I&M BANK LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2022

INNOVATING FOR A BETTER FUTURE

CONTENTS


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#StayWinning
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I&M Bank LIMITED is regulated by the Central Bank of Kenya

Abbreviations

In this document we have used the following abbreviations;

ACL	Allowance for Credit Losses
AGM	Annual General Meeting
ALCO	Assets and Liabilities Committee
BAC	Board Audit Committee
BCC	Board Credit Committe
BNRC	Board Nominations and Remuneration Committee
BPC	Board Procurement Committee
BRMC	Board Risk Management Committee
BSTC	Board Share Transfers Committee
CAPEX	Capital Expenditure
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CMA	Capital Markets Authority
CRMC	Credit Risk Management Committee
CSR	Corporate Social Responsibility
EAD	Exposure at default
ECL	Expected credit losses
ED	Executive Director
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit and loss
GDP	Gross Domestic Product
GPO	General Post Office
Group	I&M Bank LIMITED together with its subsidiary undertakings
GED	Group Executive Director
HRC	Human Resources Committee
IAS	International Accounting Standards
ICT	Information and Communication Technology
IFC	International Finance Corporation
IFRSs	International Financial Reporting Standards
IMBIL	I&M Bancassurance Intermediary Limited
IMGP	I&M Group PLC
INED	Independent Non Executive Director
NCI	Non-Controlling Interest
NED	Non Executive Director
ITSC	IT Steering Committee
KShs	Kenya Shillings
LGD	Loss Given Default
M&A	Mergers and Acquisition
NSE	Nairobi Securities Exchange
OCI	Other Comprehensive Income
OPEX	Operating Expense
PBT	Profit Before Tax
PD	Probability of Default
PP&E	Property and Equipment
SICR	Significant increase in credit risk
SPPI	Solely payments of principal and interest
YIB	Youjays Insurance Brokers Limited

OUR GOVERNANCE
Board of Directors

Mr. Oliver Fowler
Independent Chairman

Mr.S.B.R Shah, MBS
Non-Executive Director

Chairman, Emeritus

Mr.Sarit S Raja Shah
Group Executive Director

Mr.Gul Khan
Chief Executive Officer

Wef 14 February 2023

Mr.Soundararajan
Independent Director

Dr. Nyambura Koigi
Independent Director

Mr.Muchemi Wambugu, MBS
Independent Director

Mr.Nikhil Hira
Independent Director

Mr. Alan James Dodd
Independent Director

Mr.Sachit Shah
Non-Executive Director

Mr. Maximilian Biswanger
Non-Executive Director

Ms. Stella Gacharia Kariuki
Company Secretary

OUR GOVERNANCE (Continued)

Senior management

Kihara Maina
Chief Executive Officer

Upto 14 February 2023

Gul Khan
Chief Executive Officer

Wef 14 February 2023

AV Chavda
Director, Credit

Amit Budhdev
Group Chief Finance Officer

Ruma Shah
Group Chief Audit Executive

Zipporah Gitau
Group Chief Risk Officer

Gauri Gupta
Group GM, Corporate Advisory

Sandeep Sinha
Group GM, Credit

Rohit Gupta
Group Chief Information Officer

Suprio Sen Gupta
Group GM, Marketing

Kennedy Makale
Group GM, Shared Services

Shameer Patel
GM Premium, Personal & Business Banking

OUR GOVERNANCE (Continued)
Senior management (Continued)

Josephine Mwaniki
Group GM, Human Resources

Bhartesh Shah
Group Chief Operations Officer

LA Sivaramakrishan
Divisional Head, Business Development

Winnie Hunja
GM, Corporate Banking

Joseph Njomo
GM, Business Support

Michael Mwangi
GM, Digital Business

Harish Thyagarajan
Group GM, Treasury

OUR GOVERNANCE (Continued)
Corporate Information

BOARD OF DIRECTORS

NAME	TITLE
Oliver Fowler	(Chairman)
Sarit S Raja Shah	(Group Executive Director)
Suresh B R Shah, MBS	
Sachit S Raja Shah	
M Soundararajan*	
Dr. A Nyambura Koigi	
Nikhil R Hira	
Muchemi Wambugu, MBS	
Alan J Dodd	
Maximilian Biswanger**	
Gul Abbass Khan***	(Chief Executive Officer - Wef 14 February 2023)
Kihara Maina****	(Resigned as Chief Executive Officer on 14 February 2023)
* Indian	
** German	
*** British	
**** Regional Chief Executive Officer (Subject to regulatory approval)	

COMPANY SECRETARY
Stella W Gacharia (CS Kenya)
1 Park Avenue
1st Parklands Avenue
PO Box 101499-00101
Nairobi, Kenya

AUDITOR
KPMG Kenya
8th Floor, ABC Towers
Waiyaki Way
PO Box 40612-00100
Nairobi, Kenya

REGISTERED OFFICE
1 Park Avenue
1st Parklands Avenue
PO Box 30238-00100
Nairobi, Kenya

CORRESPONDENT BANKS
Bank One Limited, Mauritius
Citibank NA New York
Citibank NA London
Commerzbank AG ,Germany
HDFC Bank Limited , India
Habib AG Zurich, Switzerland
I&M Bank (Rwanda) PLC
I&M Bank (T) Limited
Industrial Credit and Investment Corporation of India Bank(ICICI)
JP Morgan New York
Standard Chartered Bank New York
Standard Chartered Bank Hong Kong
Standard Chartered Bank Dubai
Standard Bank of South Africa
JP Morgan, London
I&M Bank (Uganda) Limited

OUR GOVERNANCE (Continued)

BRANCHES

I&M Bank House
2nd Ngong Avenue
PO Box 30238
00100 Nairobi

Acacia Centre,
Nyerere Avenue
PO Box 86357
80100 Mombasa

Panari Centre
Mombasa Road
PO Box 30238
00100 Nairobi

South C Shopping Centre
South C
PO Box 30238
00100 Nairobi

Imperial Court
Uganda Road
PO Box 9362
30100 Eldoret

Airport Centre Mall
North Airport Road
PO Box 86357
80100 Mombasa

Village Market Shopping Complex
New Wing, 1st Floor, Limuru Road
PO Box 30238
00100 Nairobi

Yaya Centre
Argwings Kodhek Road
PO Box 30238
00100 Nairobi

Nanyuki
Hussein Building
Nyeri Nanyuki Road
Nanyuki

Industrial Area
Dunga road
PO Box 30238
00100 Nairobi

I&M Bank Tower
Kenyatta Avenue
PO Box 30238
00100 Nairobi

KCC Building
Changamwe Road
PO Box 30238
00500 Nairobi

1 Park Avenue.
1st Parklands Avenue.
PO Box 30238
00100 Nairobi

Nyali Cinemax
Main Nyali Road
PO Box 86357
80100 Mombasa

Polo Centre
Kenyatta Avenue
PO Box 18445
20100 Nakuru

Sabaki Centre
Lamu Road
PO Box 1125
80200 Malindi

Lavington Mall
James Gichuru Road
PO Box 30238
00100 Nairobi

Gateway Mall
Mombasa road
PO Box 30238
00100 Nairobi

Spring Valley Business Park,
Ground floor,
PO Box 30238
00100 Nairobi

Ridge Court
Parklands
PO Box 30238
00100 Nairobi

Sarit Centre
Karuna Road Westlands
PO Box 30238
00100 Nairobi

Bon Accord House
Oginga Odinga Street
PO Box 424
40100 Kisumu

Wilson Airport
Pewin House
PO Box 30238
00100 Nairobi

Langata Link Complex
Langata South Road
PO Box 30238
00100 Nairobi

14 Riverside Drive
Riverside
PO Box 30238
00100 Nairobi

Hopewell Place
Gakere Road
PO Box 747
301 Nyeri

Mega Centre Mall
Makasembo Road
PO Box 2278
30200 Kitale

Ruaraka Branch
Kenafric Business Park
PO Box 30238
00100 Nairobi

P&K Plaza, Ground floor
Moi Avenue
Meru

Haile Selassie Avenue
Patel Samaj Building
Mombasa

Ansh Plaza
Biashara Street
PO Box 30238
00100 Nairobi

Karen Office Park
Langata Road
PO Box 30238
00100 Nairobi

Ongata Rongai
Maasai Mall
PO Box 30238
00100 Nairobi

Kenol Kobil Valley Arcade
Gitanga Road
PO Box 30238
00100 Nairobi

Royal Towers
Hospital Road
PO Box 4474
40200 Kisii

80, West Place
Kenyatta Highway
PO Box 1207
01000 Thika

Lunga Lunga
Lunga Lunga Square
PO Box 30238
00100 Nairobi

Cross Road
Off River Road
PO Box 30238
00100 Nairobi

Eldama,
Eldama Park
PO BOX 30238
00100 Nairobi

OUR GOVERNANCE (Continued)
Chairman's Statement

It is my pleasure to present the I&M Bank Limited Annual Report for the year 2022 on behalf of the Board of Directors.

2022 was characterised by uncertainty emerging from the Kenyan general elections, geo-political tensions in Russia and Ukraine, rising inflation levels, prolonged drought periods, and the gradual but steady recovery from COVID-19.

The opening up of the economy presented growth opportunities for the Bank, and due to the resilience of our people and the business on the back of our robust iMara 2.0 strategy, we recorded a strong set of results for 2022.

KENYA 2022 ECONOMIC PERFORMANCE AND 2023 ECONOMIC OUTLOOK

Kenya reported a year-on-year GDP growth of 4.7% in the third quarter of 2022 driven by broad-based increases in services and industry, while agriculture, forestry, fishing, mining and quarrying contracted marginally.

The growth remained muted dampened by political uncertainty stemming from the 2022 general elections the challenging marco-economic situation which was largely impacted by the global geo-political shocks.

In 2022, growth in the Kenyan banking industry remained strong, underpinned by adequate capitalisation and liquidity levels. The industry has continued to adopt a robust approach for recognition and treatment of asset quality deterioration and implementation of efficient and resilient business models to support the sector's growth. In a bid to cushion their business performance, banks consistently monitored emerging risks amidst rising inflation, concerns around public debt sustainability, fragile economic recovery and volatilities in global and domestic financial markets.

According to the World Bank, the Kenyan economic growth prospects remain positive with the GDP projected to grow by 5.2% in 2023–2024 on the back of robust growth of credit to the private sector, continued low COVID-19 infection rates, recovery in agricultural production and high commodity prices favorable to Kenyan exports. These developments are in turn expected to catalyse private investment to support overall economic growth.

The new Government has prioritised various policy interventions to raise both productivity and resilience at the household, producer, and national levels, in a bid to improve the current national economic status. This has been planned despite challenges in the macro-economic environment such as the rising cost of living and climate change shocks.

> **"This year, we focused on developing innovative solutions that would allow us to solidify our relationship with customers, differentiating ourselves as a financial partner for growth through digital solutions."**

In tandem, banks have set-up policies and interventions to support the Government in its policy interventions aimed at uplifting Kenyans' socio-economic status. Through this, they have accelerated strategic initiatives that coincide with the Government's plans or developed new initiatives that will enhance capabilities to tap into opportunities that arise from these interventions.

FINANCIAL PERFORMANCE

During the period under review, the Bank's balance sheet size grew by 3% to close at Kshs. 315.51 billion. Customer deposits grew from Kshs. 228.03 billion to close at Kshs. 233.80 billion representing a 3% increase.

