,553	(3,808)	-
Disposals	(4,744)	-	(1,623)	(27,489)	(30,340)	-	(64,196)
Depreciation charge	(624)	(14,499)	(19,698)	(27,008)	(98,960)	-	(160,789)
Accumulated depreciation eliminated on disposal	1,541	-	1,506	24,060	27,940	-	55,047
Currency translation difference	7,378	8,391	278	939	8,295	181	25,462
Closing net book amount	93,916	115,597	36,210	43,706	219,049	10,634	519,112
At 31 December 2022							
Cost or valuation	139,199	258,362	229,248	212,225	1,618,771	10,634	2,468,439
Accumulated depreciation	(45,283)	(142,765)	(193,038)	(168,519)	(1,399,722)	-	(1,949,327)
Net book Amount	93,916	115,597	36,210	43,706	219,049	10,634	519,112

Notes (continued)

17 Property and equipment (continued)

(a) Group (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:

	2022 Shs'000	2021 Shs'000
Cost	119,585	110,949
Accumulated depreciation	(52,390)	(48,607)
Net book amount	67,195	62,342

(b) Bank

Year ended 31 December 2021	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	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)
Accumulated depreciation eliminated 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)

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 2022					
Opening net book amount	39,342	24,914	121,344	29	185,629
Additions	5,467	-	16,252	-	21,719
Disposals	(1,415)	(27,489)	(12,136)	-	(41,040)
Depreciation charge	(16,038)	(13,973)	(52,852)	-	(82,863)
Accumulated depreciation eliminated on disposal	1,298	24,060	10,835	-	36,193
Reclassification	-	-	29	(29)	-
Closing net book amount	28,654	7,512	83,472	-	119,638
At 31 December 2022					
Cost or valuation	127,096	43,047	724,474	-	894,617
Accumulated depreciation	(98,442)	(35,535)	(641,002)	-	(774,979)
Net book Amount	28,654	7,512	83,472	-	119,638