



Guaranty Trust Bank (Kenya) Ltd

**GUARANTY TRUST BANK (KENYA) LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

Guaranty Trust Bank (Kenya) Ltd  
Annual Report and Financial Statements  
For the year ended 31 December 2023

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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. John Mark Wandolo		Independent Non Executive Director
Mr. Hanish Chandaria	(British)	Non Executive Director
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
Ms. Jemimah Gichure		Head, Systems and Control
Ms. Caroline Tegek		Head, Treasury
Mr. Teddy Donat		Head, Credit
Ms. Milkah Wamae		Head, Human Resources

## BOARD CREDIT COMMITTEE

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

## BOARD AUDIT COMMITTEE

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

## BOARD RISK MANAGEMENT COMMITTEE

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

## BOARD HUMAN RESOURCE COMMITTEE

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

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

REGISTERED OFFICE

Sky Park Towers  
Plot 1870/IX/167  
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AUDITOR

Deloitte & Touche LLP  
Deloitte Place  
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CORRESPONDENT BANKS

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

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

Indian Rupee (INR)  
Standard Chartered Bank, India

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

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

Japanese Yen (JPY)  
Standard Chartered Bank, Tokyo

Chinese Yuan (CNY)  
Standard Chartered Bank, China

## BRANCHES

### KENYA

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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
- Executive Director 1

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 2023 is detailed below:

	Board	Audit	Risk	Credit	HR	Adhoc
Number of meetings during the year	4	4	4	4	4	13
Mr. Dhanji Hansraj Chandaria	50%	-	-	-	-	85%
Mr. Nalinkumar Narshi Shah	100%	100%	100%	100%	100%	100%
Mr. Hanish Chandaria	100%	100%	100%	100%	100%	100%
Mr. John Mark Wandolo	100%	100%	100%	100%	100%	100%
Mr. Jubril Adeniji*	75%	75%	75%	75%	75%	54%
Average Attendance	85%	94%	94%	94%	94%	88%

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



### **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. The Bank experienced a cyber breach affecting its electronic systems. Following the incident, the Bank assessed the impact of the breach and has put in place measures too mitigate the risks and prevent future breaches.

**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 2023.

## PRINCIPAL ACTIVITIES

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

## BUSINESS REVIEW

In the year 2023, the group registered improved performance compared to 2022. This was attributed to balance sheet growth and optimization, improved yields and operational efficiency.

The total assets of the group stood at Shs 61.55 billion, a 13.5% increase from Shs 54.23 billion in December 2022. Customer deposits grew by 9.8% YoY to close at Shs 45.41 billion whereas the loan book reduced by 29.3% to close as at Shs 14.37 billion, primarily driven by loan takeovers and reduction in overdraft utilization in GTBank Kenya. Notably, government securities increased by 39% to close at Shs 26.26 billion as the group utilized liquidity from loan book reduction and customer deposit increase to take advantage of the high interest environment in government securities across the region.

During the year, the group recorded profit before tax of Shs 2.554 billion, which is a 26.1% increase from the profit before tax of Shs 2.026 billion that was recorded in 2022. This growth is attributable to improved balance sheet management, increased recovery of bad and written off loans, as well as operational efficiency. Credit impairment costs decreased by 57.4% 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	2023	2022	2023	2022
Return on asset	4.4%	3.7%	4.4%	4.0%
Return on Equity	19.6%	15.5%	13.4%	13.4%
Cost to income ratio (including impairment)	65%	69%	61%	64%

The net profit for the year of Shs 1.826 billion (2022: Shs 1.247 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 2023 of Shs 497.84 (2022: Shs 352.84) per share totalling Shs 637.69 million (2022: Shs 451.97 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



\_\_\_\_\_ 2024

Guaranty Trust Bank (Kenya) Limited  
Statement of Directors' responsibilities  
For the year ended 31 December 2023

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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 \_\_\_\_\_ 2024 and signed on its behalf by:



**Mr. Jubril Adeniji**  
Managing Director



**Mr. Nalinkumar Narshi Shah**  
Independent Non-Executive Director

## 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 116, each of which comprise the consolidated and separate statements of financial position statement of financial position as at 31 December 2023 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 2023 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 2023, Guaranty Trust Bank (Uganda) Limited had paid-up capital of UGX 51.954 billion and Capital Funds of UGX 55.79 billion which were below the minimum capital requirement by the Minister of Finance, Planning and Economic Development of UGX 120 billion by June 2023 and further to UGX 150 billion by June 2024. Guaranty Trust Bank (Uganda) Limited is in the process of transitioning from Tier 1 to Tier 2 Credit institutions. The transition plan and application form was submitted to the Bank of Uganda for approval on 29 August 2023 and 22 December 2023 respectively. As disclosed in Note 35 this was approved on the 27 March 2024, and effective 1st July 2024, the bank will be under a Tier 2 Credit Institution and will be in compliance with minimum capital requirement of UGX 25Billion.

Our opinion is not modified in respect of this matter.



**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)**

*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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

Charles Luo

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

29 March 2024



**Consolidated Statement of profit or loss and other comprehensive income**

	Note	2023 Shs'000	2022 Shs'000
Interest income	5	5,436,369	5,159,327
Interest expense	6	(1,330,919)	(1,325,467)
<b>Net interest income</b>		<b>4,105,450</b>	<b>3,833,860</b>
Fees and commission income	7(a)	601,999	593,523
Fees and commission expense	7(b)	(244,897)	(205,528)
<b>Net fees and commission income</b>		<b>357,102</b>	<b>387,995</b>
Other operating income	8(a)	467,333	81,508
Foreign exchange income	8(b)	829,736	625,002
Impairment losses	10	(534,682)	(635,744)
Operating expenses	9	(2,671,308)	(2,266,399)
<b>Profit before income tax</b>		<b>2,553,631</b>	<b>2,026,222</b>
Current income tax	11	(827,291)	(745,161)
Deferred income tax	11	99,639	(33,758)
<b>Profit for the year</b>		<b>1,825,979</b>	<b>1,247,303</b>
<b>Other Comprehensive Income:</b>			
<i>Items that may be subsequently reclassified to profit or loss, net of tax</i>			
Fair value changes on financial assets held at fair value through other comprehensive income	28	1,422	(7,565)
Currency translation differences	28	1,332,319	301,164
Other comprehensive loss, net of tax		1,333,741	293,599
<b>Total comprehensive income for the year</b>		<b>3,159,720</b>	<b>1,540,902</b>
<b>Profit attributable to:</b>			
Equity holders of the Bank		1,771,882	1,236,298
Non-controlling interest		54,097	11,005
		<b>1,825,979</b>	<b>1,247,303</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Bank		3,105,623	1,529,897
Non-controlling interest		54,097	11,005
<b>Total comprehensive income for the year</b>		<b>3,159,720</b>	<b>1,540,902</b>

**Separate Statement of profit or loss and other comprehensive income**

	Note	2023 Shs'000	2022 Shs'000
Interest income	5	2,849,574	3,135,283
Interest expense	6	(948,578)	(997,404)
<b>Net interest income</b>		<b>1,900,996</b>	<b>2,137,879</b>
Fees and commission income	7(a)	135,974	169,362
Fees and commission expense	7(b)	(75,951)	(68,867)
<b>Net fees and commission income</b>		<b>60,023</b>	<b>100,495</b>
Other operating income	8(a)	295,425	25,949
Foreign exchange income	8(b)	333,827	319,338
Impairment losses	10	(211,825)	(212,884)
Operating expenses	9	(981,067)	(1,038,691)
<b>Profit before income tax</b>		<b>1,397,379</b>	<b>1,332,086</b>
Current income tax	11	(336,315)	(456,371)
Deferred income tax	11	1,768	(122,430)
<b>Profit for the year</b>		<b>1,062,832</b>	<b>753,285</b>
<b>Other Comprehensive Income:</b>			
<i>Items that may be subsequently reclassified to profit or loss, net of tax</i>			
Fair value changes on financial assets held at fair value through other comprehensive income	28	1,422	(7,565)
Other comprehensive loss, net of tax		1,422	(7,565)
<b>Total comprehensive income for the year</b>		<b>1,064,254</b>	<b>745,720</b>

**Consolidated Statement of financial position**

	Notes	2023 Shs'000	2022 Shs'000
<b>Assets</b>			
Cash and balances with the Central Bank of Kenya	12	7,858,080	5,726,020
Deposits and balances due from other banks	14	6,321,116	5,767,366
Financial assets held at amortized cost	13	14,917,599	10,411,043
Financial assets held at FVTOCI	13	11,344,845	8,459,006
Due from group companies	31	3,485,287	1,255,405
Loans and advances to customers	15	14,371,036	20,322,903
Corporate tax recoverable	11	280,501	-
Other assets	21	907,263	764,466
Property and equipment	17	603,149	519,112
Right-of-use asset	19	705,697	376,973
Intangible assets	18	97,974	151,800
Deferred income tax	20	662,345	477,130
<b>Total assets</b>		<b>61,554,892</b>	<b>54,231,224</b>
<b>Liabilities</b>			
Deposits and balances due to other banks	23	17,345	-
Deposits from customers	22	45,412,910	41,371,407
Due to group companies	31	75	105
Corporate tax payable	11	106,982	131,633
Other liabilities	25	751,669	533,626
Borrowing	32	71,734	80,741
Lease liabilities	24	795,271	422,556
<b>Total liabilities</b>		<b>47,155,986</b>	<b>42,540,068</b>
<b>Capital and reserves</b>			
Share capital	26	1,280,934	1,280,934
Share premium	26	4,225,323	4,225,323
Statutory reserve	27	1,098,656	609,229
Other reserves	28	1,472,977	136,478
Retained earnings		5,517,495	4,875,496
Proposed dividend	34	637,699	451,971
		14,233,084	11,579,431
Non-controlling interest		165,822	111,725
<b>Total equity</b>		<b>14,398,905</b>	<b>11,691,156</b>
<b>Total equity and liabilities</b>		<b>61,554,892</b>	<b>54,231,224</b>

The financial statements on pages 15 to 116 were approved for issue by the Board of Directors on 2024 and signed on its behalf by:



**Jubril Adeniji**  
Director



**Nalinkumar Narshi Shah**  
Director





**Dhanji Hansraj Chandaria**  
Director

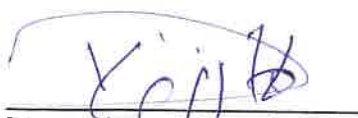
**Separate Statement of financial position**

	Notes	2023 Shs'000	2022 Shs'000
<b>Assets</b>			
Cash and balances with the Central Bank of Kenya	12	1,264,575	1,015,478
Deposits and balances due from other banks	14	664,418	2,696,208
Financial assets held at amortized cost	13	2,791,000	2,374,702
Financial assets held at FVTOCI	13	11,344,845	8,459,006
Due from group companies	31	2,923,329	1,012,042
Loans and advances to customers	15	6,538,537	13,173,781
Investment in subsidiary	16	3,375,990	3,375,990
Corporate tax recoverable	11	280,501	-
Other assets	21	306,214	452,813
Right-of-use asset	19	313,788	99,241
Property and equipment	17	123,703	119,638
Intangible assets	18	20,654	50,602
Deferred income tax	20	179,724	176,218
<b>Total assets</b>		<b>30,127,278</b>	<b>33,005,719</b>
<b>Liabilities</b>			
Deposits due to other banks	23	17,345	-
Deposits from customers	22	18,723,872	22,361,248
Due to group companies	31	1,300	2,409
Corporate tax payable	11	-	147,657
Other liabilities	25	257,158	229,385
Borrowings	32	-	-
Lease liabilities	24	361,178	110,878
<b>Total liabilities</b>		<b>19,360,853</b>	<b>22,851,577</b>
<b>Capital and reserves</b>			
Share capital	26	1,280,934	1,280,934
Share premium	26	4,225,323	4,225,323
Statutory reserve	27	728,535	463,730
Other reserves	28	5,172	3,750
Retained earnings		3,888,762	3,728,434
Proposed dividend	34	637,699	451,971
<b>Total equity</b>		<b>10,766,425</b>	<b>10,154,142</b>
<b>Total equity and liabilities</b>		<b>30,127,278</b>	<b>33,005,719</b>

The financial statements on pages 15 to 116 were approved for issue by the Board of Directors on 2024 and signed on its behalf by:

  
**Jubril Adeniji**  
Director

  
**Nalinkumar Narshi Shah**  
Director

  
**Dhanji Hansraj Chandaria**  
Director

Guaranty Trust Bank (Kenya) Ltd  
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**Consolidated Statement of changes in equity**

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Statutory reserve Shs'000	Proposed dividends Shs'000	Other reserves Shs'000	Total Shs'000	Non-Controlling interest Shs'000	Total Equity Shs'000
<b>Year ended 31 December 2022</b>										
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
Profit for the year		-	-	1,236,298	-	-	-	1,236,298	11,005	1,247,303
<b>Other Comprehensive income</b>										
Fair value loss on Financial Assets	28	-	-	-	-	-	(7,565)	(7,565)	-	(7,565)
FVOCI	28	-	-	-	-	-	301,164	301,164	-	301,164
Translation gains		-	-	-	-	-	-	-	-	-
Total Comprehensive income		-	-	1,236,298	-	-	293,599	1,529,897	11,005	1,540,902
Transfer to statutory reserve		-	-	(132,118)	132,118	-	-	-	-	-
<b>Transactions with owners:</b>										
Dividends paid in the year		-	-	-	-	(338,692)	-	(338,692)	-	(338,692)
Proposed dividends	34	-	-	(451,971)	-	451,971	-	-	-	-
<b>At the end of the year</b>		<b>1,280,934</b>	<b>4,225,323</b>	<b>4,875,496</b>	<b>609,229</b>	<b>451,971</b>	<b>136,478</b>	<b>11,579,431</b>	<b>111,725</b>	<b>11,691,156</b>
<b>Year ended 31 December 2023</b>										
At start of year		1,280,934	4,225,323	4,875,496	609,229	451,971	136,478	11,579,431	111,725	11,691,156
Profit for the year		-	-	1,771,882	-	-	-	1,771,882	54,097	1,825,979
<b>Other Comprehensive income</b>										
Fair value gains on Financial Assets	28	-	-	-	-	-	1,422	1,422	-	1,422
FVOCI	28	-	-	-	-	-	1,332,319	1,332,319	-	1,332,319
Translation gains		-	-	-	-	-	-	-	-	-
Total Comprehensive income		-	-	1,771,882	-	-	1,333,741	3,105,623	54,097	3,159,720
Transfer to statutory reserve		-	-	(489,427)	489,427	-	-	-	-	-
Revaluation surplus	28	-	-	(2,757)	-	-	2,757	-	-	-
<b>Transactions with owners:</b>										
Dividends paid in the year		-	-	-	-	(457,971)	-	(457,971)	-	(457,971)
Proposed dividends	34	-	-	(637,699)	-	637,699	-	-	-	-
<b>At the end of the year</b>		<b>1,280,934</b>	<b>4,225,323</b>	<b>5,517,495</b>	<b>1,098,656</b>	<b>637,699</b>	<b>1,472,976</b>	<b>14,233,083</b>	<b>165,822</b>	<b>14,398,905</b>

Guaranty Trust Bank (Kenya) Ltd  
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For the year ended 31 December 2023