The Bank's loans recorded a growth of 13% compared to December 2021 to close at Kshs.184.01 billion. Gross non performing loans increased marginally as compared to a similar period last year to stand at Kshs 19.66bn (2021 – 18.56bn).

Profit before tax for the period was Kshs 12.26bn, (2021 – 10.59bn) representing a 16% increase year on year.

Non-Funded Income increased by 46% compared to a similar period in 2021 whilst interest income increased by 9%. Interest expense grew by 19%, attributed to high cost funds.

CHAIRMAN’S STATEMENT (Continued)

IMARA 2.0 STRATEGY IMPLEMENTATION

I) MARKET DRIVEN SOLUTIONS

The Bank, in a bid to bolster its business growth initiatives, developed financial solutions aimed at driving penetration into the retail, business and corporate banking space. During the period under review, the Bank, on the back of its digitisation pillar, launched the Unsecured Lending solution for both retail and business banking clients. The solution is now available on the I&M On-The-Go platform for retail clients.

The Bank, in 2022, launched new customer value propositions through provision of tailor-made solutions for the corporate, retail and business customers. This has seen us clearly define our customer segments into different personas (Legacy Builder, Dream Chaser, Industry Shaper and Game Changer), based on their different stages in life and financial requirements.

In addition, the Bank ventured into a partnership with Mastercard to roll out a set of card products aimed at complementing the new customer value propositions. The new World Class Debit and Credit cards are targeted at corporate c-suite professionals, young professionals, high-net worth individuals, business, and corporate clientele and offer a range of lifestyle and travel benefits. The range consists of the Mastercard World Elite, Mastercard World Debit and Credit, Mastercard Platinum Debit, Mastercard Corporate Credit Card, Mastercard World Credit Card and Mastercard Business Credit Card. Cardholders, depending on the category, have enjoyed a host of lifestyle privileges both locally and globally, as well as card safety controls on the I&M On-The-Go mobile and internet banking applications.

2022 also saw the Bank enrich its MSME banking portfolio through the roll out of flexible working capital solutions, business insurance related products and supply chain financing solutions through a host of partnerships to support these initiatives. These are expected to support MSME clients scale-up their businesses and build efficiencies through management of cash flows and capital invested into the supply value chain.

The Bank in its bid to penetrate the retail market launched Workplace Banking for its Personal Banking customers with the Unsecured Personal Check Off loans offered to salaried employees working with private and public institutions. The Bank will progress in rolling out more solutions under this offering in the coming months.

II) BUILDING RESILIENCE

The Bank, in 2022, drove various initiatives to build resilience against emerging risks in its liquidity and funding pillars.

I am pleased to advise that during the year, I&M Bank completed the setup of the Anti-Money Laundering system aimed at monitoring financial crime risk. Additionally, the Bank set-up an Operational Risk Management System, for operational risk monitoring in alignment with with best practice in the industry.

The Bank holds a strong conviction that its operations and relationships can help promote environmental preservation and generate social value. In this regard, it made significant strides in augmenting its Environmental, Social and Governance (ESG) Framework, which guides our sustainability strategy, business activities, and relationship with stakeholders namely: employees, shareholders, the community, and service providers. Worth noting is that the Bank now has a programme in place to finance clean energy projects for customers in their efforts to move to more environmentally friendly solutions. The repayment terms are accommodative with a view to enhance cost efficiency for our customers’ production as well as lower the carbon footprint.

The threat of Cyber Fraud has become very rampant across the industry. The Bank in 2022, therefore steered various initiatives to build its cyber security resilience, which is critical given the heavy IT infrastructural investments made during the period under review. This has seen our Cyber Security risk maturity levels go up due to the continued investment in training the business, in a bid to ensure that they act as the first line of defense against cyber security challenges.

III) INFRASTRUCTURAL INVESTMENTS

The Bank continues to invest in strengthening its IT and data-management infrastructure. As part of this, it set up the Enterprise Data Warehouse structure which is expected to drive data-driven decisions on product development initiatives and credit-decisioning. As a result of this, the Bank now has an approach to early watch list signaling to help drive loan book monitoring and our Business Development teams now engage clients with the right financial solutions based on their financial and lifestyle requirements.

The Bank endeavors to leverage synergies across the I&M Group to improve operational efficiencies and increase overall customer wallet share. In this regard, the Bank, last year progressed well in the set-up of the Shared Services Centre to help support process efficiencies through economies of scale, standardisation, and migration of best practices.

IV) CULTURAL TRANSFORMATION

The Bank’s iMara strategy looks to engender the right kind of culture to deliver its set objectives through increased employee engagement. In this regard, the 0Bank highlighted an enabler specific to its programme for Cultural transformation dubbed Pamoja. The intention is to make sure that the desired culture is engrained into our processes and in the manner in which staff members engage with each other and our stakeholders (customers, shareholders, and the community).

Pamoja’s desired change focuses on delivering a collaborative, agile, candid, risk- intelligent, empowered and data-driven culture. Through the Pamoja initiative, we have been able to drive an enabling culture for digitisation across the business, now referred to as the I&M Way. It is noteworthy that Pamoja also presented a great opportunity to reconsider our purpose as an organisation. We have therefore developed a new purpose statement – ‘Empowering your prosperity’, which is very much aligned to our aspiration ‘To be Eastern Africa’s leading financial partner for growth’ for all our stakeholders. Last year, the Bank successfully rolled out the different tenets related to Pamoja through various engagement platforms and sessions driven by changemakers. The Bank will progress further on inculcation of the new I&M Way as outlined on Pamoja.

V) SHARED GROWTH AGENDA

On shared growth, the Bank through the I&M Foundation supported various interventions aimed at promoting socio-economic prosperity amongst the vulnerable in society. Under the Education and Skills Development pillar, the Foundation successfully ran a coding programme for the St. Anne’s Suresh Raja Shah High School in Kairi, in a bid to build interest in Science, Technology, Engineering and Mathematics (STEM) careers amongst the students in addition to donating a bus for the school.

The Foundation also continued to sponsor education scholarships and mentorship programmes for bright but financially constrained secondary school students at the Palmhouse Foundation, Strathmore University and St. Anne’s Suresh Raja Shah Secondary School in Kairi.

The Foundation conducted various drought interventions in line with the Enabling Giving pillar in partnership with Grevy’s Zebra Trust (GZT) by providing food donations to over 400 families in Samburu and Isiolo counties.

The Foundation continued its partnership with the Kenya Community Development Foundation to promote sustainable environment in Narok and Kilifi counties in line with the Environmental Conservation Pillar.

CHAIRMAN'S STATEMENT (Continued)

Additionally, the Foundation progressed well in its support to the Maa Trust's Maa Beadwork Project through the Economic Empowerment pillar in a bid to cushion the Trusts' beneficiaries from the impact of the COVID-19 pandemic. The project has helped 579 Maasai women in their traditional handicraft (beadwork) and assists in developing markets for the beaded products.

FUTURE OUTLOOK

Despite the uncertainty of the macroeconomic environment, we are committed to delivering on our strategy objectives. As a financial institution, we believe that we have a robust strategy and the resilience of our people and business will edge us closer to achieving the desired aspiration of being Eastern Africa's leading financial partner for growth for all our stakeholders.

In 2023, we envisage to build growth in the Retail Banking space having rolled out various solutions such as Workplace Banking and Stock Financing last year. We plan to increase our penetration through Digital Onboarding, Digital Lending, Asset Finance and Home Loans. We intend to reinforce our market leading position in the Trade Finance space through sector expansion in the Corporate and Institutional Banking space.

We shall continue to invest in systems and solutions that provide deployment of high-quality new products and increased customer satisfaction. In line with this, plans are underway to roll out an end-to-end Trade Finance platform and Bancassurance system as well as a Digital Onboarding platform in 2023.

Through our ESG framework, we shall look at holistic interventions that cover the Bank's operations addressing various issues on Corporate Governance, Sustainability in Operations and Bank Infrastructure Management, which we believe will help engender a strong ESG culture and provide quantitative sustainability reporting.

ACKNOWLEDGMENT

I would like to share my gratitude to various stakeholders that contributed to the delivery of this set of results for 2022:

1. To our customers: We take this opportunity to thank you for your continued belief in our financial solutions. We remain committed to keeping your best interests at heart, and will continue to deliver market driven solutions, that help you meet your financial requirements.

2. To our shareholders: Your continued belief and confidence in our financial solutions and investment decisions is much appreciated. We will continue to build your shareholder value by enhancing the Bank's revenue, improving business efficiency, and continually managing all our costs in line with the corporate strategy.

3. To our staff: In the true I&M Way, you executed for all our stakeholders with professionalism and zeal. Your commitment to ensure that we our customers remained serviced despite a very difficult year is appreciated. Pamoja, Together We Shine.

4. To my fellow Directors: Your wise counsel, support, and guidance in providing strategic direction for this organisation is highly appreciated.

5. To our regulators (Central Bank of Kenya, Capital Markets Authority, and Insurance Regulatory Authority): We remain appreciative of the support and guidance provided to the Bank especially in a very difficult year for the overall banking industry. We are grateful for walking with us in achieving all our key milestones achieved throughout the year.

Asante sana,

Oliver Fowler
Chairman
25 March 2023

OUR GOVERNANCE
Statement on Corporate Governance

Governance Framework
I&M Bank LIMITED (Bank, Company or 'I&M') is committed to ensuring the highest standards of governance, including integrity, transparency and accountability across all levels. The Bank continues to nurture a strong culture of governance and risk management in line with the Bank's risk appetite and governance framework. The Bank's policies, practices and procedures are constantly monitored and reviewed to ensure that they remain relevant to the business environment and facilitate delivery of sustainable value to its shareholders, whilst remaining focused on its responsibility to society at large.

The Board has applied the principles of sound corporate governance as mandated in the Central Bank of Kenya Guidelines on Corporate Governance and in line with best practice adopted at the Group level.

Board Directors

Board Structure
The Bank's Articles of Association provide that the Board shall consist of not less than five (5) and not more than twelve (12) Directors. During the year under review, the 11 member Board led by the Chairman, Mr Oliver Fowler comprised (6) Independent Directors, three (3) Non-Executive Directors, and two (2) Executive Directors including the Chief Executive Officer. Independent Directors constituted 55% of the Board well above the requirement of 33% outlined in the Central Bank of Kenya Guidelines on Corporate Governance that stipulates that the Board shall at all times have at least one third of its members as Independent Directors.

OUR GOVERNANCE (Continued)

Statement on Corporate Governance (Continued)

Director	Profile
 **Oliver Fowler - Chairman** Independent Non - Executive Director	Mr. Oliver Fowler is a qualified Kenyan Advocate and an English Solicitor. He is a retired Partner of Kaplan & Stratton Advocates and is currently a Consultant with the firm. His work encompassed commercial work, particularly financial, corporate and taxation matters. He has been extensively involved in project finance, capital markets, banking and foreign investments sectors. He holds an LLB from University of Bristol and was admitted to the Kenyan Bar in 1979. He sits on the boards of several companies.
 **Suresh B R Shah, MBS** Non - Executive Director	Mr. Suresh Raja Shah is a founder member and immediate past Chairman of the Board. He has vast experience in the banking industry and in business. In December 2002, he was bestowed the Honour of a Moran of the Order of the Burning Spear. He sits on the boards of several companies.
 **Sarit S Raja Shah** Group Executive Director	Mr. Sarit S Raja Shah has been the Executive Director of I&M Bank since 1993 and was appointed as Group Executive Director in June 2018. He holds a Master's degree in Internal Audit and Management from City University London. He also serves on the boards of several companies including I&M Group PLC subsidiaries and associates such as: I&M Bank Limited, I&M Bank (T) Limited and GA Insurance Limited.
 **Gul Abbass Khan** Chief Executive Officer (Incoming)	Mr. Gul Abbass Khan joined I&M Bank as the Chief Executive Officer in February 2023. He holds a Special Diploma in Social Studies from Oxford University (Keble College) U.K. and a bachelor's degree in Sociology and Anthropology from University College of Swansea, Wales. He commenced his banking career in May 1998 and was with HSBC Holdings plc for over 10 years where he worked in different geographies including Hong Kong, New York, London & Dubai. Gul then did leadership roles with Banks in Egypt, Kuwait and Qatar. Prior to joining I&M Bank, Gul was the Head of Products for Airtel Money Africa, where he played a key role in driving financial inclusion across 14 markets in Africa.

OUR GOVERNANCE (Continued)
Statement on Corporate Governance (Continued)

Director

Profile

M. Soundararajan
Independent Non - Executive Director

Mr. Soundararajan joined the board as an Independent Non-Executive director in 2009 after a successful commercial and investment banking career spanning 37 years in India, United States and Kenya. He held senior executive and leadership positions in Commercial Bank of Africa (now NCBA) as Director, Corporate Banking, CFC Financial Services (now SBG Securities) as its first Managing Director and CFC Bank as Managing Director before its acquisition by Stanbic Bank in 2008. Mr. Soundararajan sits on the boards of GA Insurance, GA Life Assurance, GA Insurance, Tanzania and Car & General (Kenya) Plc. He served on the board of Central Depositary & Settlement Corporation (CDSC) for four years from 2004 to 2008. Mr Soundararajan holds a Master of Arts degree from Madras University, India and holds a Certificate in International Banking from New York University. He currently heads MTC Trust & Corporate Services, a professional fiduciary practice.

Dr. A Nyambura Koigi, MBS
Independent Non - Executive Director

Dr. Koigi joined the Board in April 2015. Former Managing Director, Postbank, she has worked in various capacities in the financial sector including Banking, Business Development and Information Communication Technology. She has extensive training and experience in Leadership, Project Management, Product Development, ICT and Microfinance. She holds a Doctorate in Business Administration from the Nelson Mandela Metropolitan University (now Nelson Mandela University), an MBA and a BA both from the University of Nairobi and training from the Boulder Institute of Microfinance. She is a fellow of the Institute of Certified Public Secretaries of Kenya and the Kenya Institute of Management. She sits on boards of several companies.

Muchemi Wambugu, MBS
Independent Non - Executive Director

Mr. Wambugu, Management Consultant and founder of Sirius Consult, joined the Board in February 2019. He holds an Honors degree in Commerce, majoring in Management Information Systems from the University of Manitoba, Canada, and a Masters Certificate in Project Management from the University of California-Berkeley, USA.

He is a certified member of the Project Management Institute (PMI) and also an International Coaching Federation certified Executive and Systemic Team Coach.He sits on the boards of several other organizations.

Nikhil R Hira
Independent Non - Executive Director

Mr. Hira is an Executive Director of the Eastern Africa Association and a partner in Kody Africa LLP. He joined the Board in February 2019. He was formerly a Director at Bowmans and former partner of Deloitte East Africa. He holds a BSc Joint Honours in Accountancy and Process Engineering from University of Salford, England. He is a Fellow of the Institute of Chartered Accountants of England and Wales, a Fellow of the Institute of Certified Public Accountants of Kenya and also registered with similar institutes in Uganda and Tanzania.

He has specialised in taxation since 1987 in various jurisdictions around the world including the UK and East Africa.

OUR GOVERNANCE (Continued)
Statement on Corporate Governance (Continued)

Director

Profile

Alan J Dodd
Independent Non - Executive Director

Mr. Dodd joined the board in 2021 having served for 43 years in the Banking industry. He has a wealth of experience having served the banking industry in various executive capacities in Kenya, Asia and the Middle East. The first 28 years of his career were spent with Standard Chartered Group, latterly in East Africa where he rose to the position of Executive Director responsible for Corporate and Service Quality. In 2006 he joined NIC Bank Kenya Ltd (now NCBA), where he held the positions of Executive Director responsible for Corporate, Asset Finance, including Leasing, and Bancassurance until end of 2020

Mr. Dodd holds a BA (Hons) degree in Economics from University of Portsmouth, UK and is a member of The London Institute of Banking and Finance. Mr Dodd sits on the board of GA Insurance Limited. He brings on board significant knowledge and experience in the financial sector, governance protocols, risk management disciplines and customer service.

Kihara Maina
Chief Executive Officer

(Outgoing)

Mr. Kihara Maina, joined I&M Bank as the Chief Executive Officer and Board member in May 2016, a position he held up to February 2023 when he was appointed as the Regional Chief Executive Officer. He holds a Bachelor's degree in Mathematics from Moi University and an Executive MBA from the University of Chicago – Booth School of Business. He began his banking career in June 1993 at Stanbic Bank Kenya then moved to Barclays Bank of Kenya (now Absa Bank Kenya) in 1997 where he served extensively over the years ultimately taking up senior leadership positions. Prior to joining I&M Bank, Kihara was the Managing Director of Barclays Bank Tanzania (now Absa Bank Tanzania).

Sachit S Raja Shah
Non - Executive Director

Mr. Sachit S Raja Shah holds a Bachelor of Science degree in Banking and Finance from City University London. He is the Executive Director of GA Insurance Limited. He has had the opportunity to work with AMP Asset Management in London and HSBC Bank Plc, London.

He sits on the boards of several companies.

Maximilian Biswanger
Non - Executive Director

Mr. Biswanger joined the Board in 2021 as a representative of CDC Group Plc (now British International Investment Plc)(BII). He is an Investment Director at BII's Financial Services Group, Equity and leads the group's equity investment activities in Digital Financial Services. He is also a member of the Board of Directors at M-Kopa, Africa's leading connected asset financing company, and at Tyme Global, a leading emerging market neobanking group with activities in Africa and South East Asia. Prior to joining BII, he worked in Mergers & Acquisitions at Rothschild & Co. He holds a dual degree in International Business Science from the European School of Business, Germany and Universidad Pontificia Comillas - ICADE, Spain, a MLitt in Peace & Conflict Studies from University of St Andrews, UK and a Postgraduate Diploma in Philosophy from Birkbeck, University of London. He has a wealth of experience in private equity / development finance investments in financial services companies across Africa and South Asia.

OUR GOVERNANCE (Continued)

Statement on Corporate Governance (Continued)

Board Committee Structure

The Bank's Articles of Association provide that the Board shall consist of not less than five (5) and not more than twelve (12) Directors. During the year under review, the Board consisted of eleven (11) members led by the Chairman, Mr Oliver Fowler. Independent Directors constituted 55% of the Board well above the requirement of 33% outlined in the CBK Guidelines on Corporate Governance which stipulates that the Board shall at all times have at least one third of its members as Independent Directors.

Roles & Responsibilities

The Board's primary responsibility is to act in the best interests of the Bank and its shareholders with a view of enhancing the value of the Bank's assets. The Bank's governance framework enables the Board to effectively discharge its roles and responsibilities of oversight and strategic guidance while ensuring compliance with regulatory requirements and the Bank's risk appetite parameters.

Further, the Board ensures that at the heart of the organisation, there is a culture of honesty, integrity and excellent performance.

Separation of Roles and Responsibilities

The specific roles and responsibilities to be discharged by the Board, its Committees and Directors individually and collectively are outlined in the Board Charter which is reviewed every two years ensuring relevance amidst changes in the Bank's operating environment. The Board also ensures that the functions of the Chairperson and the Chief Executive Officer (CEO) are not exercised by the same individual.

Whilst the CEO is responsible for providing leadership and direction in the day-to-day operations of the Bank directed toward implementation of a long-term vision and strategy, the Chairperson is tasked with the responsibility of effectively leading the Board, fostering a constructive governance culture and maintaining relevant links between all stakeholders.

Skills, Experiene and Diversity

The Bank is led by a competent Board with diverse skills. Collectively, the Board has vast experience stemming out of the individual Director's varied backgrounds across a multitude of disciplines.

Tenure

The tenure of Independent Directors is set at a maximum of 9 years save for exceptional circumstances where the tenure of a Director may be extended by the shareholders. Further, the term of office of various Directors is organized in a manner that ensures a smooth transition.

Board Succession Planning

The Board, through the Board Nomination & Remuneration Committee, reviews succession planning and transitions at the Board and Senior Management level. In considering potential Directors, the Board seeks to not only identify candidates with appropriate skills, knowledge and experience to steer the Bank effectively but also ensure achievement of diversity in its composition as set out in the Board Succession Policy. Gender diversity is an area of improvement for the Board. All Directors receive formal letters of appointment setting out the main terms and conditions of their appointment.

Board Induction, Orientation & Continuous Professional Development

All new Directors are appropriately introduced to the business of the Bank and the Group. During the induction session, they are provided with a comprehensive induction and information pack containing a presentation on the affairs, strategy, governance structure & conduct of meetings, the Director's duties & responsibilities, the Bank's constitutive documents and such other useful documents. In addition, as part of the induction process, incoming Directors have one-on-one sessions with Senior Management and visit some of the key branches and departments to better understand the operations of the Bank.

All Directors have access to the advice and services of the Company Secretary, who is responsible for providing guidance to the Directors as to their duties, responsibilities and powers.

Directors, through the Group Executive Director and Chief Executive Officer, have access to Senior Management- to obtain information on items to be discussed at Board meetings or meetings of Board Committees or on any other area they consider to be appropriate.

Furthermore, the Board and its Committees also have the authority to obtain such outside or other independent professional advice as they consider necessary to carry out their duties.

In addition, the Bank organizes for its Board Members, up-skilling and continuous development programs in order to enhance governance practices within the Board itself. Tabulated below are the programs held during the year. The Group also availed various other virtual trainings to Directors in all subsidiaries on areas such as fraud risk management, cyber risk intelligence and anti-fraud and corruption.

OUR GOVERNANCE (Continued)
Statement on Corporate Governance (Continued)

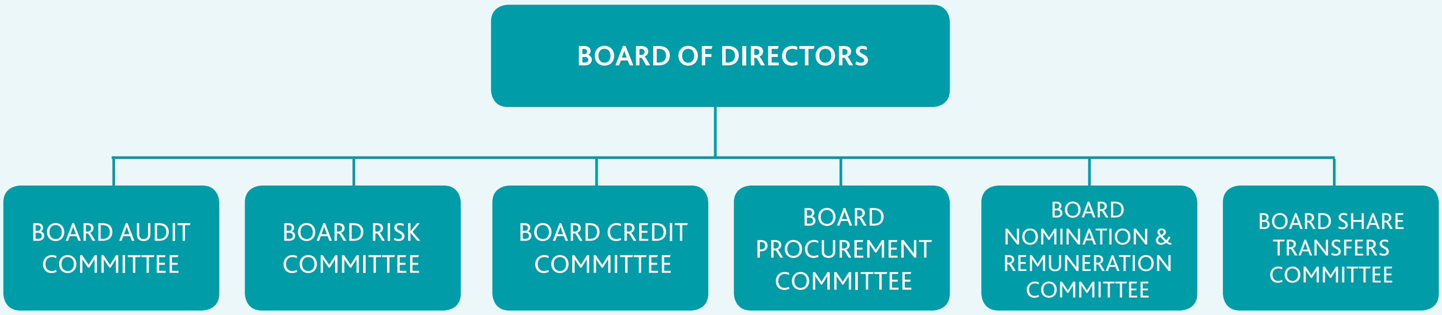
Program	Date
Training on Environmental, Social & Governance	21 May 2022
Training on AML/CFT	21 May 2022
Training On Culture Transformation	21 May 2022
Audit & Risk Conference on Creating a Risk Intelligent Business	12 & 13 October 2022

Board Meetings
The Board meets at least once every quarter and additionally when necessary to consider and deliberate on matters relating to the overall business.