**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
<b>Year ended 31 December 2022</b>								
At start of year		1,280,934	4,225,323	3,475,884	414,966	338,692	11,315	9,747,114
Profit for the year		-	-	753,285	-	-	-	753,285
<b>Other Comprehensive income</b>		-	-	-	-	-	(7,565)	(7,565)
Fair value loss on Financial Assets FVOCI	28	-	-	-	-	-	(7,565)	(7,565)
<b>Total comprehensive income</b>		-	-	753,285	-	-	(7,565)	745,720
Transfer to regulatory reserves		-	-	(48,764)	48,764	-	-	-
<b>Transactions with owners</b>		-	-	-	-	(338,692)	-	(338,692)
Dividends paid in the year		-	-	-	-	451,971	-	-
Proposed dividends	34	-	-	(451,971)	-	-	-	-
<b>At the end of the year</b>		<b>1,280,934</b>	<b>4,225,323</b>	<b>3,728,434</b>	<b>463,730</b>	<b>451,971</b>	<b>3,750</b>	<b>10,154,142</b>
<b>Year ended 31 December 2023</b>								
At start of year		1,280,934	4,225,323	3,728,434	463,730	451,971	3,750	10,154,142
Profit for the year		-	-	1,062,832	-	-	-	1,062,832
<b>Other Comprehensive income</b>		-	-	-	-	-	1,422	1,422
Fair value gain on Financial Assets FVOCI	28	-	-	-	-	-	1,422	1,422
<b>Total comprehensive income</b>		-	-	1,062,832	-	-	-	612,283
Transfer to regulatory reserves		-	-	(264,805)	264,805	-	-	-
<b>Transactions with owners</b>		-	-	-	-	(451,971)	-	(451,971)
Dividends paid in the year		-	-	-	-	637,699	-	-
Proposed dividends	34	-	-	(637,699)	-	-	-	-
<b>At the end of the year</b>		<b>1,280,934</b>	<b>4,225,323</b>	<b>3,888,762</b>	<b>728,535</b>	<b>637,699</b>	<b>5,172</b>	<b>10,766,425</b>

**Consolidated statement of cash flows**

	Notes	2023 Shs'000	2022 Shs'000
<b>Cash flows from operating activities</b>			
Interest receipts		5,160,525	5,443,044
Interest payments		(1,330,919)	(1,332,378)
Net fee and commission receipts		357,102	387,995
Other income received		856,840	625,002
Recoveries from loans previously written off		421,334	72,360
Payments to employees and suppliers		(2,260,581)	(1,836,284)
Income tax paid	11	(1,158,344)	(570,318)
		<u>2,045,957</u>	<u>2,789,421</u>
<b>Cash flows generated from operating activities before changes in operating assets -and liabilities</b>			
<b>Changes in operating assets and liabilities:</b>			
Loans and advances		6,010,840	3,672,647
Cash reserve requirement		(165,017)	(163,671)
Government securities		(621,364)	(6,391,324)
Other assets		(142,798)	150,127
Customer deposits		4,041,503	645,481
Other liabilities		218,043	(468,981)
Due to other banks		17,345	-
Due from group companies		(2,229,911)	(795,512)
		<u>9,174,598</u>	<u>(561,812)</u>
<b>Net cash generated from/(used in) operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	17	(170,067)	(92,676)
Purchase of intangible assets	18	(13,810)	(4,964)
Proceeds from sale of property and equipment		53,758	3,633
		<u>(130,119)</u>	<u>(94,007)</u>
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	32	-	80,741
Repayment of principal portion of borrowing	32	(30,341)	(1,701,000)
Payments of principal portion of the lease liability	24	(193,178)	(206,418)
Dividend payment		(451,971)	(338,692)
		<u>(675,490)</u>	<u>(2,165,369)</u>
<b>Net cash (used in)/generated from financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at start of year		12,414,691	14,860,672
Effects of foreign currency translation		1,223,300	375,207
		<u>22,006,980</u>	<u>12,414,691</u>
<b>Cash and cash equivalents at end of year</b>			
	30	<u>22,006,980</u>	<u>12,414,691</u>

**Separate Statement of cash flows**

	Notes	2023 Shs'000	2022 Shs'000
<b>Cash flows from operating activities</b>			
Interest receipts		2,598,671	3,394,761
Interest payments		(948,579)	(998,034)
Net fee and commission receipts		60,023	100,495
Other income received		333,827	319,338
Recoveries from loans previously written off		294,222	23,964
Payments to employees and suppliers		(817,873)	(827,305)
Income tax paid	11	(764,473)	(198,577)
		<hr/>	<hr/>
Cash flows from operating activities before changes in operating assets and liabilities		755,818	1,814,642
<b>Changes in operating assets and liabilities:</b>			
Loans and advances		6,674,323	3,002,833
Cash reserve requirement		118,522	15,043
Government securities		2,364,491	(3,169,271)
Other assets		146,599	23,486
Customer deposits		(3,637,376)	46,133
Other liabilities		27,774	(16,094)
Due to group companies		17,345	-
Due from group companies		(1,912,396)	(1,079,465)
		<hr/>	<hr/>
<b>Net cash generated from/(used in) operating activities</b>		<b>4,555,100</b>	<b>637,307</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	17	(54,455)	(21,719)
Purchase of intangible assets	18	-	(4,167)
Proceeds from sale of property and equipment		1,330	1,992
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		<b>(53,125)</b>	<b>(23,894)</b>
<b>Cash flows from financing activities</b>			
Repayment of principal portion of borrowing	32	-	(1,701,000)
Payments of principal portion of the lease liability	24	(82,462)	(106,359)
Dividend payment		(451,971)	(338,692)
		<hr/>	<hr/>
<b>Net cash used in financing activities</b>		<b>(534,433)</b>	<b>(2,146,051)</b>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at start of year		3,967,542	(1,532,638)
		2,807,919	4,340,557
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	30	<b>6,775,461</b>	<b>2,807,919</b>



**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 2023 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) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and the Kenyan Companies Act, 2015.

**(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 2023 and have been adopted by the Group. Their adoption has not had any material impact on the Group financial statements.

<p><b>Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2</b></p>	<p>The amendment became effective for annual periods beginning on or after 1 January 2023.</p> <p>In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.</p> <p>The amendments aim to help entities provide accounting policy disclosures that are more useful by:</p> <ul style="list-style-type: none"> <li>• Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and,</li> <li>• Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures</li> </ul> <p>The amendments to the PS also provide examples of situations when generic or standardised information summarising or duplicating the requirements of IFRS may be considered material accounting policy information. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.</p>
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Notes (continued)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

c) Changes in accounting policies and disclosures (Continued)

<p><b>Amendments to IAS 8 - Definition of Accounting Estimates</b></p>	<p>The amendment is effective for annual periods beginning on or after 1 January 2023.</p> <p>The amendment seeks to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. In addition, the amendments clarify how entities use measurement techniques and inputs to develop accounting estimates.</p> <p>The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.</p>
<p><b>Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction</b></p>	<p>The amendment is effective for annual periods beginning on or after 1 January 2023.</p> <p>The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.</p> <p>The changes did not have material impact on the financial statements of the Group.</p>
<p><b>IFRS 17 Insurance Contracts</b></p>	<p>IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:</p> <ul style="list-style-type: none"> <li>• A specific adaptation for contracts with direct participation features (the variable fee approach)</li> <li>• A simplified approach (the premium allocation approach) mainly for short-duration contracts</li> </ul> <p>This standard is not applicable to the Group.</p>

Notes (continued)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

c) Changes in accounting policies and disclosures (Continued)

<p><b>International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12</b></p>	<p>The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as ‘Pillar Two legislation’ and ‘Pillar Two income taxes’, respectively.</p> <p>The amendments require an entity to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.</p> <p>An entity is required to separately disclose its current tax expense (income) related to Pillar Two income taxes, in the periods when the legislation is effective.</p> <p>The amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity’s exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.</p> <p>The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.</p>
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*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 2023, 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:

<p><b>Amendments to IAS 1- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants</b></p>	<p>The amendment is effective for annual periods beginning on or after 1 January 2024.</p> <p>The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.</p> <p>The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.</p>
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Notes (continued)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

c) Changes in accounting policies and disclosures (Continued)

<p><b>Amendments to IAS 1- Classification of Liabilities as Current or Non current and Non-current Liabilities with Covenants</b></p>	<p>The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early.</p> <p>The directors do not expect that the adoption of the amendment will have an impact on the financial statements of the Group.</p>
<p><b>Amendments to IFRS 16-Lease Liability in a Sale and Leaseback</b></p>	<p>The amendment is effective for annual periods beginning on or after 1 January 2024.</p> <p>The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.</p> <p>After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.</p> <p>The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.</p> <p>The directors do not expect that the adoption of the amendment will have an impact on the financial statements of the Group.</p>
<p><b>Amendments to IAS 21 - Lack of Exchangeability</b></p>	<p>The amendment is effective for annual periods beginning on or after 1 January 2025.</p> <p>An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.</p> <p>The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.</p>

Notes (continued)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (continued)

c) Changes in accounting policies and disclosures (Continued)

<p><b>Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures— Supplier Finance Arrangements</b></p>	<p>The amendment is effective for annual periods beginning on or after 1 January 2024.</p> <p>The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.</p> <p>The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.</p> <p>To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:</p> <ul style="list-style-type: none"> <li>• The terms and conditions of the arrangements</li> <li>• The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements</li> <li>• The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers</li> <li>• Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement</li> <li>• Liquidity risk information</li> </ul> <p>The directors do not expect that the adoption of the amendment will have an impact on the financial statements of the Group.</p>
<p><b>Amendments to IFRS 10 and IAS 28—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</b></p>	<p>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.</p> <p>The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.</p> <p>In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.</p>

**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 Income recognition

Income is measured at the fair value of the consideration received or receivable. Amounts disclosed as Income are net interest income, fees and commission income and net foreign exchange income. The Group recognises income when the amount of income 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

Fee and commission income and expense that are integral to the effective interest rate on a financial assets or financial liability are included in the effective interest rate. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognized on a straight-line basis over the commitment period.

Other fee and commission revenue, including transactional fees, account servicing fees, investment management fees and sales commissions are recognised as the performance obligations under the related services' contracts are completed. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Other fees and commissions revenue are in the scope of IFRS 15.

##### 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.



**Notes (continued)**

**2 Summary of significant accounting policies (continued)**

**2.5 Sale and repurchase agreements**

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

**2.6 Financial instruments**

The Group's accounting treatment for Financial Instruments - financial assets and financial liabilities - is in accordance with IFRS 9.

The 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 at fair value through profit and loss ("FVPL"),
- 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 "Other interest 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 "Interest income" using the effective interest rate method.

**Group's business model:** The business model reflects how the Group manages the assets in order to generate cash flows and returns. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how cash flows for these assets were collected, how the asset's performance is evaluated and reported by key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets is held by the Group as part of liquidity management and is generally classified with the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the "other" business model and measured at FVTPL.

**Contractual characteristics of a financial asset / SPPI:** Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represents solely payments of principal and interest (the "SPPI test"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., interest includes only consideration for the time value of money, credit risk and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. The changes are expected to be very infrequent and none occurred during the year.

##### 2.6.2 Financial liabilities

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

## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### 2.6 Financial instruments (continued)

##### 2.6.3 Recognition and subsequent measurement

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

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

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

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

##### 2.6.4 Derecognition

###### Modification of financial assets

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)

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

2.6.7 Impairment of financial assets

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

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

## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### 2.6 Financial instruments (continued)

##### 2.6.7 Impairment of financial assets (continued)

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

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

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

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

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

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

##### 2.6.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

##### 2.6.9 Write Off

The Group writes off a loan or a portion of a loan from its balance sheet when it loses control of the 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 and impairment. 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 revaluation surplus 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 not 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 under which the Group is the lessor*

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

*Leases under which the Group is the lessee*

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

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

**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"
<b>GTBank Kenya</b>	10.32%	N/A
<b>GTBank Uganda</b>	10.87%	2.75%
<b>GTBank Rwanda</b>	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. Refer to note 4 for the sensitivity analysis.

#### (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. Refer to note 4(d)

#### (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. Refer to note 11.

**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. Refer to note 4.

**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 2023, the Group estimated the ECL for these financial assets 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 as credit impaired as per internal risk rating.

The above criteria have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

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

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

**Notes (continued)**

**4 Financial Risk Management (continued)**

**a) Credit risk (continued)**

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

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- LGD represents the Group's expectations of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is calculated on a 12- month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs over the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

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

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

**4. Forward-looking information incorporated in the ECL models**

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for the loan portfolio. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument.

**Economic variable assumptions**

The most significant period-end assumptions used for the ECL estimate as at 31 December 2023 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

<b>All Customers</b>			
<b>Macroeconomic Data</b>	<b>Base</b>	<b>Upside</b>	<b>Downside</b>
Inflation	7.1%	4.70%	9.64%
Interest Rate	16.0%	18.0%	12.00%
GDP	5.30%	8.40%	-0.30%

The weightings and overall macroeconomic overlay assigned to each economic scenario at 31 December 2023 were as follows:

<b>All Customers</b>			
	<b>Base</b>	<b>Upside</b>	<b>Downside</b>
<b>Weightings</b>	50%	20%	30%
<b>Overall Macro overlay</b>	0%	-6.55%	10.15%

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**

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 Group did not have any modified loans in the period.

**Sensitivity analysis**

Set out below are the changes to the ECL at 31 December 2023 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
<b>Weightings +10%</b>	60%	15%	25%	(31)
<b>Weightings -10%</b>	40%	25%	35%	31

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

	Base	Upside	Downside	ECL change '000
<b>Upside overlay +5%</b>	0%	-1.55%	10.15%	(168)
<b>Upside overlay -5%</b>	0%	-11.55%	10.15%	168
<b>Downside overlay -10%</b>	0%	4.02%	-6.55%	520

**Maximum exposure to credit risk before collateral**

	Group		Bank	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Balances with Central Banks	7,858,080	5,726,020	1,264,575	1,015,478
Government and other securities at amortised cost	14,917,599	10,411,043	2,791,000	2,374,702
Government and other securities at FVOCI	11,344,845	8,459,006	11,344,845	8,459,006
Deposits and balances due from other banks	6,321,116	5,767,366	664,418	2,696,208
Due from group companies	3,485,287	1,255,405	2,923,329	1,012,042
Loans and advances to customers	15,569,145	21,322,345	7,604,023	13,996,387
Other assets	778,538	554,974	242,664	309,388
Credit exposure relating to off-balance sheet items:				
- Acceptances and letters of credit	105,035	1,513,594	8,742	1,325,246
- Guarantees and performance bonds	5,563,647	4,570,274	1,825,810	2,029,414
- Commitments to lend	976,791	2,736,668	554,466	1,863,663
	<b>66,920,083</b>	<b>62,316,695</b>	<b>29,223,872</b>	<b>35,081,534</b>

The above table represents a worst-case scenario of credit risk exposure to the Group and Bank at 31 December 2023 and 31 December 2022, 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, 22% 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:

- 61% 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	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Stage 1 Loans	9,517,176	16,374,806	3,255,857	10,824,208
Stage 2 Loans	103,787	852,301	39,088	750,913
Stage 3 Loans	5,948,182	4,095,238	4,309,078	2,421,266
Gross	15,569,145	21,322,345	7,604,023	13,996,387
Less: allowance for impairment (Note 15)	1,198,109	999,442	1,065,486	822,606
Net	14,371,036	20,322,903	6,538,537	13,173,781

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	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Standard	9,517,176	16,374,806	3,255,857	10,824,208