The Board has in place an annual work plan that sets out the Board activities for the year. The Chairperson, in conjunction with the Company Secretary work closely with the Chief Executive Officer to develop the annual work plan and to set the agenda for each meeting. The Directors receive the notice, agenda and board papers well in advance of the meetings.

The quorum requirements for Board meetings are guided by the Bank's Articles of Association and are met when the members attend, either in person, by tele or video conference. Proceedings of all meetings are recorded by the Company Secretary and the minutes of each meeting signed by the Chairperson of the meeting.

Board Committees
The Board has set up several Board Committees and Management Committees to assist in discharging its responsibilities. These are as shown below.



OUR GOVERNANCE (Continued)

Statement on Corporate Governance (Continued)

Board Committees (Continued)

In order to assist in discharging its responsibilities, the Board has set up several Board Committees and Management Committees to assist in discharging its responsibilities. Tabulated below are Board Committees, their composition and membership, functions and the frequency of meetings:

	Board Audit Committee	Board Risk Committee	Board Credit Committee	Board Procurement Committee	Board Nomination & Remuneration Committee	Board Share Transfers Committee
Structure	• 4 Independent Non-Executive Directors (INED) including the Chairman • Company Secretary	• 3 INED including the Chairman • 1 Non-Executive Director (NED) • Group Executive Director • CEO • Company Secretary	• 3 INED including the Chairman • 1 NED • Group Executive Director • CEO • Company Secretary	• 3 INED including the Chairman • 1 NED • Group Executive Director • CEO • Group COO • Group CFO • Company Secretary	• 3 INED including the Chairman • Group Executive Director • Company Secretary	2 NED including the Chairman 1 Group Executive Director CEO Company Secretary
Composition	• Nikhil Hira, Chair • Nyambura Koigi • M Soundararajan • Alan Dodd	• Dr. Nyambura Koigi, Chair • M Soundararajan • Muchemi Wambugu • Sachit S Raja Shah • Sarit S Raja Shah • Kihara Maina	• Alan Dodd, Chair • M Soundararajan, • Nikhil Hira • Sachit S Raja Shah • Sarit S Raja Shah • Kihara Maina	• Muchemi Wambugu, Chair • M. Soundararajan • Sarit S Raja Shah • Alan Dodd • Sachit S Raja Shah • Kihara Maina • Bhartesh Shah • Amit Budhdev	• M Soundararajan, Chair • Nikhil Hira • Alan Dodd • Sarit S Raja Shah	SBR Shah, Chair Sarit S Raja Shah Sachit S Raja Shah Kihara Maina
Regular Invitees	• Chief Audit Executive • Group Chief Audit Executive • Group Executive Director • CEO • Group Chief Operating Officer • Divisional Head-Business Development • Company Secretary	• Group Chief Operating Officer • Group Chief Risk Officer • Head of Compliance • Group Chief Information Security Officer • Group Chief Audit Executive • Chief Audit Executive • Company Secretary	• Divisional Head-Business Development • Group General Manager Credit • Assistant General Manager Credit • Assistant General Manager, Debt Recovery Unit • Company Secretary	• Senior Manager Procurement • Group Chief Information Officer • General Manager, Projects • Company Secretary	• CEO • Group Chief Operating Officer • Group General Manager HR • Company Secretary	A member of Senior Management at the discretion of the Committee

OUR GOVERNANCE (Continued)

Statement on Corporate Governance (Continued)

Board Committees (Continued)

	Board Audit Committee	Board Risk Management Committee	Board Credit Committee	Board Procurement Committee	Board Nomination & Remuneration Committee	Board Share Transfers Committee
Frequency Of Meetings	**Quarterly**	**Quarterly**	**Bi-Quarterly**	**Quarterly**	**Half yearly**	**On need basis**
Main Functions	• Ensure establishment of an adequate, efficient and effective internal audit function. • Review structure and adequacy of internal controls. • Review and co-ordinate between External Auditors and Internal Audit Department. • Review and receive CBK Inspection Report, and ensure implementation of recommendations therein.	• Ensure that the Risk management framework and the processes as approved are implemented. • Review, monitor and deliberate on the appropriate risk mitigation approach. • Ensure business continuity planning is formulated, tested and reviewed periodically. • Review of policies, procedures and exposure limits. • Review of proposed strategic initiatives. • Creating awareness about Risk Management Process in the Bank. • Ensure that the Risk management strategies are designed to manage social, environmental risks and promote good sustainability practices across all Bank's activities.	• Review lending policy. • Consider loan applications beyond discretionary limits granted to CRMC. • Review lending by CRMC. • Direct, monitor, review all aspects that will impact upon present and future Credit risk management at the Bank. • Ensure compliance with Banking Act and Prudential Guidelines. • Conduct independent loan reviews as and when appropriate.	• Review and approve the Procurement Policy. • Review and consider significant procurement proposals / consultancy assignments above the delegated authority limit of the Group Executive Director's (GED) • Vet agreements/ procurement proposals from related parties. • Review and ratify unbudgeted capital expenditure above Group Executive Director's delegated authority limits.	• Assessment of Board requirements for Non-Executive Directors. • Induction programs for new Directors and development programs to build individual skills and improve Board effectiveness. • Board succession planning. • Performance evaluation of the Board of Individual Directors and of the GED & CEO • Set remuneration policies & strategic objectives of Board, GED & CEO. • Policies in relation to the ESOP cheme and provide requisite guidance to Scheme Trustee.	• Ensure that any new shareholders meet the Board's criteria of good standing. • Approve/reject applications for the transfer of shares and approve registration of such transfers. • Give guidance and approve any share allotment arising out of a bonus/rights issue. • Sign the Share Certificates, under Company Seal, to be issued to any shareholder.

OUR GOVERNANCE (Continued)

Statement on Corporate Governance (Continued)

Board Attendance

The following table shows the number of meetings held during the year and the attendance of individual Directors

Name of Director	17/03/2022	17/06/2022	21/09/2022	07/11/2022	05/12/2022	Total Board meetings attended in 2022
Oliver Fowler (Chairman)	√	√	√	√	√	100%
Suresh B R Shah (Chairman Emeritus)	√	√	√	√	√	100%
Sarit S Raja Shah	√	√	√	√	√	100%
Sachit S Raja Shah	√	√	√	√	√	100%
Nikhil R Hira	√	√	√	√	√	100%
M Soundararajan	√	√	√	√	√	100%
Dr A Nyambura Koigi	√	√	√	√	√	100%
Kihara Maina	√	√	√	√	√	100%
Muchemi Wambugu	√	√	√	√	√	100%
Alan J Dodd	√	√	√	√	√	100%
Maximilian Biswanger	x	√	√	√	√	80%

√ Attended

X Not Attended

N/A Either resigned or not yet appointed to Board

Where a Director did not attend a Board or Board Committee meeting, an acceptable apology had been received by the Chairman well in advance of the scheduled meeting.

OUR GOVERNANCE (Continued)

Statement on Corporate Governance (Continued)

Board Evaluation

The performance of the Board, Board committees and individual Directors is evaluated annually with the process being reviewed and refined periodically. In 2022 the Board revised the board evaluation forms to better evaluate the Board's performance and receive feedback from the Board members. The evaluation process was conducted through the reviewed toolkit and involved adopting the use of technology in the evaluation process thereby promoting efficiency in the process. Results were collated confidentially by the Company Secretary and reviewed by the Chairman, the Board Committees and the Board.

The review and evaluation includes the functioning of the Board and Board committees as collective bodies, as well as the performance of the Chairperson, individual Directors, and Company Secretary. The feedback is used to identify areas of Board improvement and performance enhancement. These are tracked throughout the year to closure through the Board Nomination & Remuneration Committee.

Management Committees

Tabulated below are Management Committees, their composition and membership, functions and the frequency of meetings

	Executive Committee	Management Committee	Assets & Liabilities Committee	Credit Risk Management Committee	Transformation Office Steering Committee	Risk & Compliance Committee
Chairman	CEO	CEO	CEO	Group Executive Director	CEO	CEO
Members	• Members • GED, CEO • Group Chief Operations Officer • Division Head, Business Development • General Managers (Finance, Risk, Treasury, Head of Strategy, Credit, Corporate Banking and Personal & Business Banking) • Group Executive Office (Secretary)	• GED, CEO, • Group Chief Operations Officer • Division Head, Business Development • All General Managers • Assistant General Managers (Premium and Personal Banking) • Group Executive Office (Secretary) • Invitees: • Group Chief Audit Executive	• GED, CEO, • Group Chief Operations Officer • Division Head, Business Development • General Managers (Finance, Treasury, Risk) • Manager, Middle Office (Market Risk) • Senior Manager Treasury Middle Office (Secretary)	• GED, CEO • Divisional Head, Business Development • General Managers (Credit, Risk) • Assistant General Manager Credit (Secretary) • Head - Debt Recovery	• GED, CEO • Group Chief Operations Officer • Division Head, Business Development • General Managers (Premium & Business, Credit, Finance, Head of Strategy, Human Resource)	• GED, CEO • Group Chief Operations Officer • Division Head, Business Development • General Managers (Risk, Finance, ICT, Credit, HR, Treasury, Operations) • Manager Operational Risk • Head of Legal • Chief Information Security Officer • Manager – Compliance • Invitees • Group Chief Audit Executive • Chief Audit Executive

OUR GOVERNANCE (Continued)

Statement on Corporate Governance (Continued)

Management Committees (Continued)

	Executive Committee	Management Committee	Assets & Liabilities Committee	Credit Risk Management Committee	Transformation Office Steering Committee	Risk & Compliance Committee
Frequency of meetings	Monthly	Quarterly	Monthly	Fortnightly	Weekly	Monthly
Main functions	• The Executive Committee is to drive and oversee effective and efficient business performance, in line with the agreed Corporate Objectives and Budget. • The EXCO will focus on business performance related issues and largely incorporate the business development team. • General Manager Finance and General Manager Risk are part of this session to specifically provide required inputs from a business support perspective.	• The Management Committees is to review the Bank's non-financial corporate objectives, progress of special projects and identification of risks or opportunities. • The Management Committee will focus on the business support function and provide a platform for reviewing of new products, initiatives and ideas and developments in the banking industry. • Regularly assess impact of changes in regulations/ legislation.	• Treasury Market Risk and Middle Office Management. • Asset and Liability Management. • Interest Rate Risk Management. • Treasury Credit Risk Management or Counter Party and Settlements Risk management. • Funding Risk Management. • Liquidity Risk Management. • Capital Risk management and the Internal Capital assessment process (ICAAP). • Product Pricing. • Currency Risk management.	• Implement Credit Policy and Credit Risk Management Policy. • Reviews Credit Proposals in line with Policy and CBK Guidelines. • Review non performing accounts. • Consider and approve new asset-based products. • Control and follow-up on credit-related matters. • Regularly report to Board Credit Committee.	• Guide and oversee development of the five year corporate strategy; • Guide/oversee annual review of agreed strategy, making recommendations to the Board on any changes deemed necessary mid-stream. • On a quarterly basis, evaluate progress on achievement of Strategic milestones, against the set strategic targets, and in case of significant variances, consider need or otherwise to review overall strategy. • Review and approve all significant Strategic Initiatives, before roll out. • Evaluate progress on strategic and corporate objectives. • Prior to the annual budgeting exercise, consider and agree broad budget parameters in line with the set strategic targets.	• Ensure a culture of the enterprise risk and integrate risk management into the organization's goals. • Communicate internally matters relating to risk governance and oversight. • Review and approve the risk management infrastructure. • Review and evaluate the Bank's policies and procedures with respect to risk assessment and risk management. • Guide and support development of the Enterprise Risk Management framework. • Monitor the Bank's risk profile and potential exposure to various risk types. • Present to the BRC a report summarizing the committee's review of the Bank's risk assessment.

OUR GOVERNANCE (Continued)

Statement on Corporate Governance (Continued)

Management Committees (Continued)

	Making Banking Great Steering Committee	Human Resources Committee	Space Committee
Chairman	Group Chief Operations Officer	Chief Executive Officer (CEO)	Chief Executive Officer (CEO)
Members	• Independent Director • Group General Managers (Head of Strategy, ICT, Alternate Banking Channels) • Head of Digital & Innovation • Head of Transactional Banking • Transformation Office Reps	• GED, CEO • Group Chief Operations Officer • Division Head, Business Development • General Manager HR • Manager HR (Secretary)	• GED, CEO • Division Head, Business Development • General Managers (Heads of Strategy and Operations) • Senior Manager Premises (Secretary) •
Frequency of meetings	Once every 6 weeks	Once every 2 months	Quarterly
Main functions	• Review and recommend to the Board through the Group EXCO the direction of the Digital Strategy. • Review and approve digital project implementation. • Review and approve expected project deliverables, including commercials linked to the business case. • Review and approve commitments to external entities. • Reviews work plans for prioritisation aligned to the digital strategy and delegates projects to iCube.	• Review HR Strategy and ensure implementation to comply with all HR related standards, laws and regulations. • Periodically review the effectiveness and alignment of the Bank's Human resources. policies to business needs. • Review and recommend the appointment of and compensation (including incentive bonus, benefits) for the staff team. • Review the competencies of existing Senior Management resources, and ensure that competent pipeline is available for succession to critical positions. • Oversee staff alignment with agreed I&M Group priorities. • Review and monitor the grievance resolution and discipline handling process of the Bank. • Update Board on HR matters	• To determine the space requirements for the Bank and monitor implementation through the premises department

OUR GOVERNANCE (Continued)

Statement on Corporate Governance (Continued)

Risk Management, Internal Controls & Compliance

The Bank has established an integrated and enterprise risk management framework in place to identify, assess, manage and report risks as well as risk adjusted returns on a consistent and reliable basis. The Bank faces various diverse and complex types of risks related to its business as a banking institution. The Risk Management Department manages these risks through a continuous and on-going process of effective management of risks.

Risks are evaluated in an unbiased way. The Bank consciously takes the appropriate level of risks and manages these risks effectively to capitalize on related opportunities. Risk taking is core to I&M's innovation capacity and ultimately its entrepreneurial success.

I&M's approach to Risk Management is characterized through a strong risk oversight at the Board level and a robust risk management culture at all levels and across all functions. Such an approach supports and facilitates I&M's decision-making process. This not only ensures that the risk reward trade-off is optimized but also that risks assumed are within the overall Risk Appetite and Risk Tolerance levels as laid down by the Board in the various Policy Documents.

The Bank has recognized ESG (Environment, Social, Governance) as a key focus area with the growing emphasis on climate change. The Bank's risk management framework has been aligned to ensure formulation and implementation of an ESG framework to focus on this risk in line with international best practice and the guidance on climate-related risk management issued by the Central Bank of Kenya.

I&M's Risk Management Process is guided by the following principles:

- Its Risk Appetite & Risk Tolerance Levels
- An Independent Audit, Compliance & Quality Assurance Department
- Zero Tolerance for violations
- A Policy of "No Surprises"
- Protection of Reputation
- Enhanced Stakeholder Satisfaction

The Bank is committed to follow best practices in its Risk Management and uses the Committee of Sponsoring Organisations of the Treadway Commission "COSO" framework as a reference and adopts compatible processes and terminology.

Compliance

The Board ensures that laws, rules and regulations, codes and standards applicable to the Bank are identified, documented and observed.

The Bank's independent Compliance function continuously monitors the Bank's compliance with applicable laws, rules and regulations, codes and standards and provides an assurance in this respect to the Board on a quarterly basis.

All policies and procedures are tailored to ensure that the Bank's processes are fully compliant with all relevant laws and regulations. Additionally, the Board receives a report at each of its scheduled meetings on changes to the legislation and regulatory framework and evaluates its impact in addition to ensuring that the Bank puts in place the appropriate processes to ensure compliance from the effective date.

Risk Based Internal Audit & Assurance

While the Board is responsible for the overall risk management and internal control systems, oversight of the Bank's risk management process has been delegated to the Board Audit and Board Risk Committees. This is undertaken through an independent Internal Audit function established within the Bank.

The Board and Management set out the mandate for Internal Audit, defining its purpose, authority and responsibilities. The Board ensures that the Head of Internal Audit department is not responsible for any other function in the entity and reports directly to the Board Audit Committee.

Risk Based Internal Audit & Assurance (Continued)

The Internal Audit function provides an independent assurance to the Board and Management that:

- The internal control system in place is performing effectively and is adequate to mitigate risks consistent with the risk appetite of the Bank; and
- The organization goals are met and governance processes are effective and efficient.

External Auditors

The Board has put in place mechanisms to ensure that external auditors:

- Maintain a high standard of auditing;
- Have complete independence;
- Have no pecuniary relationship with the auditee entity or a related party;
- Bring to the attention of management and supervisor any matters that require urgent action.

Audit and other fees paid to the external auditors during the year have been separately disclosed under Note 14.

Ethics & Social Responsibility

Code of Ethics

The Bank has in place a Code of Conduct and Code of Ethics that binds all its Directors and staff to ensure that business is carried out in an ethical, fair and transparent manner, in keeping with the local regulations and international best practices.

The Code of Ethics encompasses, inter alia, matters touching upon safety and health, environment, compliance with laws and regulations, confidentiality of customer information, financial integrity and relationships with external parties. This Code of Ethics is reviewed periodically and amendments are incorporated if necessary.

Conflicts of Interest

The Board has in place a policy to provide guidance on what constitutes a conflict of interest. The Board expects its members, both individually and collectively, to act ethically and in a manner consistent with the values of the business. Each Director is obligated to, as far as practically possible, minimize the possibility of any conflict of interest with the Bank or the Group by restricting involvement in other businesses that would be likely to lead to a conflict of interest. Where conflicts of interest do arise, Directors excuse themselves from the relevant discussions and do not exercise their right to vote in respect of such matters. The Conflicts of Interest policy is also extended on a similar basis to all senior management and employee who can influence decision making processes.

Insider Trading & Related Party Transactions

The Bank has adopted the Group-wide Insider Trading Policy that prohibits Directors, staff of all Group entities and contractors who have or may have access to material non-public information regarding the Company from:

- Market Manipulations - artificially inflating or deflating the price of a security or otherwise influencing the behaviour of the market for personal gain;
- False Trading and Market Rigging – dissemination of favourable or unfavourable information likely to induce the subscription, sale or purchase of shares by other people, or raise, lower or maintain the market price of shares;
- Fraudulently inducing trading in securities;
- Front Running - entering into a securities trade to capitalize on advance, non-public knowledge of a large ("block") pending transaction that will influence the price of the underlying security.

OUR GOVERNANCE (Continued)

Statement on Corporate Governance (Continued)

Insider Trading & Related Party Transactions (Continued)

- Obtaining gain by fraud; and,
- Communicating unpublished price-sensitive information to other people.

The policy also prohibits anyone having Inside Information relating to the Group from buying or selling the entity's securities, except within certain stipulated open periods.

Insiders handling price sensitive information are subjected to preclearance restrictions which shall require them to declare their intention to purchase or sell Company's securities before transacting.

The Bank's Board Audit and Risk Management Committee (BARMC) has oversight on insider trading and are made aware of any breach to the Insider Trading Policy through quarterly returns detailing all insider trades executed within the reporting period.

Through the Group, the Bank has also adopted a related party policy that outlines how to deal with related parties in a transparent manner and at arm's length on related party transactions. Related parties, whether body corporate or natural persons, fall into two main groups:

- those that are related to the Group because of ownership interest; and
- those that are related otherwise, such as Directors and Senior Officers who may also have some ownership interest in the Group.

In line with the above-mentioned guideline, the Board has adopted a policy which sets out the rules governing the identification of related parties, the terms and conditions applicable to transactions entered into with them. All related party dealings/transactions are disclosed under Note 40.

Whistle Blowing Policy

The Bank has in put in place a Whistle blowing policy and appropriate mechanisms to demonstrate its commitment to the highest standards of openness, probity and accountability. These mechanisms enable staff of the Bank and Group to voice concerns in a responsible and effective manner. The policy is designed to encourage and facilitate employees to raise concerns internally and at a high level and to disclose information which the individual believes shows malpractice or impropriety.

This policy was revised in 2022 to expand the scope of application to include the Group and all its subsidiaries, Directors, staff, contractors, agents, vendors, sponsors, customers and shareholders of the Group as well as the general public. The policy aims to:

- Encourage employees to feel confident in raising their apprehensions and to question any act that may raise concerns about practice that may bring disrepute to the Group and or cause financial or other loss to the Group and or any malicious act that may adversely affect a staff member;
- Provide avenues for employees to raise those concerns and receive feedback on any action taken;
- Reassure employees that they will be protected from possible reprisals or victimization if they have reasonable belief that they have made any disclosure in good faith;
- Minimize the Group's exposure to the damage that can occur when employees circumvent internal mechanisms; and,
- Let employees know the Group is serious about adherence to the code of conduct and the various policies in place.

The Whistleblowing reports are regularly reviewed and discussed by the Board Nomination and Remuneration Committee.

Sustainability & Corporate Social Responsibility (CSR)

The Bank is very conscious of its responsibility towards the Community and those around it. It is in this endeavour that the Bank has put in place guidelines that support the discharge of its Corporate Social Responsibility mandate, which is well integrated within the Bank. The Bank has continued to deepen its relationship with various stakeholders while providing opportunities to its employees to participate in various CSR activities with a focus towards health, education and the environment.

I&M Bank's CSR activities are aimed at making sustainable difference under four key social pillars:

- Environmental conservation;
- Education and skills development;
- Economic empowerment; and,
- Enabling giving.

Stakeholder Management

I&M recognizes and appreciates that engagement with, and active cooperation of its stakeholders, is essential for the Bank and Group's strong business performance on a sustainable basis, as well as to achieve and maintain public trust and confidence. The Bank is guided by the Group's stakeholder management policy which is founded on the principles of transparency, active listening, and equitable treatment that favours a consultative and collaborative engagement with all stakeholders.