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	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Past due 31 – 60 days	100,801	710,539	36,102	626,014
Past due 61 – 90 days	2,986	141,762	2,986	124,899
	<u>103,787</u>	<u>852,301</u>	<u>39,088</u>	<u>750,913</u>

Loans and advances in stage 3

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

	Group		Bank	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Individually assessed impaired loans and advances	<u>5,948,182</u>	<u>4,095,238</u>	<u>4,309,078</u>	<u>2,421,266</u>
Fair value of collateral held	<u>17,787,635</u>	<u>3,958,867</u>	<u>6,752,763</u>	<u>3,020,255</u>

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Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

2023-Bank Type of collateral or credit enhancement	Fair value of collateral and credit enhancements held							% Of exposure subject to collateral requirements	Associated ECL		
	Maximum Exposure Credit Risk	Cash	Securities	3rd party /gov Guarantees	Property	Other	Total Collateral			Surplus Collateral	Net exposure
<b>Shs "000"</b>											
<b>Financial Assets</b>											
Cash and balances with Central Banks	1,264,575	-	-	-	-	-	-	-	1,264,575	0%	-
Deposits and balances due from banking institutions	664,418	-	-	-	-	-	-	-	664,418	0%	-
Other assets	242,664	-	-	-	-	-	-	-	242,664	0%	-
<b>Loans and advances to customers</b>											
Corporate Banking	6,652,326	32,014	326,000	-	21,430,827	68,941	21,857,782	-	-	329%	880,633
SME Banking	218,567	87,199	-	-	436,602	18,715	542,516	15,205,456	-	248%	47,006
Retail Banking	733,130	5,500	-	-	168,258	31,584	205,342	323,948	527,788	28%	137,847
	7,604,023	124,713	326,000	-	22,035,687	119,240	22,605,640	15,529,404	527,788	6	1,065,486
Debt instruments at amortized cost	2,791,000	-	-	-	-	-	-	-	2,791,000	0%	-
<b>Total financial assets at amortized cost</b>	12,566,680	124,713	326,000	-	22,035,687	119,240	22,605,640	15,529,404	5,490,445	605%	1,065,485
<b>Total financial instruments at fair value through profit and loss</b>	12,566,680	-	-	-	-	-	-	-	-	-	-
Debt instruments at fair value through OCI	11,344,845	-	-	-	-	-	-	-	11,344,845	0%	-
<b>Total debt instruments at fair value through OCI</b>	11,344,845	-	-	-	-	-	-	-	11,344,845	0%	-
	23,911,525	124,714	326,000	-	22,035,688	119,239	22,605,640	15,529,404	16,835,290	6	1,065,485
Financial guarantees Letter of credit for customers	1,825,810	-	-	-	-	-	-	-	1,825,810	0%	-
	8,742	-	-	-	-	-	-	-	8,742	0%	-
Commitments to lend	554,466	-	-	-	-	-	-	-	554,466	0%	-
	2,389,018	-	-	-	-	-	-	-	2,389,018	-	-
<b>Total</b>	<b>26,300,543</b>	<b>124,713</b>	<b>326,000</b>	<b>-</b>	<b>22,035,687</b>	<b>119,240</b>	<b>22,605,640</b>	<b>15,529,404</b>	<b>19,224,308</b>	<b>-</b>	<b>1,065,486</b>



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										% Of exposure subject to collateral requirements	Associated ECL	
	Maximum Exposure Credit Risk	Cash	Securities	3rd party /gov Guarantees	Property	Other	Total Collateral	Surplus Collateral	Net exposure				
<b>Financial Assets</b>													
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%	-
Other assets	276,541	-	-	-	-	-	-	-	-	276,541	-	0%	-
<b>Loans and advances to customers</b>													
Corporate Banking	12,414,457	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
	13,996,387	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%	-
<b>Total financial assets at amortized cost</b>	<b>20,359,316</b>	<b>221,831</b>	<b>346,000</b>	<b>-</b>	<b>29,325,821</b>	<b>-</b>	<b>29,893,652</b>	<b>16,253,546</b>	<b>6,719,211</b>	<b>-</b>	<b>-</b>	<b>0%</b>	<b>351,541</b>
<b>Total financial instruments at fair value through profit and loss</b>	<b>20,359,316</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>	<b>-</b>
Debt instruments at fair value through OCI	8,459,006	-	-	-	-	-	-	-	-	8,459,006	-	0%	-
<b>Total debt instruments at fair value through OCI</b>	<b>8,459,006</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,893,652</b>	<b>16,253,546</b>	<b>15,178,217</b>	<b>8,459,006</b>	<b>-</b>	<b>0%</b>	<b>351,541</b>
Financial guarantees Letter of credit for customers	28,818,322	221,831	346,000	-	29,325,821	-	29,893,652	16,253,546	-	2,029,414	-	0%	-
Commitments to lend	2,029,414	-	-	-	-	-	-	-	-	-	-	-	-
	1,325,246	-	-	-	-	-	-	-	-	1,325,246	-	0%	-
	1,863,663	-	-	-	-	-	-	-	-	1,863,665	-	0%	-
	5,218,323	-	-	-	-	-	-	-	-	5,218,323	-	-	-
<b>Total</b>	<b>34,036,645</b>	<b>221,831</b>	<b>346,000</b>	<b>-</b>	<b>29,325,821</b>	<b>-</b>	<b>29,893,652</b>	<b>16,253,546</b>	<b>20,396,540</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>351,541</b>

Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

2023-Group

Type of collateral or credit enhancement

Shs "000"	Maximum Exposure Credit Risk	Fair value of collateral and credit enhancements held							Surplus Collateral	Net exposure	% Of exposure subject to collateral requirements	Associated ECL
		Cash	Securities	3rd party /gov guarantees	Property	Other	Total Collateral					
<b>Financial Assets</b>												
Cash and balances with Central Banks	7,858,080	-	-	-	-	-	-	-	7,858,080	0%	-	
Deposits and balances due from banking institutions	6,321,116	-	-	-	-	-	-	-	6,321,116	0%	-	
Other assets	778,537	-	-	-	-	-	-	-	778,537	0%	-	
Corporate Banking	11,650,979	758,011	326,000	125,220	30,865,397	288,913	20,712,561		-	278%	957,725	
SME Banking	1,109,131	102,051	-	-	2,843,944	34,480	1,871,344		-	269%	63,369	
Retail Banking	2,809,035	108,903	-	-	3,159,045	81,773	540,686		-	119%	177,015	
	<b>15,569,145</b>	<b>968,965</b>	<b>326,000</b>	<b>125,220</b>	<b>36,868,386</b>	<b>405,166</b>	<b>23,124,591</b>		-	-	<b>1,198,109</b>	
Debt Instruments at amortised cost	14,917,599	-	-	-	-	-	-	-	14,917,599	-	-	
<b>Total financial assets at amortised cost</b>	<b>45,444,477</b>	<b>968,965</b>	<b>326,000</b>	<b>125,220</b>	<b>36,868,386</b>	<b>405,166</b>	<b>23,124,591</b>		<b>29,875,332</b>	-	<b>1,198,109</b>	
Debt instruments at fair value through OCI	11,344,845	-	-	-	-	-	-	-	11,344,845	0%	-	
<b>Total debt instruments at fair value through OCI</b>	<b>11,344,845</b>	-	-	-	-	-	-	-	<b>11,344,845</b>	-	-	
<b>Total financial assets at amortised cost</b>	<b>56,789,322</b>	<b>968,965</b>	<b>326,000</b>	<b>125,220</b>	<b>36,868,386</b>	<b>405,166</b>	<b>23,124,591</b>		<b>41,220,177</b>	-	<b>1,198,109</b>	
Financial guarantees Letter of credit for customers	5,563,647	1,681,146	-	-	103,901	-	1,785,048		3,778,599	32%	-	
Commitments to lend	105,035	-	-	-	109,370	-	4,335		-	104%	-	
	976,791	-	-	-	-	-	-		-	0%	-	
	<b>6,645,473</b>	<b>1,681,146</b>	-	-	<b>213,272</b>	-	<b>23,128,926</b>		<b>3,778,599</b>	-	<b>1,198,109</b>	
<b>Total</b>	<b>63,434,795</b>	<b>2,650,111</b>	<b>326,000</b>	<b>125,220</b>	<b>37,081,658</b>	<b>405,166</b>	<b>23,128,926</b>		<b>44,998,776</b>	-	<b>1,198,109</b>	

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							Total Collateral	Surplus Collateral	Net exposure	% Of exposure subject to collateral requirements	Associated ECL
		Cash	Securities	3rd party /gov guarantees	Property	Other	Collateral	Net exposure					
<b>Financial Assets</b>													
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%	-
Other assets	665,552	-	-	-	-	-	-	-	-	665,552	-	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%	-
<b>Total financial assets at amortised cost</b>	<b>43,892,326</b>	<b>1,929,165</b>	<b>346,000</b>	<b>277,621</b>	<b>40,960,166</b>	<b>451,674</b>	<b>43,964,627</b>	<b>22,642,282</b>	<b>22,642,282</b>	<b>22,569,981</b>	<b>528,377</b>		
Debt instruments at fair value through OCI	8,459,006	-	-	-	-	-	-	-	-	-	-	0%	-
<b>Total debt instruments at fair value through OCI</b>	<b>8,459,006</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,459,006</b>		
Financial guarantees Letter of credit for customers	4,570,274	1,929,165	346,000	277,621	40,960,166	451,674	43,964,627	22,642,282	-	31,028,987	-	80%	528,377
Other commitments	1,513,594	103,114	-	-	160,650	263,764	1,249,830	-	-	-	-	17%	-
	2,736,668	1,455,047	-	-	2,320,870	131,761	3,907,678	-	-	2,176,190	-	0%	-
<b>Total</b>	<b>61,171,868</b>	<b>3,384,212</b>	<b>346,000</b>	<b>277,621</b>	<b>43,281,036</b>	<b>583,436</b>	<b>47,872,305</b>	<b>22,642,282</b>	<b>22,642,282</b>	<b>33,205,177</b>	<b>528,377</b>		

**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

2023

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 Guarantees /gov	Property	Other	Total collateral	Surplus Collateral	Net exposure	% Of exposure subject to collateral requirements	Associated ECL
Loans and advances to customers											
Corporate Banking	5,400,292	-	-	6,521	7,461,383	20,220	7,488,124	3,099,842	-	171%	748,967
SME Banking	246,073	5,536	-	-	460,821	5,824	472,181	226,109	-	192%	126,822
Retail Banking	301,817	-	-	-	161,232	3,009	164,241	-	137,576	54%	74,408
<b>Debt instruments at amortized cost</b>	<b>5,948,182</b>	<b>5,536</b>	<b>-</b>	<b>6,521</b>	<b>8,083,436</b>	<b>29,053</b>	<b>8,124,546</b>	<b>3,325,951</b>	<b>137,576</b>	<b>-</b>	<b>950,197</b>
<b>Total financial assets at amortized cost</b>	<b>5,948,182</b>	<b>5,536</b>	<b>-</b>	<b>6,521</b>	<b>8,083,436</b>	<b>29,053</b>	<b>8,124,546</b>	<b>3,325,951</b>	<b>137,576</b>	<b>-</b>	<b>950,197</b>
Debt instruments at fair value through OCI											
<b>Other Commitments</b>											
<b>Total</b>	<b>5,948,182</b>	<b>5,536</b>	<b>-</b>	<b>6,521</b>	<b>8,083,436</b>	<b>29,053</b>	<b>8,124,546</b>	<b>3,325,951</b>	<b>137,576</b>	<b>-</b>	<b>950,197</b>

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Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

2022 Type of collateral or credit enhancement for stage 3 assets	Fair Value of collateral and credit enhancements held under the base case scenario										% Of exposure subject to collateral requirements	Associated ECL
	Maximum Exposure Credit Risk	Cash	Securities	3rd party /gov Guarantees	Property	Other	Offsetting agreements	Surplus Collateral	Net exposure			
Loans and advances to customers	3,647,291	-	-	460	6,236,201	54,271	6,333,219	3,272,365	-	-	207%	416,802
Corporate Banking	281,208	-	-	-	467,078	-	467,628	186,420	-	-	166%	5,880
SME Banking	166,739	-	-	-	103,591	6,258	109,850	(56,890)	56,890	-	66%	20,481
Retail Banking	4,095,238	-	-	460	6,806,870	60,529	6,910,696	3,401,895	56,890	-	-	443,133
Debt Instruments at amortized cost	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total financial assets at amortized cost</b>	<b>4,095,238</b>	-	-	<b>460</b>	<b>6,806,870</b>	<b>60,529</b>	<b>6,910,696</b>	<b>3,401,895</b>	<b>56,890</b>	-	-	<b>443,133</b>
Debt instruments at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-	-
Other Commitments	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4,095,238</b>	-	-	<b>460</b>	<b>6,806,870</b>	<b>60,529</b>	<b>6,910,696</b>	<b>3,401,895</b>	<b>56,890</b>	-	-	<b>443,133</b>

**Notes (continued)**

**4 Financial Risk Management (continued)**

**a) Credit risk (continued)**

**Bank**

2023

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	3,960,238	-	-	-	6,569,936	20,220	6,590,156	2,629,917	-	166%	871,985
Corporate Banking	112,563	-	-	-	149,575	5,824	155,399	42,836	-	138%	112,402
SME Banking	236,277	-	-	-	89,758	-	89,758	-	146,425	38%	62,083
Retail Banking	<b>4,309,078</b>				<b>6,809,269</b>	<b>26,044</b>	<b>6,835,313</b>	<b>2,672,753</b>	<b>146,425</b>		<b>1,046,470</b>
Debt Instruments at amortized cost	<b>4,309,078</b>				<b>6,809,269</b>	<b>26,044</b>	<b>6,835,313</b>	<b>2,672,753</b>	<b>146,425</b>		<b>1,046,470</b>
Debt instruments at fair value through OCI					<b>6,809,269</b>	<b>26,044</b>	<b>6,835,313</b>	<b>2,672,753</b>	<b>146,425</b>		<b>1,046,470</b>
Other Commitments					<b>6,809,269</b>	<b>26,044</b>	<b>6,835,313</b>	<b>2,672,753</b>	<b>146,425</b>		<b>1,046,470</b>

**Notes (continued)**

**4 Financial Risk Management (continued)**

**a) Credit risk (continued)**

2022 Type of collateral or credit enhancement for stage 3 assets	Fair Value of collateral and credit enhancements held under the base case scenario										% Of exposure subject to collateral requirements	Associated ECL	
	Maximum Exposure Credit Risk	Cash	Securities	3rd party /gov Guarantees	Property	Other	Offsetting agreements	Surplus Collateral	Net exposure				
Loans and advances to customers													
Corporate Banking	2,152,025	-	-	-	5,087,720	-	5,130,008	2,717,346	-	-	213%	473,681	
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	
Debt Instruments at amortized cost	2,421,266	-	-	-	5,281,417	-	5,324,255	2,642,352	76,729	-	-	488,603	
<b>Total financial assets at amortized cost</b>	<b>2,421,266</b>	-	-	-	<b>5,281,417</b>	-	<b>5,324,255</b>	<b>2,642,352</b>	<b>76,729</b>	-	-	<b>488,603</b>	
Debt instruments at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-	-	
Other Commitments	-	-	-	-	-	-	-	-	-	-	-	-	
	<b>2,421,266</b>	-	-	-	<b>5,281,417</b>	-	<b>5,324,255</b>	<b>2,642,352</b>	<b>76,729</b>	-	-	<b>488,603</b>	

**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	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Manufacturing	2,964,278	4,977,804	1,236,806	3,241,214
Wholesale and retail trade	3,021,033	5,272,884	1,334,370	3,464,709
Transport and communications	1,405,867	1,256,432	684,979	470,388
Agricultural	488,378	1,254,133	471,143	1,200,595
Hotel, Restaurant and tourism	940,591	1,785,069	940,591	1,723,655
Social community and other services	4,087,594	2,610,932	1,200,681	1,556,897
Building, Construction and Real Estate	2,047,064	2,369,072	1,274,822	1,566,592
Mining	7,125	47,313	7,125	47,313
Finance and Insurance	394,177	1,178,679	394,177	647,833
Energy	213,038	342,867	59,329	77,191
Others*	-	227,160	-	-
<b>Gross</b>	<b>15,569,145</b>	<b>21,322,345</b>	<b>7,604,023</b>	<b>13,996,387</b>

**(ii) Off-balance sheet items**

Manufacturing	12,753	448,607	12,753	336,995
Wholesale and retail trade	338,959	545,985	229,266	350,451
Transport and communications	55	400,428	55	303,625
Business services	311,004	2,009,827	104,286	1,815,508
Agricultural	-	528,025	-	527,962
Individuals	501	-	-	-
Real estate and construction	4,708,457	1,666,867	1,318,167	17,066
Information and Technology	99,020	-	14,148	-
Mining	-	78,158	-	-
Energy	108,639	344,051	100,449	123
Other*	89,294	61,920	55,428	2,930
<b>Gross</b>	<b>5,668,682</b>	<b>6,083,868</b>	<b>1,834,552</b>	<b>3,354,660</b>

\*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.