Stakeholder engagement is decentralized within I&M. All I&M employees are accountable for managing relationships and meeting expectations of internal and external stakeholders within their areas of responsibility. Should a stakeholder not be satisfied with the service or assistance that they receive from their I&M point of contact, there are a number of opportunities that allow for anonymity (if desired) as well as independence to ensure a voice for concerned stakeholders. These include our client call centre that is the first point of call for all clients' requests and the section "Contact us" on the Bank's corporate website. Concerns raised by stakeholders are monitored regularly for compliance by the Bank's Risk and Compliance Teams and by the Board Risk Committee.

OUR BUSINESS
I&M News

I&M Bank, Kenya launches unsecured digital lending product to further enhance customers ease of access to Unsecured Loans

Last year, I&M Bank, Kenya launched an unsecured lending product that has made it more convenient and quicker for customers to access unsecured loans. The solution is available on I&M Bank App (On The Go) for retail customers (individuals & MSME customers).

The solution promises faster and more efficient loan application and renewal processes for fulfilling customer's requests for unsecured loans. Eligible customers can apply for and receive loans within a day for most cases.

Further, the digital unsecured lending solution supports loan application and decisioning with credit scoring capabilities, that were not previously available in the traditional loan application process in the Bank. Eligibility for loans and the loan amounts are dependent on a customer's credit score, which are determined within the platform using several unique parameters.

Customers using the platform have conveniently acquired loan facilities from a minimum of Kshs 50,000 up to a maximum of Kshs million, without providing any collateral or guarantor as security.

Customers have also been able to enjoy flexible loan repayment periods of up to 60 months through this solution. Additionally, they enjoy competitive interest rates and loan processing fees, with no minimum deposit balances required for personal loan requests.

I&M Bank launches new Customer Value Proposition

Last year, I&M Bank, Kenya, launched an enhanced set of customer solutions under its iMara 2.0 strategy, as part of the Bank's continued efforts to meet its Corporate, MSME and retail customers' financial needs.

The new value propositions have supported will Bank's strategy of deepening penetration into the Retail and MSME segments through tailor-made financial solutions. For each customer segment, the Bank clearly defined their banking needs using "personas" - these are based on the customers' different stages in life and their changing financial and lifestyle requirements.

The enhanced product offerings have then been designed to meet the unique needs of each segment persona, with customers having the choice to select the set of financial solutions that best align to their business and/or personal requirements.

The segments include "the Game Changer" – Small Medium Enterprises (SMEs) and Micro, Small, and Medium Enterprises (MSMEs), who are focused on growing and improving their business; "the Industry Shaper" – Corporates seeking to maximize profits and business efficiency; "the Legacy Builder" – high net worth and premium clients keen on wealth management advisory services, and "the Dream Chaser" – young professionals focusing on education and career enhancement.

The Bank, through these new value propositions, introduced two transactional accounts for Personal clients, namely Pay As You Go (PAYG) account and the Club account; whereas Corporate and Business clients have the Business Premier Account and Business Account, respectively. The accounts are backed by a distinct payment card offering that comes with value added benefits, tailored to suit the lifestyle of each segment through a strategic partnership with MasterCard.

OUR BUSINESS (Continued)

I&M News (Continued)

I&M Bank, Kenya marks its 5th year German Desk Anniversary with DEG, with over KShs 1.8bn in financial facilities granted

In 2022, I&M Bank, Kenya celebrated 5 years of its German Desk – a Financial Support and Solutions programme. Formed through a strategic alliance between I&M Bank and DEG, Deutsche Investitions- und Entwicklungsgesellschaft mbH, the German Desk has been providing specialist banking and financial advisory services for German businesses, operating, and seeking to establish operations in the East African region and their local business partners.

The Desk has provided financial facilities worth more than 16 million USD (over KShs 1.8 billion) since its establishment, enabling investments into German/European technology, as well as relieving working capital constraints for clients' local subsidiaries and partners.

Besides providing financing, the Desk has served as a one-stop shop in the provision of I&M's banking services, including bank account opening, foreign exchange, trade finance and transaction banking services, as well as other requisite needs of companies engaged in German-Kenyan business activities.

The Desk's impact has been felt across the region, which bodes well for German organizations looking to establish a footprint in East Africa. It reinforces the fact that I&M Bank is a one stop financial institution that places the needs of our customers at the forefront of our innovation in the region.

I&M Bank, Kenya and Mastercard Delight Customers with a Suite of Premium Credit and Debit Cards

Last year, I&M Bank, Kenya partnered with Mastercard to roll out new world class debit and credit cards targeted at young professionals and high-net worth clientele offering a range of lifestyle and travel benefits.

The suite of cards consists of the Mastercard World Elite, Mastercard World Debit and Credit, Mastercard Platinum Debit, Mastercard World Business Credit Card and Mastercard Business Credit Card. Key to note is that the cards are made from recyclable plastic, which aligns with the Bank's sustainability agenda.

A key benefit of the cards, depending on the category, is comprehensive travel insurance cover which includes travel accident insurance, emergency medical evacuation and repatriation as well as medical expenses, access to global emergency services for lost or stolen card reporting, emergency card replacement and emergency cash advance.

Additional benefits include merchant offers and discounts at participating outlets, luxury travel benefits like free unlimited airport lounge access, premium memberships for hotel, airlines, car rental and chauffeur discounts, a visa application and appointments booking service as well as card safety controls on the I&M On-The-Go mobile and internet banking application.

Cardholders have been able to use the cards to withdraw funds from any Mastercard-licensed ATM both locally and abroad, shop online, and pay for goods and services at millions of merchants that accept Mastercard payment cards around the world.

OUR BUSINESS (Continued)
I&M News (Continued)

FMO supports I&M Bank Kenya's expanded MSME strategy with USD 15 mln NASIRA portfolio guarantee

In 2022, FMO, the Dutch entrepreneurial development bank, and I&M Bank, Kenya, announced the signing of a NASIRA portfolio guarantee for USD 15 mln in local currency for onward lending to the Bank's customers. The risk-sharing facility has been used for I&M Bank's MSME portfolio, as it aims to expand its outreach to MSMEs as part of its current iMara strategy. The NASIRA program is enabled by the European Union (European Fund for Sustainable Development) and MASSIF, the financial inclusion fund FMO manages on behalf of the Dutch government.

The NASIRA guarantee has fostered financial inclusion, helping both banked and unbanked MSMEs adversely impacted by COVID-19. The program has been supporting underserved entrepreneur segments in Sub-Saharan Africa and countries neighboring Europe. The program focuses on groups such as young, female, migrant, and COVID-19-affected workers who often remained underbanked because of both perceived and real risks (such as lack of collateral and credit history). Through the risk-sharing facility, NASIRA has reduced these risk that local financial institutions face and eliminated the hurdle by offering to share future credit losses, allowing granting much-needed financing for microenterprises and SMEs.

Supported by the European Union (European Fund for Sustainable Development) and MASSIF (the financial inclusion fund FMO manages for the Dutch government), the NASIRA facility with I&M Bank, Kenya also includes Capacity Development and Technical Assistance support through non-financial services such as business digitisation, enhancing MSME lending practices, financial literacy, amongst others.

Crown Paints partners with I&M Bank to provide stock financing for dealers and customers

Last year, I&M Bank, Kenya and Crown Paints PLC launched a Stock Financing partnership with for the Paint manufacturer's dealers and I&M Bank business banking customers operating in the construction and real estate sector. The Bank, through its strategic intent to penetrate the MSME sector, has developed the Stock Financing solution, which has seen its MSME clients scale their businesses and build efficiencies, by helping them manage cash flows and capital invested into the supply value chain.

Under this arrangement, I&M Bank, Kenya has provided Unsecured Loans of up to KES. 10 million to existing Crown Paints dealers, giving them a repayment period of 60 days. Cash customers are eligible for a loan of up to KES. 500,000 to be repaid within 60 days. Further, the paint manufacturer's Crown Your Space customers and Team Kubwa Sacco members have been receiving loans ranging from KES. 150,000 to KES. 500,000, to be repaid within 12 – 24 months.

The solution has been a significant complement to I&M Bank's strategic Digital Lending initiatives for MSME clients, as it's offered through a digital platform i.e., USSD Code *458#. Further, this strategic tie-up is crucial, as it has helped Crown Paints, who is the Bank's anchor client in this Stock Financing offering, to enhance its business efficiencies and ease payment processes from their distributors.

OUR BUSINESS (Continued)
I&M News (Continued)

I&M Bank, Kenya's customers take up 42% of its Green Funding Scheme

In 2023, I&M Bank, Kenya disbursed over Kes. 2 billion to customers in small, medium, and large businesses through its Renewable Energy Funding Scheme. The Fund established in 2019, as part of the Bank's Environmental, Social and Governance (ESG) Programme initiatives, aims at financing clean energy projects for customers in their efforts to move to more environmentally friendly solutions, with a view to enhance cost efficient production processes as well as lower the carbon footprint. The Fund has helped a good number of businesses in the renewable energy sector to access credit facilities to fund solar and biomass energy projects and enabled them to switch to clean energy alternatives.

Through the Green Energy Fund, small, medium, and large businesses as well as residential users, have received financing for the acquisition and set up costs in their renewable energy transition. The Bank has committed to set aside an additional Kes 6 billion shillings to finance renewable energy projects, energy conservation projects and green energy in transportation.

VISA Kenya & I&M Bank FIFA World Cup Qatar 2022 TM partnership

I&M Bank, Kenya in 2022, partnered with VISA Kenya to reward two of the Bank's top users of the I&M Visa Infinite Credit Card, to watch the FIFA World Cup Qatar 2022TM semi-finals in Doha. The initiative affirmed the Bank's commitment to go beyond provision of quality financial solutions by giving them value through meeting their lifestyle requirements enriched by our premium cards.

I&M Young Savers hosted for Art engagement

I&M Bank, Kenya has over the years organised engagements for our Young Savers aimed at creating and nurturing creativity and talent, through various forms of art experiences. In 2022, the Bank organised an art painting initiative for our Young Savers held at the organisation's Head Office - One Park, Avenue. The event attracted over 70 children who engaged in various painting activities categorised in different ages. The initiative is part of the umbrella I&M Art Experience set to be launched in 2023, that will position the I&M group's critical role in supporting the creative arts industry.

I&M Bank, Kenya hosts Annual Golf Day

In 2022, the Bank hosted its Corporate, Business and Premium customers to yet another successful I&M Golf Day at the Karen Country Club. Powered by the new Customer Value Propositions rolled out earlier in the year, the event was aimed at building brand visibility and loyalty amongst our clients, whilst creating awareness on the new accounts and card products. Due to the event's popularity, the Bank will now host the inaugural golf series in 2023 running across the country.

OUR BUSINESS (Continued)
I&M News (Continued)

I&M Bank, Kenya extends its Wealth Management and Advisory Services

I&M Bank, Kenya extended its Wealth Management and Advisory portfolio in 2022. The new services comprise of the I&M Capital Wealth Fund, which is an open-ended mutual fund that invests in short term fixed income securities.

It also now includes the offshore sovereign bonds, offered through a partnership with Bank One Limited, Mauritius, to offer customers access to investments in Eurobonds issued by sovereigns such as Kenya, Nigeria, Ghana, Egypt etc. The investments have US dollar denominated returns with interest payable on a semi-annual basis.

In addition, the portfolio also now includes a bond trading facility offered for the Government of Kenya bond trading in both primary and secondary markets, which allows investors to leverage on margins from Government securities trading.

I&M Bank, Kenya launches Workplace banking

Last year, I&M Bank, Kenya launched its Workplace banking unit dubbed I&M@Work. As part of the initial stages of the unit, the Bank rolled out of Unsecured Check off Loans offered to salaried employees working with private or public institutions.