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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	Gross carrying amount			Allowance for ECL			ECL coverage %			
	Stage 1 Shs"000"	Stage 2 Shs"000"	Stage 3 Shs"000"	Stage 1 Shs"000"	Stage 2 Shs"000"	Stage 3 Shs"000"	Stage 1	Stage 2	Stage 3	Total
2023										
Loans and advances per industry segment				Total Shs"000"			Total Shs"000"			
Manufacturing	2,100,375	5,614	460,357	2,566,346	-	130,219	148,887	0.9%	0.0%	28.3%
Wholesale and retail trade	1,194,256	21,382	1,095,560	2,311,198	-	195,177	206,690	1.0%	0.0%	17.8%
Transport and communications	606,759	8,617	175,641	791,017	-	76,751	78,871	0.3%	0.0%	43.7%
Agricultural	198,142	-	290,236	488,378	-	36,148	36,297	0.1%	0.0%	12.5%
Hotel, Restaurant and tourism	347,710	-	946,967	1,294,677	-	5,690	11,051	1.5%	0.0%	0.6%
Social community and Other services	1,988,806	12,092	417,758	2,418,656	-	155,408	174,310	1.0%	0.0%	37.2%
Building, Construction and Real Estate	869,167	3,539	1,174,358	2,047,064	-	307,592	326,651	2.2%	0.0%	26.2%
Mining	-	-	7,125	7,125	-	0	0	0.0%	0.0%	0.0%
Finance and Insurance	990,764	8,494	223,869	1,223,127	-	0	0	0.0%	0.0%	0.0%
Energy	153,709	-	59,328	213,037	-	27,133	28,752	1.1%	0.0%	45.7%
Others	1,067,488	44,049	1,096,983	2,208,520	-	16,079	186,600	16.0%	0.0%	1.5%
<b>Total</b>	<b>9,517,176</b>	<b>103,787</b>	<b>5,948,182</b>	<b>15,568,145</b>	<b>-</b>	<b>950,197</b>	<b>1,198,109</b>	<b>2.6%</b>	<b>0.0%</b>	<b>16.0%</b>
										<b>7.7%</b>

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Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

Group	Gross carrying amount			Allowance for ECL			ECL coverage %		
	Stage 1 Shs"000"	Stage 2 Shs"000"	Stage 3 Shs"000"	Stage 1 Shs"000"	Stage 2 Shs"000"	Stage 3 Shs"000"	Stage 1 Total	Stage 2 Total	Stage 3 Total
<b>2022</b>									
Loans and advances per industry segment									
Manufacturing	4,116,944	305,542	555,318	25,944	27,016	54,922	107,882	107,882	2.17%
Wholesale and retail trade	3,531,399	354,112	1,387,373	222,618	224,273	38,951	485,842	485,842	9.89%
Transport and communications	1,107,732	0	148,700	8,585	0	22,282	30,867	30,867	2.81%
Agricultural	1,216,307	4,477	33,349	6,793	66	14,889	21,748	21,748	2.46%
Hotel, Restaurant and tourism	1,439,373	13,737	331,959	3,784	15	22,135	25,934	25,934	1.73%
Social community and Other services	2,021,267	118,611	471,054	16,078	485	42,794	59,357	59,357	1.45%
Building, Construction and Real Estate	1,388,031	29,114	951,927	10,120	31	235,504	245,655	245,655	2.27%
Mining	1,178,671	-	47,313	-	-	3,273	3,273	3,273	10.37%
Finance and Insurance	177,555	15,900	149,412	6,805	14	8,098	6,805	6,805	%
Energy	197,527	10,808	18,825	2,207	1	285	2,493	2,493	6.92%
Others									0.00%
<b>Total</b>	<b>16,374,806</b>	<b>852,301</b>	<b>4,095,238</b>	<b>304,408</b>	<b>251,901</b>	<b>443,133</b>	<b>999,442</b>	<b>999,442</b>	<b>4.69%</b>

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Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

Bank	2023	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"	Stage 1	Stage 2	Stage 3
Manufacturing	770,836	5,614	460,357	1,236,807	5,653	-	110,030	115,683	0.7%	0.0%	23.9%	9.4%
Wholesale and retail trade	270,702	21,382	1,042,287	1,334,371	731	-	181,345	182,076	0.3%	0.0%	17.4%	13.6%
Transport and communications	509,338	-	175,641	684,979	1,146	-	76,751	77,897	0.2%	0.0%	43.7%	11.4%
Agricultural	183,281	-	287,862	471,143	0	-	36,082	36,082	0.0%	0.0%	12.5%	7.7%
Hotel, Restaurant and tourism	20,322	-	920,269	940,591	20	-	5,690	5,710	0.1%	0.0%	0.62%	0.6%
Social community and Other services	770,832	12,092	417,758	1,200,682	11,456	-	150,264	161,720	1.2%	0.0%	36.6%	13.5%
Building, Construction and Real Estate	336,465	0	938,358	1,274,823	10	-	459,175	459,185	0.0%	0.0%	48.9%	36.0%
Mining	-	-	7,125	7,125	-	-	0	0	0.0%	0.0%	0.0%	0.0%
Finance and Insurance	394,081	-	0	394,081	-	-	0	0	0.0%	0.0%	16.2%	0.0%
Energy	-	-	58,421	58,421	-	-	27,133	27,133	0.0%	0.0%	45.7%	45.7%
Others	-	-	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>3,255,857</b>	<b>39,088</b>	<b>4,308,078</b>	<b>7,604,023</b>	<b>19,016</b>	<b>-</b>	<b>1,046,470</b>	<b>1,065,486</b>	<b>0.5%</b>	<b>0.0%</b>	<b>24.3%</b>	<b>14.0%</b>

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Notes (continued)

4 Financial Risk Management (continued)

a) Credit risk (continued)

Bank	2022	Gross carrying amount			Allowance for ECL			ECL coverage %				
		Stage 1 Shs"000"	Stage 2 Shs"000"	Stage 3 Shs"000"	Stage 1 Shs"000"	Stage 2 Shs"000"	Stage 3 Shs"000"	Stage 1	Stage 2	Stage 3	Total	
Loans and advances per industry segment												
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	-	47,198	54,049	2.1%	0.2%	32.2%	12%
Agricultural	1,167,246	-	33,349	1,200,595	6,301	-	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%
<b>Total</b>	<b>10,824,208</b>	<b>750,912</b>	<b>2,421,267</b>	<b>13,996,387</b>	<b>77,214</b>	<b>256,789</b>	<b>488,603</b>	<b>822,606</b>	<b>0.7%</b>	<b>34.2%</b>	<b>20%</b>	<b>6%</b>

**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 2023	100.4%	92.2%	76.5%
December 2022	68.3%	82.3%	84.6%
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.

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Notes (continued)

4 Financial Risk Management (continued)

b) Liquidity risk (continued)

(i) Group	At December 2023	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
<b>Liabilities</b>							
Customer deposits	21,966,418	7,338,156	12,720,121	3,534,368	-	-	45,559,063
Deposits and balances due to -banking institutions	17,345	-	-	-	-	-	17,345
Due to group companies	76	-	-	-	-	-	76
Lease liabilities	-	21,127	127,746	635,989	41,353	41,353	826,215
Borrowing	-	-	15,095	46,550	11,526	11,526	73,171
Other liabilities	384,476	3,390	3,652	336	264,682	264,682	656,536
<b>Total financial liabilities</b>	<b>22,368,315</b>	<b>7,362,673</b>	<b>12,866,614</b>	<b>4,217,243</b>	<b>317,561</b>	<b>317,561</b>	<b>47,132,406</b>
<b>Assets</b>							
Cash and balances with Central Banks	7,858,080	-	-	-	-	-	7,858,080
Government and other securities held	1,338,583	7,912,780	14,709,710	2,139,869	1,305,255	1,305,255	27,406,177
Deposits and balances due from banking institutions	5,522,428	798,688	-	-	-	-	6,321,116
Deposits and balances due from group companies	3,485,287	-	-	-	-	-	3,485,287
Loans and advances to customers	3,486,684	1,752,557	1,889,563	8,286,495	642,963	642,963	16,058,282
Other assets*	90,555	-	401,391	306,214	-	-	798,160
<b>Total financial assets</b>	<b>21,781,617</b>	<b>10,464,025</b>	<b>17,000,664</b>	<b>10,732,578</b>	<b>1,948,213</b>	<b>1,948,213</b>	<b>61,927,102</b>
<b>Net liquidity position</b>	<b>(586,698)</b>	<b>3,101,352</b>	<b>4,134,050</b>	<b>6,515,335</b>	<b>1,630,657</b>	<b>1,630,657</b>	<b>14,794,696</b>

\*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 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
<b>Liabilities</b>						
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
<b>Total financial liabilities</b>	<b>17,634,633</b>	<b>6,990,527</b>	<b>17,335,145</b>	<b>627,005</b>	<b>114,023</b>	<b>42,701,334</b>
<b>Assets</b>						
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
<b>Total financial assets</b>	<b>16,163,894</b>	<b>7,392,539</b>	<b>16,755,263</b>	<b>13,855,079</b>	<b>2,894,539</b>	<b>57,061,314</b>
<b>Net liquidity position</b>	<b>(1,470,739)</b>	<b>402,012</b>	<b>(579,882)</b>	<b>13,228,074</b>	<b>2,780,516</b>	<b>14,359,980</b>

Notes (continued)

4 Financial Risk Management (continued)

b) Liquidity risk (continued)

(ii) Bank

At December 2023	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
<b>Liabilities</b>						
Customer deposits	13,114,705	3,896,807	1,465,237	36	-	18,476,785
Deposits and balances due to banking institutions	17,345	-	-	-	-	17,345
Amounts due to group companies	1,300	-	-	-	-	1,300
Lease liabilities	-	21,127	63,382	276,669	-	361,178
Other Liabilities	-	-	-	-	257,158	257,158
<b>Total financial liabilities</b>	<b>13,133,350</b>	<b>3,917,934</b>	<b>1,528,619</b>	<b>276,705</b>	<b>257,158</b>	<b>19,113,766</b>
<b>Assets</b>						
Cash and balances with Central Bank of Kenya	1,264,575	-	-	-	-	1,264,575
Government and other securities held	211,315	5,129,820	7,882,913	911,797	-	14,135,845
Deposits and balances due from banking institutions	664,418	-	-	-	-	664,418
Due from group companies	2,923,329	-	-	-	-	2,923,329
Loans and advances to customers	3,782,139	217,301	523,063	2,997,216	478,040	7,997,759
Other financial assets	-	-	-	306,214	-	306,214
<b>Total financial assets</b>	<b>8,845,776</b>	<b>5,347,121</b>	<b>8,405,976</b>	<b>4,215,227</b>	<b>478,040</b>	<b>27,292,140</b>
<b>Net liquidity position</b>	<b>(4,287,574)</b>	<b>1,429,187</b>	<b>6,877,357</b>	<b>3,938,522</b>	<b>220,882</b>	<b>8,178,374</b>



**Notes (continued)**

**4 Financial Risk Management (continued)**

**b) Liquidity risk (continued)**

**(ii) Bank**

	<b>Upto 1 month</b>	<b>1 - 3</b>	<b>3 - 12</b>	<b>1 - 5 years</b>	<b>Over 5</b>	<b>Total</b>
	<b>Shs'000</b>	<b>months</b>	<b>months</b>	<b>Shs'000</b>	<b>years</b>	<b>Shs'000</b>
<b>At December 2022</b>		<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	
<b>Liabilities</b>						
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
<b>Total financial liabilities</b>	<b>11,718,371</b>	<b>4,503,929</b>	<b>6,693,069</b>	<b>44,113</b>	<b>-</b>	<b>22,959,482</b>
<b>Assets</b>						
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
<b>Total financial assets</b>	<b>8,410,533</b>	<b>3,974,145</b>	<b>8,619,889</b>	<b>9,347,602</b>	<b>1,860,921</b>	<b>32,213,089</b>
<b>Net liquidity position</b>	<b>(3,307,838)</b>	<b>(529,784)</b>	<b>1,926,819</b>	<b>9,303,489</b>	<b>1,860,921</b>	<b>9,253,607</b>

**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 2023, 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.

<b>Group</b>	<b>KES</b>	<b>USD</b>	<b>GBP</b>	<b>EURO</b>	<b>OTHER</b>	<b>Total</b>
<b>At 31 December 2023</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
<b>Assets</b>						
Cash and balances with Central Banks	3,460,358	3,355,245	26,726	1,015,508	243	7,858,080
Deposits and balances due from banking institutions	3,138,004	6,409,306	127,138	127,705	4,250	9,806,403
Loans and advances to customers	7,160,486	3,298,115	13,725	237,188	3,661,522	14,371,036
Other assets	27,818,816	1,698,626	1,532	10	389	29,519,373
<b>Total Assets</b>	<b>41,577,664</b>	<b>14,761,292</b>	<b>169,121</b>	<b>1,380,411</b>	<b>3,666,404</b>	<b>61,554,892</b>

Notes (continued)

4 Financial Risk Management (continued)

c) Market risk (continued)

(i) Currency risk (continued)

Liabilities	KES Shs'000	USD Shs'000	GBP Shs'000	EURO Shs'000	OTHER Shs'000	Total Shs'000
Customer deposits	16,677,925	15,032,472	346,357	1,344,585	12,011,571	45,412,910
Deposits and balances due to banking institutions	-6,609	5,461	-	-	18,569	17,421
Lease liabilities	795,271					795,271
Other liabilities	916,572	13,702	30	81	-	930,385
<b>Total liabilities</b>	<b>18,383,159</b>	<b>15,051,635</b>	<b>346,387</b>	<b>1,344,666</b>	<b>12,030,140</b>	<b>47,155,987</b>
<b>Net on Balance sheet position</b>	<b>23,194,505</b>	<b>-290,343</b>	<b>-177,266</b>	<b>35,745</b>	<b>-8,363,736</b>	<b>14,398,905</b>
<b>Net off Balance sheet position</b>	<b>2,399,988</b>	<b>471,611</b>	<b>-</b>	<b>-69,060</b>	<b>34,838</b>	<b>2,837,377</b>
<b>Overall position</b>	<b>25,594,493</b>	<b>181,268</b>	<b>-177,266</b>	<b>-33,315</b>	<b>-8,328,898</b>	<b>-8,358,211</b>
<b>At 31 December 2022</b>						
Total assets	30,467,602	14,117,844	114,664	691,128	8,839,986	54,231,224
Total liabilities	14,386,202	14,206,340	364,923	546,690	13,035,913	42,540,068
<b>Net on Balance sheet position</b>	<b>16,081,400</b>	<b>-88,496</b>	<b>-250,259</b>	<b>144,438</b>	<b>-4,195,927</b>	<b>11,691,156</b>
<b>Net off Balance sheet position</b>	<b>4,814</b>	<b>271,305</b>	<b>243,041</b>	<b>-91,475</b>	<b>2,540,860</b>	<b>2,968,545</b>
<b>Overall position</b>	<b>16,086,214</b>	<b>182,809</b>	<b>-7,218</b>	<b>52,963</b>	<b>-1,343,389</b>	<b>14,971,379</b>

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Notes (continued)

4 Financial Risk Management (continued)

c) Market risk (continued)

(i) Currency risk (continued)

At 31 December 2023	KES Shs'000	USD Shs'000	GBP Shs'000	EURO Shs'000	Other Shs'000	Total Shs'000
<b>Assets</b>						
Cash and balances with Central Bank of Kenya	1,026,013	195,365	18,586	24,496	115	1,264,575
Deposits and balances due from banking institutions	118,282	3,281,096	121,240	63,994	3,135	3,587,747
Loans and advances to customers	3,661,521	2,626,103	13,725	237,188		6,538,537
Other Assets	18,736,419					18,736,419
	<u>23,542,235</u>	<u>6,102,564</u>	<u>153,551</u>	<u>325,678</u>	<u>3,250</u>	<u>30,127,278</u>
<b>Liabilities</b>						
Customer deposits	12,011,571	6,092,996	331,447	287,858	-	18,723,872
Deposits and balances due to banking institutions	18,645	-	-	-	-	18,645
Borrowing	-	-	-	-	-	-
Lease liabilities	361,178	-	-	-	-	361,178
Other liabilities	257,158	-	-	-	-	257,158
<b>Total liabilities</b>	<u>12,648,552</u>	<u>6,092,996</u>	<u>331,447</u>	<u>287,858</u>	<u>-</u>	<u>19,360,853</u>
<b>Net on Balance sheet position</b>	<u>10,893,683</u>	<u>9,568</u>	<u>(177,896)</u>	<u>37,820</u>	<u>3,250</u>	<u>10,766,425</u>
<b>Net off Balance sheet position</b>	<u>986,644</u>	<u>65,003</u>	<u>0</u>	<u>(69,060)</u>	<u>34,838</u>	<u>1,017,425</u>
<b>Overall position</b>	<u>11,880,327</u>	<u>74,571</u>	<u>(177,896)</u>	<u>(31,240)</u>	<u>38,088</u>	<u>11,783,850</u>

**Notes (continued)**

**4 Financial Risk Management (continued)**

**c) Market risk (continued)**

**(i) Currency risk (continued)**

At 31 December 2022	KES Shs'000	USD Shs'000	GBP Shs'000	EURO Shs'000	Other Shs'000	Total Shs'000
Total Assets	23,752,539	8,774,751	87,875	387,776	2,778	33,005,719
Total Liabilities	14,343,679	7,924,853	335,890	241,974	5,181	22,851,577
<b>Net on Balance sheet position</b>	<b>9,408,860</b>	<b>849,899</b>	<b>(248,016)</b>	<b>145,802</b>	<b>(2,403)</b>	<b>10,154,142</b>
<b>Net off Balance sheet position</b>	<b>1,423,892</b>	<b>(100,135)</b>	<b>243,041</b>	<b>(147,017)</b>	<b>3,609</b>	<b>1,423,390</b>
<b>Overall position</b>	<b>10,832,752</b>	<b>749,764</b>	<b>(4,975)</b>	<b>(1,215)</b>	<b>1,206</b>	<b>11,577,532</b>

At 31 December 2023, 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 29 million (2022: Shs 234 million) lower/higher, mainly as a result of US dollar loans and advances and bank balances. Similar sensitivity on GBP and EUR would result to a loss of Shs 55million and a profit of Shs 28million respectively.

**(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)**

<b>Group</b>	<b>Upto 1 month</b>	<b>1 - 3 months</b>	<b>3 - 12 months</b>	<b>Over 1 year</b>	<b>Non interest bearing</b>	<b>Total</b>
<b>At December 2023</b>						
<b>Assets</b>						
Cash and balances with Central Banks	-	-	-	-	7,858,080	7,858,080
Government and other securities at amortised cost	1,123,676	4,823,471	6,807,186	2,163,266	-	14,917,599
Government and other securities at FVOCI	-	3,204,673	8,140,172	-	-	11,344,845
Deposits and balances due from banking institutions	6,321,116	-	-	-	-	6,321,116
Amounts due from group companies	3,485,287	-	-	-	-	3,485,287
Loans and advances to customers	14,371,036	-	-	-	-	14,371,036
Other assets	-	-	-	-	907,263	907,263
<b>Total financial assets</b>	<b>25,301,115</b>	<b>8,028,144</b>	<b>14,947,358</b>	<b>2,163,266</b>	<b>8,765,343</b>	<b>59,205,226</b>
<b>Liabilities</b>						
Customer deposits	20,040,138	5,184,098	4,787,827	595,170	14,805,677	45,412,910
Deposits and balances due to banking institutions	17,345	-	-	-	-	17,345
Amounts due to group companies	76	-	-	-	-	76
Lease liabilities	-	-	14,810	795,271	-	795,271
Borrowings	-	-	-	29,840	27,083	71,733
Other liabilities	-	-	-	-	751,669	751,669
<b>Total financial liabilities</b>	<b>20,057,559</b>	<b>5,184,098</b>	<b>4,802,637</b>	<b>1,420,281</b>	<b>15,584,459</b>	<b>47,049,004</b>
<b>Total interest repricing gap</b>	<b>5,243,556</b>	<b>2,844,046</b>	<b>10,144,721</b>	<b>742,985</b>	<b>(6,819,116)</b>	<b>12,156,222</b>

**Notes (continued)**

**4 Financial Risk Management (continued)**

**c) Market risk (continued)**

**(ii) Interest rate risk (continued)**

<b>At 31 December 2022</b>	<b>Upto 1 month</b>	<b>1 - 3 months</b>	<b>3 - 12 months</b>	<b>Over 1 year</b>	<b>Non interest bearing</b>	<b>Total</b>
Total financial Assets	30,166,345	2,524,289	9,584,627	4,276,322	6,280,992	52,832,575
Total financial Liabilities	25,446,446	5,474,501	9,759,040	546,262	936,796	42,163,045
<b>Total interest repricing gap</b>	<b>4,719,899</b>	<b>(2,950,212)</b>	<b>(174,413)</b>	<b>3,730,060</b>	<b>5,344,196</b>	<b>10,669,530</b>
<b>Bank</b>						
<b>At December 2023</b>						
<b>Assets</b>						
Cash and balances with Central Banks	-	-	-	-	1,264,575	1,264,575
Government and other securities at amortised cost	-	2,066,881	320,455	403,664	-	2,791,000
Government and other securities at FVOCI	-	3,204,673	8,140,172	-	-	11,344,845
Deposits and balances due from banking institutions	664,418	-	-	-	-	664,418
Due from group companies	2,923,329	-	-	-	-	2,923,329
Loans and advances to customers	6,538,537	-	-	-	-	6,538,537
Other financial assets	-	-	-	-	306,214	306,214
<b>Total financial assets</b>	<b>10,126,284</b>	<b>5,271,554</b>	<b>8,460,627</b>	<b>403,664</b>	<b>1,570,789</b>	<b>25,832,918</b>

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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	13,361,792	3,896,807	1,465,273	-	-	18,723,872
Deposits and balances due to banking institutions	17,345	-	-	-	-	17,345
Due to group companies	1,300	-	-	-	-	1,300
Borrowings	-	-	-	-	-	-
Lease liabilities	-	-	-	361,178	-	361,178
Other financial liabilities	-	-	-	-	257,158	257,158
<b>Total financial liabilities</b>	<b>13,380,437</b>	<b>3,896,807</b>	<b>1,465,273</b>	<b>361,178</b>	<b>257,158</b>	<b>19,360,853</b>
<b>Total interest repricing gap</b>	<b>(3,254,153)</b>	<b>1,374,747</b>	<b>6,995,354</b>	<b>42,486</b>	<b>1,313,631</b>	<b>6,472,065</b>
<b>At 31 December 2022</b>						
Total Assets	19,170,160	945,110	5,070,103	2,530,364	1,324,866	29,040,604
Total Liabilities	11,548,546	4,425,946	6,389,002	111,040	115,823	22,590,357
<b>Total interest repricing gap</b>	<b>7,621,614</b>	<b>(3,480,837)</b>	<b>(1,318,899)</b>	<b>2,419,324</b>	<b>1,209,043</b>	<b>6,450,247</b>



**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 2023, an increase/decrease of 75 basis points would have resulted in an increase/decrease in consolidated post tax profit of Group; Shs 94 million (2022: Shs 80 million) and Bank Shs 48 million (2022: Shs 48 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**

Level 1: The fair value of investment securities at fair value through other comprehensive income as at 31 December 2023 is estimated at; Shs 11,334 million (2022: Shs 8,459 million) for the Group and Bank as compared to their carrying values of Shs 11,334 million (2022: Shs 8,459 million).

Level 3: The fair value of freehold land and building is estimated at; Shs 108 million (2022: Shs 93million) for the Group as compared to their carrying values of Shs 50 million (2022: Shs 57 million) based on the historical cost basis.

The fair values of the Group and Bank's other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates as set out above. Fair values of the investment securities are based on discounted cash flows using a discount rate based upon the borrowing rate that the directors expect would be available to the Group at the balance sheet date.

**Fair value estimation**

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

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

**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
<b>31 December 2023</b>			
<b>Assets</b>			
Financial assets at fair value through OCI	-	11,344,845	-
Freehold land and building	-	-	108,134
<b>31 December 2022</b>			
<b>Assets</b>			
Financial assets at fair value through OCI	-	8,459,006	-
Freehold land and building	-	-	93,916
<b>Bank</b>			
<b>31 December 2023</b>			
<b>Assets</b>			
	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000
Financial assets at fair value through OCI	-	11,344,845	-
<b>31 December 2022</b>			
<b>Assets</b>			
Financial assets at fair value through OCI	-	8,459,006	-

**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 2022; (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 2023 requires each Bank to:

- a) hold a minimum level of paid-up capital of UGX.120 billion by 31 December 2023 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 2021.

On 16 November 2023, 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 2023, 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 2023, the bank had paid up capital of Ushs.51.954Bn (2022:Ushs.51.954Bn) and shareholders' funds of Ushs.55.79Bn (2022: 52.11Bn), which is below the minimum capital requirements by the regulation.

Following the guidance by the shareholders of the Bank, GTBank submitted its application to the Bank of Uganda to transit to a tier 2 credit institutions. Following the end of the reporting period, Bank of Uganda approved the application to transition to tier 2 credit institutions, and gave the bank a transition period of 3 months to complete this change. Following the transition to tier 2, the bank will be compliant with the minimum core capital requirement of tier 2 credit institutions which is currently at UGX 25Bn.

Notes (continued)

4 Financial Risk Management (continued)

f) Capital Management (continued)

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

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
Tier 1 capital	12,659,702	10,903,093	5,839,304	5,724,966
Tier 1 + Tier 2 capital	12,826,851	11,157,963	6,002,523	5,969,636
<b>Risk - weighted assets</b>	<b>31-Dec-23 Shs'000</b>	<b>31-Dec-22 Shs'000</b>	<b>31-Dec-23 Shs'000</b>	<b>31-Dec-20 Shs'000</b>
On balance sheet	19,729,006	25,045,692	6,915,285	13,371,078
Off balance sheet	2,837,377	2,968,545	1,017,425	1,423,390
Total market risk weighted assets	1,072,283	929,861	851,150	904,668
Total operational risk weighted assets	6,698,601	6,698,601	4,273,679	3,825,387
Total risk weighted assets	30,337,267	35,642,699	13,057,539	19,524,523
<b>Basel ratio</b>				
Tier 1	41.73%	30.59%	44.72%	29.32%
Tier 1 + Tier 2	42.28%	31.31%	45.97%	30.58%

The capital adequacy ratios for the subsidiaries are summarized below;

	2023	2022
<b>Tier 1</b>		
GTBank Kenya (CBK minimum - 10.5%)	44.72%	29.32%
GTBank Rwanda PLC (BNR minimum - 10.5%)	52.25%	32.4%
GTBank Uganda (BOU minimum - 8%)	44.15%	33.9%
<b>Tier 1 + Tier 2</b>		
GTBank Kenya (CBK minimum - 14.5%)	45.97%	30.58%
GTBank Rwanda PLC (BNR minimum - 15%)	52.43%	32.5%
GTBank Uganda (BOU minimum - 12%)	45.16%	34.1%

**Notes (continued)**

**5 Interest income**

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
Loans and advances	2,526,288	3,139,674	1,381,691	2,012,932
Credit related fees and commissions	175,053	208,145	42,922	71,282
Government securities - Amortised cost	1,351,712	767,646	244,645	241,535
Government securities - FVOCI	1,040,036	764,446	1,040,036	764,446
Cash and short-term funds	342,769	278,925	139,769	44,597
Other securities*	511	491	511	491
	<u>5,436,369</u>	<u>5,159,327</u>	<u>2,849,574</u>	<u>3,135,283</u>

\*Interest income on other securities comprises of the discount on swap contracts and FX forward deals that are not recognized using the effective interest rate method. All other interest income is recorded using the effective interest rate method.

**6 Interest expense**

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
Customer deposits	1,227,976	1,174,169	874,219	870,611
Interest expense on lease liabilities	96,030	36,382	72,170	15,425
Deposits by banks	5,744	14,796	1,987	12,424
Borrowed funds	966	73,316	-	72,140
Other interest expenses*	203	26,804	202	26,804
	<u>1,330,919</u>	<u>1,325,467</u>	<u>948,578</u>	<u>997,404</u>

\*Other interest expense comprises of the premium on swap contracts that are not recognized using the effective interest rate method. All other interest expense is recorded using effective interest rate method.

**7 Fees and commission**

a) Fees and commission income	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
Clearing and Funds transfer commission	261,082	253,693	34,589	44,411
ATM commissions	78,639	7,960	30,758	3,111
Letters of credit commissions	72,362	54,023	20,120	12,758
Commissions on guarantees	62,607	52,995	16,246	26,726
Mobile and E-banking commissions	44,242	54,223	13,886	20,045
Current account ledger fees	42,909	64,042	13,067	19,995
Cash withdrawal commissions	13,726	10,253	426	-
Mastercard commission	11,105	33,567	1,635	17,331
Cheque book charges	8,767	6,049	2,648	2,530
Other fee income*	6,560	56,718	2,599	22,455
	<u>601,999</u>	<u>593,523</u>	<u>135,974</u>	<u>169,362</u>

\*Other fee income includes discounting commissions, commission on customer treasury investment, profit and loss on trading of government securities and postage revenue.