This allows for customers to get a new Unsecured Loan from the Bank or allows the Bank to take over existing loans from Kes. 50,000 to Kes. 5 million, with a repayment period of upto 96 months and a grace period of one month.

The offering does not require any security and comes with a Credit Life insurance policy and retrenchment cover, a dedicated relationship manager, as well as a waiver of processing fees for loan buyoffs.

I&M Bank Feted in Sustainable Finance Initiative (SFI) Catalyst Awards

Last year, I&M Bank, Kenya was feted as the 2nd Runners Up in the Best in Bank Operations Category at the Sustainable Finance Initiative (SFI) Catalyst Awards, conducted by the Kenya Bankers Association.

The Bank's entry in the Best in Bank Operations Category highlighted 1 Park's contribution to environmental sustainability through energy efficiency and environmental recycling practices.

It also highlighted the significant strides that the Bank has made towards the implementation of Environmental Social and Governance (ESG) framework in the Bank's operations, addressing various issues such as governance, sustainability in operations, and bank infrastructure management.

This is in line with the Bank's commitment to remain as a good corporate citizen through embracing its ESG responsibility, which will address actions around resource use efficiency and pollution control, specifically exploring bank-wide Energy use efficiency (EUE) and Integrated Solid waste management (ISWM).

OUR FINANCIALS

"When you find an idea that you just can't stop thinking about, that's probably a good one to pursue."

Josh James, CEO and co-founder of Omniture

OUR FINANCIALS

Report of the Directors for the year ended 31 December 2022

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of the Company ("the Bank" or "the Company") and the Group. The Group comprises I&M Bank LIMITED, I&M Bank (T) Limited, I&M Bancassurance Intermediary Limited and Youjays Insurance Brokers Limited.

1. Principal activities

The Bank and I&M Bank (T) Limited provide extensive range of banking, financial and related services permitted under the Banking Act, Kenya and the Banking and Financial Institutions Act, 2006, Tanzania and are regulated by Central Bank of Kenya and Bank of Tanzania respectively. I&M Bancassurance Intermediary Limited provides insurance agency services as defined by the Insurance Act.

2. Results/business review

The consolidated results for the year are as follows:

	2022	2021
	KShs'000	KShs'000
Profit before income tax	11,739,214	11,235,121
Income tax expense	(2,381,908)	(3,788,103)
Net profit for the year after tax	**9,357,306**	**7,447,018**

Net profit closed at KShs 9.4 billion, a 26% increase aided by trading. Net operating income grew by KShs 1.7 billion while operating expenses rose by KShs 1.2 billion.

The principal risks and uncertainties facing the Group and Company as well as the risk management framework are outlined in Note 5 of the consolidated and separate financial statements.

3. Dividend

The Directors recommend payment of a final dividend of KShs 210 per share amounting to KShs 6,300,000,000 for the year ended 31 December 2022 (2021 – KShs 3,993,000,000).

4. Directors

The Directors of the Company who served during the year and up to the date of this report are set out on page 2. The Company provides professional indemnity for all the Directors.

5. Relevant audit information

The Directors in office at the date of this report confirm that:

(i) There is no relevant audit information of which the Company's auditor is unaware; and

(ii) Each Director has taken all the steps that they ought to have taken as a Director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

OUR FINANCIALS (Continued)

Report of the Directors for the year ended 31 December 2022 (Continued)

6. Auditor

In accordance with section 719 of the Companies Act, 2015 and Section 24 of the Banking Act (Cap 488), a resolution is to be proposed at the Annual General Meeting for the appointment of KPMG Kenya as the auditor of the Company.

7. Approval of financial statements

The financial statements were approved and authorised for issue at a meeting of the Directors held on 28 March 2023.

BY ORDER OF THE BOARD

Secretary

Date: 28 March 2023.

OUR FINANCIALS (Continued)
Statement of Directors' Responsibilities

The Directors are responsible for the preparation and presentation of the consolidated and separate financial statements of I&M Bank LIMITED (the "Group" and "Company") set out on pages 36 to 143 which comprise the consolidated and company statements of financial position as at 31 December 2022, and consolidated and company statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory information, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. The Directors are of the opinion that the financial statements give a true and fair view of the financial position and the profit or loss of the Group and the Company.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, 2015, the Directors are required to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and the Company as at the end of the financial year and of the profit or loss of the Group and the Company for that year. It also requires the Directors to ensure the Group and Company keeps proper accounting records which disclose with reasonable accuracy the financial position and profit or loss of the Group and the Company.

The Directors accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the Company and Group ability to continue as a going concern and have no reason to believe the Group and Company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the consolidated and separate financial statements

The consolidated and separate financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on **28 March 2023.**

Nikhil Hira

Nikhil R Hira
Director

Dr. A Nyambura Koigi
Director

Sarit S Raja Shah
Director

Date: 28 March 2023.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF I&M BANK LIMITED

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of I&M Bank LIMITED (the "Group" and "Company") as set out on pages 36 to 143, which comprise the consolidated and company statements of financial position as at 31 December 2022, and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company 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 and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of I&M Bank LIMITED as at 31 December 2022, and of 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 as issued by the International Accounting Standards Board (IFRSs) and in the manner required by 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 Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group and the Company in accordance with International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (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 other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the I&M Bank LIMITED Annual Report and Financial Statements for the year ended 31 December 2022, but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information except to the extent otherwise explicitly stated in our report and we do not express any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act,2015 as set out below.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF I&M BANK LIMITED (CONTINUED)

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

Directors' responsibilities for the consolidated and separate financial statements

As stated on page 32, the Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRSs and in the manner required by 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 Company'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 Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate 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 judgment 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate 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 auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF I&M BANK LIMITED (CONTINUED)

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements (continued)

- 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 and Company audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015 we report to you based on our audit, that in our opinion, the information in the report of the Directors on pages 30 and 31 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 Dr. Alexander Mbai Practicing certificate number - P/2172.

For and on behalf of:

KPMG Kenya

Certified Public Accountants

8th Floor, ABC Towers

PO Box 40602 – 00100

Nairobi

Date: 29 March 2023

OUR FINANCIALS (Continued)
Consolidated Statement of Profit or Loss and other Comprehensive Income
For the year ended 31 December 2022

	Note	2022	2021
		KShs'000	KShs'000
Interest income	8(a)	29,656,323	27,120,691
Interest expense	9(a)	(11,774,896)	(9,926,439)
Net interest income		**17,881,427**	**17,194,252**
Fee and commission income	10(a)	4,730,089	4,120,463
Fee and commission expense	10(a)	(253,588)	(204,181)
Net fee and commission income	10(a)	**4,476,501**	**3,916,282**
Revenue		**22,357,928**	**21,110,534**
Net trading income	11(a)	5,101,542	2,796,500
Other operating income	12(a)	268,726	108,547
Net operating income before change in expected credit losses and other credit impairment charges		**27,728,196**	**24,015,581**
Net impairment losses on financial assets	21(b)	(5,361,698)	(3,362,703)
Net operating income		**22,366,498**	**20,652,878**
Staff costs	13(a)	(4,660,311)	(4,466,804)
Premises and equipment costs	13(a)	(411,608)	(405,174)
General administrative expenses	13(a)	(3,927,122)	(3,217,148)
Depreciation and amortisation	13(a)	(1,628,243)	(1,328,631)
Operating expenses		**(10,627,284)**	**(9,417,757)**
Profit before income tax	**14(a)**	**11,739,214**	**11,235,121**
Income tax expense	15(a)(i)	(2,381,908)	(3,788,103)
Net profit for the year after tax		**9,357,306**	**7,447,018**

(Continued Page 37)

The notes set out on page 47to 143 form an integral part of these financial statements.

OUR FINANCIALS (Continued)
Consolidated Statement of Profit or Loss and other Comprehensive Income
For the year ended 31 December 2022 (Continued)

	Note	2022	2021
		KShs'000	KShs'000
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Net change in fair value of FVOCI financial assets - Equity instruments	22	26,148	(269,358)
Deferred tax on fair value of FVOCI financial assets - Equity instruments		(7,844)	80,807
Items that are or may be reclassified to profit or loss:			
Net change in fair value of FVOCI financial assets- Debt instruments	22	(4,110,773)	(828,461)
Deferred tax on fair value of FVOCI financial assets - Debt instruments		1,286,093	248,540
Foreign currency translation differences		349,752	194,628
Total other comprehensive income for the year		**(2,456,624)**	**(573,844)**
Total comprehensive income for the year		**6,900,682**	**6,873,174**
Profit attributable to:			
Equity holders of the company		9,469,652	7,372,029
Non-controlling interest		(112,346)	74,989
		9,357,306	**7,447,018**
Comprehensive income attributable to:			
Equity holders of the company		6,935,399	6,755,444
Non-controlling interest		(34,717)	117,730
		6,900,682	**6,873,174**
Basic and diluted earnings per share - (KShs)	**16**	**315.66**	**247.38**

The notes set out on page 47to 143 form an integral part of these financial statements.

OUR FINANCIALS (Continued)

Company Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2022

	Note	2022	2021
		KShs'000	KShs'000
Interest income	8(b)	26,847,186	24,614,610
Interest expense	9(b)	(10,608,939)	(8,947,180)
Net interest income		**16,238,247**	**15,667,430**
Fee and commission income	10(b)	4,102,608	3,598,068
Fee and commission expense	10(b)	(250,997)	(194,958)
Net fee and commission income	10(b)	**3,851,611**	**3,403,110**
Revenue		**20,089,858**	**19,070,540**
Net trading income	11(b)	4,882,080	2,643,895
Other operating income	12(b)(i)	268,954	134,325
Dividend income	12(b)(ii)	87,387	27,500
Net operating income before change in expected credit losses and other credit impairment charges		**25,328,279**	**21,876,260**
Net impairment losses on financial assets	21(b)	(4,060,796)	(3,098,467)
Net operating income		**21,267,483**	**18,777,793**
Staff costs	13(b)	(3,906,936)	(3,829,782)
Premises and equipment costs	13(b)	(359,564)	(364,084)
General administrative expenses	13(b)	(3,325,759)	(2,846,313)
Depreciation and amortisation	13(b)	(1,415,141)	(1,150,167)
Operating expenses		**(9,007,400)**	**(8,190,346)**
Profit before income tax	14(b)	12,260,083	10,587,447
Income tax expense	15(a)(ii)	(2,497,932)	(3,581,766)
Net profit for the year after tax		**9,762,151**	**7,005,681**
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Net change in fair value of FVOCI financial assets - Equity instruments	22	26,148	(78,065)
Deferred tax on fair value of FVOCI financial assets - Equity instruments		(7,844)	23,420
Items that are or may be reclassified to profit or loss:			
Net change in fair value of FVOCI financial assets	22	(4,495,366)	(822,573)
Deferred tax on fair value of FVOCI financial assets		1,401,442	246,771
Total other comprehensive income for the year		**(3,075,620)**	**(630,447)**
Total comprehensive income for the year		**6,686,531**	**6,375,234**
Basic and diluted earnings per share - (KShs)	16	**325.41**	**235.09**

The notes set out on pages 47 to 143 form an integral part of these financial statements.