Notes (continued)

7 Fees and commission (continued)

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
<b>b) Fees and commission expense</b>				
Master card expense	173,853	132,419	69,085	61,876
Foreign currency import/export charges	40,505	49,729	-	234
Banking services	29,427	23,380	6,687	6,757
Other fee expenses*	1,112	-	179	-
	<u>244,897</u>	<u>205,528</u>	<u>75,951</u>	<u>68,867</u>

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

8 (a) Other operating income

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
Bad debts recovered	421,334	72,360	294,222	23,957
Gain on disposal of assets	18,895	3,633	1,203	1,992
Other income	27,104	5,515	-	-
	<u>467,333</u>	<u>81,508</u>	<u>295,425</u>	<u>25,949</u>

\*Other income includes previously recorded provisions for long service in Rwanda, scheme of which was discontinued and all accruals written back.

8(b) Foreign exchange income

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
Unrealised foreign exchange (losses)/gain	888	(1,370)	(2,364)	(2,593)
Realised foreign exchange gains	828,848	626,372	336,191	321,931
	<u>829,736</u>	<u>625,002</u>	<u>333,827</u>	<u>319,338</u>

Notes (continued)

9 Operating expenses

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	Dec-23 Shs'000	Dec-22 Shs'000
Employee benefits expense (Note 10)	1,101,580	843,485	385,101	389,662
Repairs and maintenance	199,635	125,589	96,774	75,239
Depreciation of right-of-use assets (Note 19)	187,268	186,049	82,962	92,825
Depreciation (Note 17)	141,003	160,789	50,259	82,863
Mobile and E - Banking charges	107,457	83,651	48,330	41,312
Consultancy costs	101,417	92,792	4,461	10,450
Amortisation of intangible assets (Note 18)	82,456	83,275	29,974	35,698
Deposit protection insurance	69,199	54,959	35,090	35,618
Communication	66,034	41,831	17,142	14,117
Insurance	55,867	47,643	18,613	20,459
Director fees (Note 31)	53,332	56,508	20,690	19,483
Reuters and Bloomberg charges	49,029	31,510	31,753	20,508
Security costs	43,726	39,739	18,166	19,299
Advertising and publicity	41,809	37,857	23,363	21,493
Water and electricity costs	41,088	33,356	9,777	9,168
Operating lease rentals	37,458	6,729	15,845	363
Auditors' remuneration	30,381	30,717	13,200	15,200
Printing and stationery	23,962	17,891	4,095	3,813
Travel and accommodation	22,307	31,015	13,808	17,895
ATM expenses	22,103	27,825	22,103	24,937
Correspondent bank charges	21,596	14,168	8,147	8,838
Motor vehicle expenses	20,406	9,718	3,126	2,960
Office cash handling charges	19,568	13,113	1,301	915
Periodicals and other book subscriptions	16,259	15,010	331	312
Legal fees	15,697	35,077	(8,907)	9,295
Sundry losses	13,896	23,693	13,700	5,627
Subscriptions expenses	10,906	12,149	8,495	12,149
Office housekeeping	9,873	11,402	9,873	8,232
Operating licence fees	6,521	7,516	4,575	5,871
Courier charges	4,808	4,155	4,808	3,899
Outsourced service fees	3,047	1,155	3,047	1,155
Donation and grants	1,345	701	1,022	465
Fines and Penalties	1,011	3,395	-	3,395
Tax Audit Expense	591	600	591	600
IFC processing fees expense	-	19,003	-	19,003
Other administrative expenses	48,673	62,334	(10,548)	5,573
	<u>2,671,308</u>	<u>2,266,399</u>	<u>981,067</u>	<u>1,038,691</u>

9 (a) Employee benefits expense

Salaries and wages	884,355	667,897	305,793	319,036
Other staff costs and benefits	165,388	133,035	69,392	59,539
Pension fund contribution	51,837	42,554	9,916	11,087
	<u>1,101,580</u>	<u>843,486</u>	<u>385,101</u>	<u>389,662</u>

\*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		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
Loans and advances (note 15)	216,872	312,614	211,825	212,884
Investment securities (note 13)	317,810	323,130	-	-
	<u>534,682</u>	<u>635,744</u>	<u>211,825</u>	<u>212,884</u>
<b>11 Taxation</b>				
Current income tax	827,291	745,161	336,315	456,371
Deferred income tax (Note 20)	(99,639)	33,758	(1,768)	122,430
	<u>727,652</u>	<u>778,919</u>	<u>334,547</u>	<u>578,801</u>
Profit before income tax	<u>2,553,681</u>	<u>2,026,220</u>	<u>1,397,379</u>	<u>1,332,086</u>
Tax calculated at domestic rates applicable to profits in the respective countries - 30% (2022- 30%)	766,105	607,866	419,214	399,626
Tax effect of:				
- Income not subject to tax	(160,905)	(35,426)	(83,498)	(3,139)
- Expenses not deductible for tax purposes	128,452	206,479	4,831	182,314
- Prior year deferred tax under provisions	(6,000)		(6,000)	
	<u>727,652</u>	<u>778,919</u>	<u>334,547</u>	<u>578,801</u>
<b>Corporate tax (payable)/recoverable</b>				
At the beginning of the year	(131,633)	47,352	(147,657)	110,137
Charge for the year	(827,291)	(745,161)	(336,315)	(456,371)
Taxation paid	1,158,344	570,318	764,473	198,577
Translation difference	(25,905)	(4,142)	-	-
At the end of the year	<u>173,519</u>	<u>(131,633)</u>	<u>280,501</u>	<u>(147,657)</u>
<b>Comprising of:</b>				
Corporate tax recoverable	280,501	-	280,501	-
Corporate tax payable	(106,982)	(131,633)		(147,657)
	<u>173,519</u>	<u>(131,633)</u>	<u>280,501</u>	<u>(147,657)</u>



Notes (continued)

12 Cash and balances with the Central Bank

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
Cash in hand	1,882,480	1,226,769	110,146	111,691
Balances with the Central Banks	4,291,404	2,980,072	369,184	-
Cash Reserve Ratio	1,684,196	1,519,179	785,245	903,787
	<u>7,858,080</u>	<u>5,726,020</u>	<u>1,264,575</u>	<u>1,015,478</u>

13 Financial assets

(a) Held at amortised cost

Government securities – at  
 amortised cost

- Maturing within 90 days

- Maturing after 90 days

Eurobonds impairment provision\*

	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
- Maturing within 90 days	5,750,418	2,440,484	1,870,152	-
- Maturing after 90 days	9,940,886	8,306,419	920,848	2,374,702
Eurobonds impairment provision*	(773,705)	(335,860)	-	-
	<u>14,917,599</u>	<u>10,411,043</u>	<u>2,791,000</u>	<u>2,374,702</u>

\*GTBank Rwanda took a 60% 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-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
Charge to profit or loss	(317,810)	(323,130)	-	-
Translation differences	(120,035)	(12,730)	-	-
	<u>(437,845)</u>	<u>(335,860)</u>	<u>-</u>	<u>-</u>

(b) Held at FVOCI

Government securities

- Maturing within 90 days

- Maturing after 90 days

	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
- Maturing within 90 days	3,778,906	-	3,778,906	-
- Maturing after 90 days	7,565,939	8,459,006	7,565,939	8,459,006
	<u>11,344,845</u>	<u>8,459,006</u>	<u>11,344,845</u>	<u>8,459,006</u>

14 Deposits and balances due from other banks

Due from local banking institutions

Due from foreign banking  
 institutions

	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
Due from local banking institutions	378,918	2,540,676	378,918	2,540,676
Due from foreign banking institutions	5,942,198	3,226,690	285,500	155,532
	<u>6,321,116</u>	<u>5,767,366</u>	<u>664,418</u>	<u>2,696,208</u>

Notes (continued)

15 Loans and advances to customers

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
Overdrafts	2,593,327	5,327,860	791,782	3,071,797
Commercial loans	10,007,530	14,016,874	6,007,942	10,024,697
Personal loans	2,638,744	1,539,257	792,707	899,893
Mortgages	329,544	438,354	11,592	-
<b>Gross loans and advances</b>	<b>15,569,145</b>	<b>21,322,345</b>	<b>7,604,023</b>	<b>13,996,387</b>
Less: Provision for impairment losses				
- Stage 1 loans	247,912	304,408	19,016	77,214
- Stage 2 loans	-	251,901	-	256,789
- Stage 3 loans	950,197	443,133	1,046,470	488,603
	<b>1,198,109</b>	<b>999,442</b>	<b>1,065,486</b>	<b>822,606</b>
<b>Net loans and advances</b>	<b>14,371,036</b>	<b>20,322,903</b>	<b>6,538,537</b>	<b>13,173,781</b>

Included in loans and advances to customers are loans to directors and associates of Shs 1.7 million (2022: Shs 1.4 million). The provision for impairment provided for these loans is nil (2022: nil).

(i) Reconciliation of Loans and advances to customers at amortised cost

Group	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Gross carrying amount as at 01 January 2022</b>	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 and other changes	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
<b>Gross carrying amount as at 31 December 2022</b>	<b>16,374,806</b>	<b>852,301</b>	<b>4,095,238</b>	<b>21,322,345</b>

Notes (continued)

15 Loans and advances to customers (continued)

(i) Reconciliation of 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
<b>Gross carrying amount as at 01 January 2023</b>				
Changes in the gross carrying amount	16,374,806	852,301	4,095,238	21,322,345
– Transfer from stage 1 to stage 2	(31,181)	31,181	-	-
– Transfer from stage 1 to stage 3	(1,353,311)	-	1,353,311	-
– Transfer from stage 2 to stage 3	-	(75,190)	75,190	-
– Transfer from stage 3 to stage 2	268,101	-	(268,101)	-
– Transfer from stage 2 to stage 1	327,076	(327,076)	-	-
– Write-offs	-	-	(161,336)	(161,336)
New financial assets originated and other changes	4,177,953	10,216	1,003,180	5,191,349
Payments and assets derecognised	(11,861,300)	(421,813)	(355,800)	(12,638,913)
Translation differences	1,615,032	34,168	206,492	1,855,700
<b>Gross carrying amount as at 31 December 2023</b>	<b>9,517,176</b>	<b>103,787</b>	<b>5,948,182</b>	<b>15,569,145</b>
<b>Bank</b>	<b>Stage 1 12-month ECL Shs'000</b>	<b>Stage 2 Lifetime ECL Shs'000</b>	<b>Stage 3 Lifetime ECL Shs'000</b>	<b>Total Shs'000</b>
<b>Gross carrying amount as at 1 January 2022</b>				
Changes in the gross carrying amount	14,689,325	809,982	2,354,272	17,853,579
– 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 and other changes	1,417,956	1,666	93,021	1,512,643
Payments and assets derecognised	(4,255,156)	(69,443)	(104,981)	(4,429,580)
<b>Gross carrying amount as at 31 December 2022</b>	<b>10,824,208</b>	<b>750,913</b>	<b>2,421,266</b>	<b>13,996,387</b>

Notes (continued)

15 Loans and advances to customers (continued)

(i) Reconciliation of 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
<b>Gross carrying amount as at 01 January 2023</b>	10,824,208	750,913	2,421,266	13,996,387
Changes in the gross carrying amount				
– Transfer from stage 1 to stage 2	(9,615)	9,615	-	-
– Transfer from stage 1 to stage 3	(1,348,265)	-	1,348,265	-
– Transfer from stage 2 to stage 3	-	(74,441)	74,441	-
– Transfer from stage 2 to stage 1	313,080	(313,080)	-	-
– Transfer from stage 3 to stage 1	98,416	-	(98,416)	-
– Write-offs	-	-	(56,013)	(56,013)
New financial assets originated or other changes in value	886,095	9,433	836,939	1,732,467
Payments and assets derecognised	(7,508,063)	(343,351)	(217,404)	(8,068,818)
<b>Gross carrying amount as at 31 December 2023</b>	<b>3,255,857</b>	<b>39,088</b>	<b>4,309,078</b>	<b>7,604,023</b>

(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
<b>Loss allowance as at 01 January 2022</b>	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)	-	-
New financial assets originated or purchased	(46,058)	(6,535)	(76,741)	(129,334)
Financial assets that have been derecognised	11,102	166	430,680	441,948
Write-offs	-	-	(955,447)	(955,447)
Reclassification	-	-	-	-
Translation differences	4,092	199	29,318	33,609
<b>Loss allowance as at 31 December 2022</b>	<b>304,408</b>	<b>251,901</b>	<b>443,133</b>	<b>999,442</b>

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
<b>Loss allowance as at 01 January 2023</b>	304,408	251,901	443,133	999,442
Charge to profit or loss	(63,073)	(256,027)	535,972	216,872
– Transfer from stage 1 to stage 2	-	-	-	-
– Transfer from stage 1 to stage 3	(17,755)	-	17,755	-
– Transfer from stage 2 to stage 3	-	(231,558)	231,558	-
– Transfer from stage 3 to stage 2	-	-	-	-
– Transfer from stage 2 to stage 1	26,275	(26,275)	-	-
Financial assets that have been derecognised	(78,404)	(818)	(44,436)	(123,658)
New financial assets originated or purchased	6,811	2,624	331,095	340,530
Write-offs	-	-	(110,084)	(110,084)
Reclassification	-	-	45,838	45,838
Translation Differences	6,577	4,126	35,338	46,041
<b>Loss allowance as at 31 December 2023</b>	<b>247,912</b>	<b>-</b>	<b>950,197</b>	<b>1,198,109</b>
	<b>Stage 1 12- month ECL Shs'000</b>	<b>Stage 2 Lifetime ECL Shs'000</b>	<b>Stage 3 Lifetime ECL Shs'000</b>	<b>Total Shs'000</b>
<b>Bank</b>				
<b>Loss allowance as at 01 January 2022</b>	117,445	249,691	837,467	1,204,603
Charge to profit or loss	(40,230)	7,099	246,015	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	-	-	(594,880)	(594,880)
<b>Loss allowance as at 31 December 2022</b>	<b>77,214</b>	<b>256,789</b>	<b>488,603</b>	<b>822,606</b>

**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
<b>Loss allowance as at 01 January 2023</b>	77,214	256,789	488,603	822,606
Charge to profit or loss	(58,198)	(256,789)	526,812	211,825
– Transfer from stage 1 to stage 2				
– Transfer from stage 1 to stage 3	(14,372)	-	14,372	-
– Transfer from stage 2 to stage 3	-	(229,925)	229,925	-
– Transfer from stage 3 to stage 1	-	-	-	-
– Transfer from stage 2 to stage 1	26,275	(26,275)	-	-
Financial assets that have been derecognised	(71,393)	(589)	(21,153)	(93,135)
New financial assets originated or purchased	1,292	-	303,668	304,960
Write-offs	-	-	(4,760)	(4,760)
Reclassification	-	-	35,815	35,815
<b>Loss allowance as at 31 December 2023</b>	<b>19,016</b>	<b>-</b>	<b>1,046,470</b>	<b>1,065,486</b>

**16 Investment in subsidiaries**

Bank	Country of incorporation	2023 % interest held	2022 Shs'000	2023 % interest held	2022 Shs'000
Guaranty Trust Bank (Rwanda) Limited	Rwanda	96.38%	1,649,218	96.38%	1,649,218
Guaranty Trust Bank (Uganda) Limited	Uganda	100.00%	1,726,772	100.00%	1,726,772
At 31 December			<u>3,375,990</u>		<u>3,375,990</u>
				<b>31-Dec-23 Shs'000</b>	<b>31-Dec-22 Shs'000</b>
At start of year				<u>3,375,990</u>	<u>3,375,990</u>

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Notes (continued)

17 Property and equipment

(a) Group

	Buildings and freehold land Shs'000	Leasehold Improvements Shs'000	Computer Equipment Shs'000	Motor Vehicles Shs'000	Fixtures, fittings and equipment Shs'000	Work-in- progress Shs'000	Total Shs'000
<b>Year ended 31 December 2022</b>							
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
<b>At 31 December 2022</b>							
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

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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
<b>Year ended 31 December 2023</b>							
Opening net book amount	93,916	115,597	36,210	43,706	219,049	10,635	519,113
Revaluation of buildings	19,872	1,541	9,422	82,339	42,739	14,154	19,872
Additions	-	-	2,442	-	(2,442)	-	170,067
Reclassification	(38,270)	-	-	(25,520)	-	-	-
Disposals	(672)	(17,323)	(19,813)	(29,655)	(73,540)	-	(63,790)
Depreciation charge	-	-	-	25,389	-	-	(141,003)
Accumulated depreciation eliminated on disposal	33,286	20,143	(223)	7,114	33,224	(170)	25,389
Currency translation difference	93,916	115,597	36,210	43,706	219,049	10,635	93,373
Closing net book amount	108,134	119,958	28,037	103,372	219,029	24,619	603,149
<b>At 31 December 2023</b>							
Cost or valuation	117,972	326,238	238,477	251,642	1,803,326	24,619	2,762,274
Accumulated depreciation	(9,838)	(206,280)	(210,440)	(148,270)	(1,584,297)	-	(2,159,125)
Net book Amount	108,134	119,958	28,037	103,372	219,029	24,619	603,149

Work in progress relates to preliminary costs of construction of a new branch in Uganda, ongoing branding works in Rwanda and progress payments for fix assets and software in Kenya.



**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 2023 by 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:

	2023 Shs'000	2022 Shs'000
Cost	88,178	69,920
Disposal	(21,155)	-
Accumulated depreciation	(16,851)	(2,348)
Net book amount	50,172	57,572

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Notes (continued)

17 Property and equipment (continued)

(b) Bank

Year ended 31 December 2023

	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	28,654	7,512	83,472	-	119,638
Additions	6,730	36,333	940	10,452	54,455
Disposals	-	(10,304)	-	-	(10,304)
Depreciation charge	(13,214)	(11,677)	(25,368)	-	(50,259)
Accumulated depreciation eliminated on disposal	-	10,173	-	-	10,173
Reclassification	2,442	-	(2,442)	-	-
Depreciation on reclassification	(2,409)	-	2,409	-	-
Closing net book amount	22,203	32,037	59,011	10,452	123,703
<b>At 31 December 2023</b>					
Cost or valuation	136,268	69,076	722,972	10,452	938,768
Accumulated depreciation	(114,065)	(37,039)	(663,961)	-	(815,065)
Net book Amount	22,203	32,037	59,011	10,452	123,703

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Notes (continued)

17 Property and equipment (continued)

(b) Bank (continued)

Year ended 31 December 2022

	Computer Equipment Shs'000	Motor Vehicles Shs'000	Fixtures, fittings and equipment Shs'000	Work-in- progress Shs'000	Total Shs'000
Opening net book amount	39,342	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
<b>At 31 December 2022</b>					
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

Notes (continued)

18 Intangible assets

(a) Group	Computer Software Shs'000	Goodwill Shs'000	Total Shs'000
<b>Year ended 31 December 2022</b>			
Opening net book amount	201,296	21,812	223,108
Additions	4,964	-	4,964
Amortization	(83,275)	-	(83,275)
Currency translation difference	7,003	-	7,003
At end of year	129,988	21,812	151,800
<b>At 31 December 2022</b>			
Cost	979,327	21,812	1,001,139
Accumulated depreciation	(849,339)	-	(849,339)
Net book amount	129,988	21,812	151,800
<b>Year ended 31 December 2023</b>			
Opening net book amount	129,988	21,812	151,800
Additions	13,810	-	13,810
Amortization	(82,456)	-	(82,456)
Currency translation difference	14,820	-	14,819
At end of year	76,162	21,812	97,974
<b>At 31 December 2023</b>			
Cost	1,140,203	21,812	1,162,015
Accumulated depreciation	(1,064,041)	-	(1,064,041)
Net book amount	76,162	21,812	97,974

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

**Impairment tests for goodwill**

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

**Notes (continued)**

**18 Intangible assets (continued)**

**(a) Group (continued)**

***Impairment tests for goodwill (Continued)***

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

Goodwill relating to Guaranty Trust Bank (Rwanda) Limited was tested for impairment at 31 December 2023. The recoverable amount was determined on the basis of value in use. Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value in use. A five-year forecast was used as a basis for future cash flows, extrapolated in perpetuity to reflect the long-term plans for the entity, using a nominal growth rate of 8.0%. The after-tax discount rate used was based on an assessment of the risks applicable to GTBank Rwanda and the country in which it operates. The discount rate calculated for the forecast years was 3.91% per annum. These variables are established on the basis of management judgement and current market conditions. Management judgement is also applied in estimating the future cash flows of the cash-generating units. These values are sensitive to the cash flows projected for the periods for which detailed forecasts are not available and to the assumptions regarding the long-term sustainability of the cash flows thereafter. Based on the testing performed, the directors believe that the goodwill is not impaired.

**(b) Bank**

	Computer Software Shs'000	Work-in- progress Shs'000	Total Shs'000
<b>Year ended 31 December 2022</b>			
Opening net book amount	82,160	-	82,160
Additions	4,167	-	4,167
Amortization	(35,725)	-	(35,725)
	<hr/>	<hr/>	<hr/>
At end of year	50,602	-	50,602
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>At 31 December 2022</b>			
Cost	397,850	-	397,850
Accumulated depreciation	(347,248)	-	(347,248)
	<hr/>	<hr/>	<hr/>
Net book amount	50,602	-	50,602
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Year ended 31 December 2023</b>			
Opening net book amount	50,628	-	50,628
Additions	-	-	-
Amortization	(29,974)	-	(29,974)
	<hr/>	<hr/>	<hr/>
At end of year	20,654	-	20,654
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

18 Intangible assets (continued)

(b) Bank (continued)

At 31 December 2023

Cost	397,875	-	397,875
Accumulated depreciation	(377,221)	-	(377,221)
Net book amount	20,654	-	20,654

19 Right-of-use assets

(a) Group

	31-Dec-23 Shs'000	31-Dec-22 Shs'000
At start of year	376,973	519,733
Additions	120,090	24,084
Depreciation charge	(187,268)	(186,049)
Currency translation difference	60,820	19,205
Adjustment made during the year	335,082	-
At end of year	705,697	376,973

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

(b) Bank

	31-Dec-23 Shs'000	31-Dec-22 Shs'000
At start of year	99,241	188,400
Additions	75,268	3,666
Depreciation charge	(82,962)	(92,825)
Adjustment made during the year	222,241	-
At end of year	313,788	99,241

The Group leases various office buildings, branches and equipment in the normal course of business. The leases for buildings and branches are typically for a period of between 3 and 10 years, with option for renewal at the end of the term. Leases of equipment are typically short term for periods of less than 12 months. None of these leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee. The adjustment done was to match actual lease payments with discounted lease payments that were initially discounted on an annual basis.

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

Notes (continued)

20 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2022: 30%). The gross movement on the deferred income tax account is as follows:

	Group		Bank	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
At start of year	477,130	494,322	176,218	295,407
Charge to profit or loss	99,639	(33,758)	1,768	(122,431)
Credit to other comprehensive income	85,576	16,566	1,738	3,242
At end of year	<u>662,345</u>	<u>477,130</u>	<u>179,724</u>	<u>176,218</u>

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

(a) Group

	01.01.2023 Shs'000	(Charged)/ credit to profit or loss Shs'000	Charged to equity Shs'000	31.12.2023 Shs'000
<b>Year ended 31 December 2023</b>				
<b>Deferred income tax assets</b>				
Property and equipment	46,965	3,390	-	50,355
Other temporary differences	223,528	65,094	-	288,622
Lease liability	43,955	76,326	-	120,281
Restoration costs	9,127	-	-	9,127
Revaluation of Financial assets				
FVOTCI	7,952	-	-	7,952
Tax losses carried forward	193,460	2,603	-	196,063
Translation differences	40,901	540	83,839	125,280
Under provision of deferred tax in prior year	-	6,000	-	6,000
	<u>565,888</u>	<u>153,953</u>	<u>83,839</u>	<u>803,680</u>
<b>Deferred income tax liabilities</b>				
Property and equipment	(27,013)	10,051	-	(16,962)
Revaluation of Financial assets				
FVOTCI	(9,560)	-	1,737	(7,823)
Right-of-use assets	(27,305)	(64,365)	-	(91,670)
Translation differences	(24,880)	-	-	(24,880)
	<u>(88,758)</u>	<u>(54,314)</u>	<u>1,737</u>	<u>(141,335)</u>
<b>Net deferred tax asset</b>	<u>477,130</u>	<u>99,639</u>	<u>85,576</u>	<u>662,345</u>

Notes (continued)

20. Deferred income tax (continued)

(a) Group (continued)

(a) Group

	01.01.2022 Shs'000	(Charged)/ credit to profit or loss Shs'000	Charged to equity Shs'000	31.12.2022 Shs'000
<b>Year ended 31 December 2022</b>				
<b>Deferred income tax assets</b>				
Property and equipment	31,784	15,181	-	46,965
Other temporary differences	248,899	(25,371)	-	223,528
Lease liabilities	64,904	(20,949)	-	43,955
Restoration costs	9,127	-	-	9,127
Revaluation of FVOTCI	7,952	-	-	7,952
Tax losses carried forward	195,749	(2,289)	-	193,460
Translation differences	28,270	-	12,631	40,901
	<u>586,685</u>	<u>(33,428)</u>	<u>12,631</u>	<u>565,888</u>
<b>Deferred income tax liabilities</b>				
Property and equipment	73	(27,086)	-	(27,013)
Revaluation of Financial Assets FVOTCI	(12,802)	-	3,242	(9,560)
Right-of-use assets	(54,061)	26,756	-	(27,305)
Translation differences	(25,573)	-	693	(24,880)
	<u>(92,363)</u>	<u>(330)</u>	<u>3,935</u>	<u>(88,758)</u>
<b>Net deferred tax asset</b>	<u>494,322</u>	<u>(33,758)</u>	<u>16,566</u>	<u>477,130</u>

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

(b) Bank

	01.01.2023 Shs'000	(Charged)/ credited to profit or loss Shs'000	Charged to equity Shs'000	31.12.2023 Shs'000
<b>Year ended 31 December 2023</b>				
Property and equipment	54,472	3,390	-	57,862
Right-of-use assets	(29,772)	(64,365)	-	(94,137)
Lease liability	42,391	75,886	-	118,277
Restoration costs	9,127	-	-	9,127
Revaluation of Financial assets FVTOCI	(1,607)	-	1,738	131
Other temporary differences	101,607	(19,143)	-	82,464
Under provision in prior year	-	6,000	-	6,000
<b>Deferred income tax asset</b>	<u>176,218</u>	<u>1,768</u>	<u>1,738</u>	<u>179,724</u>



Notes (continued)

20 Deferred income tax (continued)

(b) Bank (continued)

Year ended 31 December 2022	01.01.2022 Shs'000	(Charged)/ credited to profit or loss Shs'000	Charged to equity Shs'000	31.12.2022 Shs'000
Property and equipment	39,291	15,181	-	54,472
Right-of-use assets	(56,528)	26,756	-	(29,772)
Lease liability	64,072	(21,681)	-	42,391
Restoration costs	9,127	-	-	9,127
Revaluation of FVTOCI	(4,849)	-	3,242	(1,607)
Other temporary differences	244,294	(142,687)	-	101,607
<b>Deferred income tax asset</b>	<b>295,407</b>	<b>(122,431)</b>	<b>3,242</b>	<b>176,218</b>

21 Other assets

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
Items in the course of collection	53,968	109,120	53,968	109,120
Prepayments	128,726	98,914	63,550	32,847
Other receivables	724,569	554,974	188,696	309,388
Derivative financial instruments	-	1,458	-	1,458
	<b>907,263</b>	<b>764,466</b>	<b>306,214</b>	<b>452,813</b>

22 Customer deposits

Current and demand deposits	28,260,885	24,020,955	8,026,906	10,580,281
Savings accounts	2,350,060	2,180,366	707,829	835,480
Time deposit accounts	14,801,965	15,170,086	9,989,137	10,945,487
	<b>45,412,910</b>	<b>41,371,407</b>	<b>18,723,872</b>	<b>22,361,248</b>
Current	44,420,996	41,050,988	18,723,872	22,361,086
Non-current	991,914	320,419	-	162
	<b>45,412,910</b>	<b>41,371,407</b>	<b>18,723,872</b>	<b>22,361,248</b>

**Notes (continued)**

**23 Deposits due to other banks**

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
Due to foreign banking Institution	17,345	-	17,345	-
	<u>17,345</u>	<u>-</u>	<u>17,345</u>	<u>-</u>

**24 Lease liabilities**

Expected to be settled within 12 months after the year end	148,873	86,137	84,509	66,926
Expected to be settled more than 12 months after the year end	646,398	336,419	276,669	43,952
	<u>795,271</u>	<u>422,556</u>	<u>361,178</u>	<u>110,878</u>

**The total cash outflow for leases in the year was:**

Payments of principal portion of the Lease liability	193,178	206,418	82,462	106,359
Interest paid on lease liabilities	61,230	36,382	37,370	15,424
	<u>254,408</u>	<u>242,800</u>	<u>119,832</u>	<u>121,783</u>

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

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
<b>Movement in lease liabilities</b>				
Lease liabilities at 1 January	422,556	574,405	110,878	213,572
Interest expense charged	96,030	36,382	72,170	15,424
Interest paid	(61,230)	(36,382)	(37,370)	(15,424)
Principal elements of lease payments	(193,178)	(206,418)	(82,462)	(106,359)
Currency translation difference	79,447	30,485	-	-
Addition	463,422	24,084	297,962	3,665
Disposals	(11,776)	-	-	-
	<u>795,271</u>	<u>422,556</u>	<u>361,178</u>	<u>110,878</u>

**Amounts recognised in the statement of profit or loss**

Depreciation charge of right-of-use assets	187,268	186,049	82,962	92,825
Interest expense	<u>96,030</u>	<u>36,382</u>	<u>72,170</u>	<u>15,424</u>

Notes (continued)

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
<b>25 Other liabilities</b>				
Items in transit	581	-	581	-
Outstanding bankers' cheques	13,441	14,004	8,833	9,090
*Derivative financial instruments	518	-	518	-
Other payables and accrued expenses	666,911	475,590	247,226	220,295
**Accrued tax liability	70,218	44,032	-	-
	<u>751,669</u>	<u>533,626</u>	<u>257,158</u>	<u>229,385</u>

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

\*\*Accrued tax liability relates to outstanding Withholding tax and reverse-charge VAT due to Uganda Revenue Authority on payments made to foreign suppliers by GTBank Uganda

**26 Share capital**

	Number of shares	Ordinary shares Shs'000	Share premium Shs'000	Total Shs'000
<b>Group &amp; Bank</b>				
At 1 January and 31 December 2023	<u>1,280,934</u>	<u>1,280,934</u>	<u>4,225,323</u>	<u>5,506,257</u>
At 1 January and 31 December 2022	<u>1,280,934</u>	<u>1,280,934</u>	<u>4,225,323</u>	<u>5,506,257</u>

The total authorised number of ordinary shares is 1,500,000 (2022:1,500,000) with a par value of Shs 1000 per share. 1,280,934 (2022: 1,280,934) shares are issued and fully paid.

**27 Statutory reserve**

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
At start of year	609,229	477,111	463,730	414,966
Transfer from retained earnings	489,427	132,118	264,805	48,764
	<u>1,098,656</u>	<u>609,229</u>	<u>728,535</u>	<u>463,730</u>

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

Notes (continued)

28 Other reserves

	Group				Bank
	Fair value on OCI assets	Revaluation reserves	Currency translation reserve	Total	Fair value on OCI assets
<b>Year ended 31 December 2022</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
At start of year:	11,316	46,009	(214,446)	(157,121)	11,315
Fair value gain on FVTOCI assets	(7,565)	-	-	(7,565)	(7,565)
Currency translation differences	-	-	301,164	301,164	-
At end of year:	<u>3,750</u>	<u>46,009</u>	<u>86,718</u>	<u>136,478</u>	<u>3,750</u>
<b>Year ended 31 December 2023</b>					
At start of year:	3,750	46,009	86,718	136,478	3,750
Adjustment	-	3,668	(3,668)	-	-
Updated opening balance:	<u>3,750</u>	<u>49,677</u>	<u>83,051</u>	<u>136,478</u>	<u>3,750</u>
Fair value gain on FVTOCI assets	1,422	-	-	1,422	1,422
Currency translation differences	-	-	1,332,319	1,332,319	-
Revaluation reserves	-	2,757	-	2,757	-
At end of year:	<u>5,172</u>	<u>52,434</u>	<u>1,415,370</u>	<u>1,472,976</u>	<u>5,172</u>

The fair value through other comprehensive income (FVTOCI) reserve arises from marking to market of investment securities classified under FVTOCI category. The reserves are recognized in income statement once the underlying asset has been derecognized. This amount is not available for distribution.

Currency translation reserve comprises all the foreign exchange differences arising from the translation of the financial results of foreign operations.

29 Financial guarantees, letter of credit and other undrawn commitments

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

**Notes (continued)**

**29 Financial guarantees, letter of credit and other undrawn commitments (continued)**

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
- Acceptances and letters of credit	105,035	1,513,594	8,742	1,325,246
- Guarantees and performance bonds	5,563,647	4,570,274	1,825,810	2,029,414
	<u>5,668,682</u>	<u>6,083,868</u>	<u>1,834,552</u>	<u>3,354,660</u>

**Acceptance**

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, and reimbursement by the customer is normally immediate.

**Other Commitments**

Undrawn formal stand-by facilities, credit lines and other commitments to lend	976,791	2,736,668	554,466	1,863,663
Foreign exchange forward and swap contracts	160,845	415,542	160,845	415,542
	<u>1,137,636</u>	<u>3,152,210</u>	<u>715,311</u>	<u>2,279,205</u>

**Commitments**

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

Foreign exchange forward contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate.

Notes (continued)

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

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
Cash and balances with Central Banks (Note 12)	7,858,080	5,726,020	1,264,575	1,015,478
Less: Cash reserve ratio	(1,684,196)	(1,519,179)	(785,245)	(903,767)
Government securities maturing within 90 days	9,529,325	2,440,484	5,649,058	-
Balances due from other banks (Note 14)	6,321,116	5,767,366	664,418	2,696,208
Deposits due to other banks (Note 23)	(17,345)	-	(17,345)	-
	<u>22,006,980</u>	<u>12,414,691</u>	<u>6,775,461</u>	<u>2,807,919</u>

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

Banks are required to maintain a prescribed minimum cash balance with the Central Bank of Kenya that is not available to finance the bank's day-to-day activities. The amount is determined as 4.25% for Kenya, 10 % for Uganda and 4 % for Rwanda of the average outstanding customer deposits over a cash reserve cycle period of one month.

**31 Related party transactions**

The Bank is controlled by Guaranty Trust Bank Plc registered in Nigeria with a 70.00% shareholding in the bank. The ultimate parent and ultimate controlling party is Guaranty Trust Bank Plc.

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

**(a) Amounts due:**

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
From group companies	3,485,287	1,255,405	2,923,329	1,012,042
From other related parties	<u>1,762</u>	<u>5,885</u>	<u>1,762</u>	<u>1,352</u>
Interest income earned	<u>2,106</u>	<u>962</u>	<u>20</u>	<u>603</u>

Due from group companies includes balances due from GTBank UK; Shs 2,916 million (2022: Shs 1,255 million) and other related parties and their companies.

Notes (continued)

31 Related party transactions (continued)

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
<b>(b) Amounts due to:</b>				
Group companies	76	105	1,300	2,409
Other related parties	83,764	245,300	81,827	240,766
	<u>11,342</u>	<u>853</u>	<u>11,031</u>	<u>603</u>
Interest expense incurred				
	<u>11,342</u>	<u>853</u>	<u>11,031</u>	<u>603</u>

(c) Loans to directors and their associates

Advances to customers at 31 December 2023 include loans to directors, loans to companies controlled by directors and their associates, and loans to employees as follows:

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
At start of year	1,491	2,332	1,352	2,443
Repayments	390	(1,694)	390	(1,694)
Interest charged	20	853	20	603
	<u>1,901</u>	<u>1,491</u>	<u>1,762</u>	<u>1,352</u>
At end of year				
	<u>1,901</u>	<u>1,491</u>	<u>1,762</u>	<u>1,352</u>
Interest income earned	20	853	20	603

At 31 December 2023, advances to companies controlled by directors and their associates amounted to Shs 1.7 million (2022: Shs 1.4 million).

At 31 December 2023 advances to employees amounted to Shs 25.876 million (2022: Shs 19.195 million).

(d) Deposits by directors and their associates

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
At start of year	222,037	1,017,116	240,766	1,029,934
Net movement	(173,677)	(833,502)	(169,970)	(827,590)
Interest credited	11,031	38,423	11,031	38,423
	<u>59,391</u>	<u>222,037</u>	<u>81,827</u>	<u>240,767</u>
At end of year				
	<u>59,391</u>	<u>222,037</u>	<u>81,827</u>	<u>240,767</u>
Interest expense incurred	11,031	38,423	11,031	38,423

Notes (continued)

31 Related party transactions (continued)

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
<b>(e) Key management compensation</b>				
Salaries and other short-term employment benefits	324,823	282,749	123,693	117,305
<b>(f) Directors' remuneration</b>				
Fees for services as a director	53,332	56,508	20,690	19,483

**(g) Payments to the group for shared services**

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

	Group		Bank	
	31-Dec-23 Shs'000	31-Dec-22 Shs'000	31-Dec-23 Shs'000	31-Dec-22 Shs'000
IT related costs	58,369	66,229	58,369	46,070
Communication and advertising	40,412	39,127	19,456	15,357
Electronic channels	51,884	55,309	51,884	40,951
	150,665	160,665	129,709	102,378

32 Borrowing

Opening Balance	80,741	1,701,302	-	1,701,302
Accrued interest	1,068	72,140	-	72,140
Interest Paid	(818)	(72,442)	-	(72,442)
Principal repayments	(30,341)	(1,701,000)	-	(1,701,000)
Additions	-	80,741	-	-
Currency translation difference	21,084	-	-	-
	71,734	80,741	-	-

The borrowing amount for the Group relates to the funds received from Central bank of Rwanda (BNR) as economic stimulus to support customers whose business activities were adversely affected by COVID-19 the funds have different tenors ranging from 2-15 years and interest rates ranging from 0%-2%.



Notes (continued)

33. Maturity analysis of assets and liabilities

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

As at 31 December 2023

Group	Within 12 months Shs'000	After 12 months Shs'000	Total Shs'000
<b>Assets</b>			
Cash and balances with Central Bank of Kenya	7,858,080	-	7,858,080
Deposits and balances due from other banks	6,321,116	-	6,321,116
Financial assets held at amortised cost	12,404,191	2,513,408	14,917,599
Financial assets held at FVTOCI	11,344,845	-	11,344,845
Due from group companies	3,485,287	-	3,485,287
Loans and advances to customers	5,326,876	9,044,160	14,371,036
Investment in subsidiary	-	-	-
Property and equipment	-	603,149	603,149
Intangible assets	-	97,974	97,974
Right-of-use assets	-	705,697	705,697
Deferred income tax	-	662,345	662,345
Current income tax	-	280,501	280,501
Other assets	907,263	-	907,263
<b>Total assets</b>	<b>47,647,658</b>	<b>13,907,234</b>	<b>61,554,892</b>
<b>Liabilities</b>			
Deposits due to other banks	17,345	-	17,345
Customer deposits	41,878,542	3,534,368	45,412,910
Due to group companies	76	-	76
Other liabilities	751,669	-	751,669
Borrowings	15,095	56,639	71,734
Lease liabilities	148,873	646,398	795,271
Current income tax	106,982	-	106,982
<b>Total liabilities</b>	<b>42,918,582</b>	<b>4,237,405</b>	<b>47,155,987</b>
<b>Net</b>	<b>4,729,078</b>	<b>9,669,829</b>	<b>14,398,905</b>

**Notes (continued)**

**33. Maturity analysis of assets and liabilities (continued)**

As at 31 December 2022

<b>Group</b>	<b>Within 12 months Shs'000</b>	<b>After 12 months Shs'000</b>	<b>Total Shs'000</b>
<b>Assets</b>			
Cash and balances with Central Bank of Kenya	5,726,020	-	5,726,020
Deposits and balances due from other banks	5,767,366	-	5,767,366
Financial assets held at amortised cost	7,391,966	3,019,077	10,411,043
Financial assets held at FVTOCI	7,609,462	849,544	8,459,006
Due from group companies	1,255,405	-	1,255,405
Loans and advances to customers	10,194,310	10,128,593	20,322,903
Property and equipment	-	519,112	519,112
Intangible assets	-	151,800	151,800
Right-of-use assets	-	376,973	376,973
Deferred income tax	-	477,130	477,130
Other assets	764,466	-	764,466
<b>Total assets</b>	<b>38,708,995</b>	<b>15,522,229</b>	<b>54,231,224</b>
<b>Liabilities</b>			
Customer deposits	41,051,150	320,257	41,371,407
Due to group companies	105	-	105
Borrowings	-	80,741	80,741
Other liabilities	533,536	-	533,536
Current income tax	131,633	-	131,633
Lease liabilities	19,210	403,346	422,556
<b>Total liabilities</b>	<b>41,735,634</b>	<b>804,344</b>	<b>42,539,978</b>
<b>Net</b>	<b>(3,026,639)</b>	<b>14,717,885</b>	<b>11,691,246</b>

Notes (continued)

33. Maturity analysis of assets and liabilities (continued)

As at 31 December 2023

Bank	Within 12 months Shs'000	After 12 months Shs'000	Total Shs'000
<b>Assets</b>			
Cash and balances with Central Bank of Kenya	1,264,575	-	1,264,575
Deposits and balances due from other banks	664,418	-	664,418
Financial assets held at amortised cost	2,387,336	403,664	2,791,000
Financial assets held at FVTOCI	11,344,845	-	11,344,845
Due from group companies	2,923,329	-	2,923,329
Loans and advances to customers	3,177,962	3,360,575	6,538,537
Investment in subsidiary	-	3,375,990	3,375,990
Property and equipment	-	123,703	123,703
Intangible assets	-	20,654	20,654
Right-of-use assets	-	313,788	313,788
Deferred income tax	-	179,724	179,724
Current Income Tax	-	280,501	280,501
Other assets	306,214	-	306,214
<b>Total assets</b>	<b>22,068,679</b>	<b>8,058,599</b>	<b>30,127,278</b>
<b>Liabilities</b>			
Due to other banks	17,345	-	17,345
Customer deposits	18,723,836	36	18,723,872
Due to group companies	1,300	-	1,300
Other liabilities	257,158	-	257,158
Lease liabilities	84,509	276,669	361,178
<b>Total liabilities</b>	<b>19,084,148</b>	<b>276,705</b>	<b>19,360,853</b>
<b>Net</b>	<b>2,984,531</b>	<b>7,781,894</b>	<b>10,766,425</b>

**Notes (continued)**

**33. Maturity analysis of assets and liabilities (continued)**

As at 31 December 2022

<b>Bank</b>	<b>Within 12 months Shs'000</b>	<b>After 12 months Shs'000</b>	<b>Total Shs'000</b>
<b>Assets</b>			
Cash and balances with Central Bank of Kenya	1,015,478	-	1,015,478
Deposits and balances due from other banks	2,696,208	-	2,696,208
Financial assets held at amortised cost	167,379	2,207,323	2,374,702
Financial assets held at FVTOCI	8,141,291	317,715	8,459,006
Due from group companies	1,012,042	-	1,012,042
Loans and advances to customers	6,451,520	6,722,261	13,173,781
Investment in subsidiary	-	3,375,990	3,375,990
Right-of-use assets	-	99,241	99,241
Property and equipment	-	119,638	119,638
Intangible assets	-	50,602	50,602
Deferred income tax	-	176,218	176,218
Other assets	452,813	-	452,813
<b>Total assets</b>	<b>19,936,731</b>	<b>13,068,988</b>	<b>33,005,719</b>
<b>Liabilities</b>			
Customer deposits	22,361,087	161	22,361,248
Due to group companies	2,409	-	2,409
Current income tax	147,657	-	147,657
Lease liabilities	66,926	43,952	110,878
Other liabilities	229,385	-	229,385
<b>Total liabilities</b>	<b>22,807,464</b>	<b>44,113</b>	<b>22,851,577</b>
<b>Net</b>	<b>(2,870,733)</b>	<b>13,024,875</b>	<b>10,154,142</b>

**34 Proposed dividend**

	<b>Group and Bank</b>	
	<b>2023 Shs'000</b>	<b>2022 Shs'000</b>
Proposed dividend	637,699	451,971

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

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

These financial statements do not reflect this dividend as payable. The proposed dividend has however been transferred to a separate category of equity. Payment of dividends is subject to withholding tax at a rate of either 5% for resident and 15% for non-resident shareholders. Dividends paid to resident shareholders who own more than 12.5% shareholding are exempt from withholding tax.

**35 Events after balance sheet date**

- a) The Bank was issued with a notice of tax assessment by the Kenya Revenue Authority of Shs 379,246,052 following an inspection covering the financial year 2018 - 2022. The Bank is in the process of objecting the assessment in line with the provisions of Section 51 of the tax procedures and believes that the liability will be materially reduced following the objection.

**Notes (continued)**

**35 Events after balance sheet date (continued)**

- b) In a circular dated 27 March 2024, the Bank of Uganda authorised the transition from a Tier 1 Commercial Bank Licence to a Tier 2 Credit Institution Licence effective 1 July 2024 to Guaranty Bank (Uganda) Limited. The Bank has been granted a transition period of three months starting from 1 April 2024 to June 2024 during which they will make adequate arrangements to phase out products and processes that require a Tier 1 Licence.

The change in status follows the decision by the board of directors to adopt a strategic shift and reposition the bank to serve their core customer base better. Guaranty Bank (Uganda) Limited is adequately capitalised and meets the minimum capital requirement for a Tier 2 Licence.