OUR FINANCIALS (Continued)
Consolidated Statement of Financial Position
As at ended 31 December 2022

	Note	2022	2021
		KShs '000	KShs '000
ASSETS			
Cash and balances with central banks	18(a)	15,966,304	17,539,247
Items in the course of collection	19(a)	433,996	654,632
Loans and advances to banks	20(a)	10,981,678	6,005,054
Loans and advances to customers	21(a)(i)	203,355,150	179,559,148
Financial assets at fair value through profit or loss (FVTPL)	22(a)(i)	15,080,925	15,932,960
Financial assets measured at fair value through other comprehensive income (FVOCI)	22(b)(i)	50,034,300	62,538,424
Other financial assets at amortised cost	22(c)(i)	29,115,880	36,177,880
Held for sale assets	23(a)	748,849	1,001,430
Property and equipment	25(a)	3,276,378	3,853,538
Intangible assets - goodwill	26(a)(i)	799,365	758,788
Intangible assets - software	26(b)(i)	2,436,863	2,144,297
Tax recoverable	15(b)(i)	353,305	126,054
Deferred tax asset	27(a)	7,708,969	4,876,653
Due from group companies	28(a)(i)	782,325	790,849
Other assets	29(a)	3,599,744	2,016,943
TOTAL ASSETS		**344,674,031**	**333,975,897**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits from banks	30(a)	11,182,714	11,990,628
Deposits from customers	31(a)	257,841,512	249,434,667
Due to group companies	28(b)(i)	1,732,442	1,792,385
Tax payable	15(b)(i)	5,727	29,310
Other liabilities	32(a)	5,444,455	3,640,510
Long term debt	33(a)	1,563,943	3,964,050
Subordinated debt	34(a)	9,800,069	8,924,816
		287,570,862	**279,776,366**
Shareholders' equity (Page 43-44)			
Share capital	35(a)	3,000,000	2,980,000
Share premium	35(b)	5,531,267	5,531,267
Retained earnings		44,624,663	37,975,789
Statutory credit risk reserve	35(c)	6,109,112	7,281,534
Fair value reserve	35(e)	(3,356,167)	(536,377)
Translation reserve	35(d)	185,377	(100,160)
Equity attributable to owners of the company		**56,094,252**	**53,132,053**
Non- controlling interest	24	1,008,917	1,067,478
Total shareholders' equity		57,103,169	54,199,531
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**344,674,031**	**333,975,897**

The financial statements set out on pages 36 to 143 were approved and authorised for issue by the Board of Directors on **28 March 2023** and were signed on its behalf by:

Nikhil R Hira **Director**	**Dr A Nyambura Koigi** **Director**	**Sarit S Raja Shah** **Director**	**Stella Gacharia** **Secretary**

The notes set out on pages 47 to 143 form an integral part of these financial statements.

OUR FINANCIALS (Continued)
Company Statement of Financial Position
At 31 December 2022

	Note	2022	2021
		KShs '000	KShs '000
ASSETS			
Cash and balances with Central Bank of Kenya	18(b)	12,978,570	13,931,296
Items in the course of collection	19(b)	433,996	648,914
Loans and advances to banks	20(b)	9,985,263	4,990,799
Loans and advances to customers	21(a)(ii)	184,013,890	162,145,643
Financial assets at fair value through profit or loss (FVTPL)	22(a)(ii)	15,080,925	15,932,960
Financial assets measured at fair value through other comprehensive income (FVOCI)	22(b)(ii)	49,622,300	62,838,955
Other financial assets at amortised cost	22(c)(ii)	22,655,837	30,605,205
Held for sale assets	23(b)	748,849	1,001,430
Investment in subsidiaries	24	3,057,685	3,057,685
Property and equipment	25(b)	2,943,953	3,492,610
Intangible assets - software	26(b)(ii)	2,272,416	1,916,636
Tax recoverable	15(b)(ii)	278,849	125,958
Deferred tax asset	27(b)	7,089,531	4,408,125
Due from group companies	28(a)(ii)	1,009,654	839,071
Other assets	29(b)	3,338,641	1,866,978
TOTAL ASSETS		**315,510,359**	**307,802,265**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits from banks	30(b)	9,715,491	11,572,476
Deposits from customers	31(b)	233,806,796	228,030,619
Due to group companies	28(b)(ii)	1,914,149	1,773,808
Other liabilities	32(b)	4,755,652	3,148,494
Long term debt	33(b)	884,444	2,431,625
Subordinated debt	34(b)	9,800,069	8,924,816
		260,876,601	**255,881,838**
Shareholders' equity (page 45-46)			
Share capital	35(a)	3,000,000	2,980,000
Share premium	35(b)	5,531,267	5,531,267
Retained earnings		43,444,898	36,937,303
Statutory credit risk reserve	35(c)	6,008,653	6,747,297
Fair value reserve	35(e)	(3,351,060)	(275,440)
		54,633,758	**51,920,427**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**315,510,359**	**307,802,265**

The financial statements set out on pages 36 to 143 were approved and authorised for issue by the Board of Directors on 28 **March 2023** and were signed on its behalf by:

Nikhil R Hira	**Dr A Nyambura Koigi**	**Sarit S Raja Shah**	**Stella Gacharia**
Director	**Director**	**Director**	**Secretary**

The notes set out on pages 47 to 143 form an integral part of these financial statements.

OUR FINANCIALS (Continued)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 KShs'000	2021 KShs'000
Net cash flows generated from operating activities	36(a)	**5,950,208**	**(13,052,364)**
Cash flows from investing activities			
Purchase of property and equipment (excluding right of use assets)	25(a)	(356,194)	(613,337)
Purchase of intangible assets	26(b)(i)	(920,658)	(738,593)
Proceeds from disposal of property and equipment		20,068	12,831
Rights issue - I&M Bank (T) Limited		-	35,039
Net cash used in/(from) investing activities		**(1,256,784)**	**(1,304,060)**
Cash flows from financing activities			
Payment of lease liabilities	32(c)	(323,979)	(351,297)
Net inflow of subordinated debt		875,253	5,544,769
Dividend paid to shareholders of the company		(3,993,200)	(6,778,527)
Issue of shares - I&M Bank LIMITED		20,000	-
Dividend paid to non-controlling interest		(23,844)	-
Net cash flow used in financing activities		**(3,445,770)**	**(1,585,055)**
Net increase in cash and cash equivalents		**1,247,654**	**(15,941,479)**
Cash and cash equivalents at start of the year		**4,602,931**	**20,114,082**
Effect of exchange rate fluctuations on cash and cash equivalent held		281,125	430,328
Cash and cash equivalents at end of the year	36(b)	**6,131,710**	**4,602,931**

The notes set out on pages 47 to 143 form an integral part of these financial statements.

OUR FINANCIALS (Continued)

Company Statement of Cash Flows

For the Year Ended 31 December 2022

	Note	2022 KShs'000	2021 KShs'000
Net cash flows generated from operating activities	36(c)	**7,797,671**	**(14,421,929)**
Cash flows from investing activities			
Purchase of property and equipment (excluding right of use assets)	25(b)	(299,510)	(541,669)
Purchase of intangible assets	26(b)(ii)	(914,122)	(712,035)
Proceeds from disposal of property and equipment		3,600	12,831
Purchase of additional shares in a subsidiary - I&M Bank (T) Limited	24	-	(306,932)
Dividends received	12(b)(ii)	87,387	27,500
Net cash used in investing activities		**(1,122,645)**	**(1,520,305)**
Cash flows from financing activities			
Payment of lease liabilities	32(c)	(279,194)	(320,764)
Net inflow of subordinated debt		875,253	5,874,069
Dividend paid		(3,993,200)	(6,778,527)
Issue of shares - I&M Bank LIMITED		20,000	-
Net cash outflow from financing activities		**(3,377,141)**	**(1,225,222)**
Net increase in cash and cash equivalents		**3,297,885**	(17,167,456)
Cash and cash equivalents at start of the year		**1,561,491**	18,358,005
Effect of exchange rate fluctuations on cash and cash equivalent held		92,910	370,942
Cash and cash equivalents at end of the year	36(d)	**4,952,286**	**1,561,491**

The notes set out on pages 47 to 143 form an integral part of these financial statements.

OUR FINANCIALS (Continued)
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2022

2022:	Share capital KShs'000	Share premium KShs'000	Retained earnings KShs'000	Statutory credit risk reserve KShs'000	Fair value reserve KShs'000	Translation reserve KShs'000	Total KShs'000	Non controlling interest KShs'000	Total KShs'000
At 1 January 2022	**2,980,000**	**5,531,267**	**37,975,789**	**7,281,534**	**(536,377)**	**(100,160)**	**53,132,053**	**1,067,478**	**54,199,531**
Comprehensive income for the year									
Net profit after tax	-	-	9,469,652	-	-	-	9,469,652	(112,346)	9,357,306
	-	**-**	**9,469,652**	**-**	**-**	**-**	**9,469,652**	**(112,346)**	**9,357,306**
Other comprehensive income									
Translation reserve	-	-	-	-	-	285,537	285,537	64,215	349,752
Fair value reserve	-	-	-	-	(4,098,039)	-	(4,098,039)	13,414	(4,084,625)
Deferred tax - fair value reserve	-	-	-	-	1,278,249	-	1,278,249	-	1,278,249
Statutory credit risk reserve	-	-	1,172,422	(1,172,422)	-	-	-	-	-
Total other comprehensive income	**-**	**-**	**1,172,422**	**(1,172,422)**	**(2,819,790)**	**285,537**	**(2,534,253)**	**77,629**	**(2,456,624)**
Total comprehensive income	**-**	**-**	**10,642,074**	**(1,172,422)**	**(2,819,790)**	**285,537**	**6,935,399**	**(34,717)**	**6,900,682**
Transactions with owners, recorded directly in equity									
Allotment of shares	20,000	-	-	-	-	-	20,000	-	20,000
Dividend - 2021	-	-	(3,993,200)	-	-	-	(3,993,200)	(23,844)	(4,017,044)
Total transactions with owners for the year	**20,000**	**-**	**(3,993,200)**	**-**	**-**	**-**	**(3,973,200)**	**(23,844)**	**(3,997,044)**
Balance as at 31 December 2022	**3,000,000**	**5,531,267**	**44,624,663**	**6,109,112**	**(3,356,167)**	**185,377**	**56,094,252**	**1,008,917**	**57,103,169**

The notes set out on pages 47 to 143 form an integral part of these financial statements.

OUR FINANCIALS (Continued)
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2022 (Continued)

2021:	Share capital KShs'000	Share premium KShs'000	Retained earnings KShs'000	Statutory credit risk reserve KShs'000	Fair value reserve KShs'000	Translation reserve KShs'000	Total KShs'000	Non controlling interest KShs'000	Total KShs'000
As previously stated at 1 January 2021	**2,980,000**	**5,531,267**	**39,278,973**	**5,179,151**	**183,218**	**(252,101)**	**52,900,508**	**1,169,337**	**54,069,845**
Correction of prior year error									
Fair value revaluation prior year reversal	-	-	(69,901)	-	69,901	-	-	-	-
Deferred tax - fair value reval prior year reversal	-	-	20,970	-	(20,970)	-	-	-	-
At 1 January 2021 restated	**2,980,000**	**5,531,267**	**39,230,042**	**5,179,151**	**232,149**	**(252,101)**	**52,900,508**	**1,169,337**	**54,069,845**
Comprehensive income for the year									
Net profit after tax	-	-	7,372,029	-	-	-	7,372,029	74,989	7,447,018
	-	**-**	**7,372,029**	**-**	**-**	**-**	**7,372,029**	**74,989**	**7,447,018**
Other comprehensive income									
Translation reserve	-	-	-	-	-	151,941	151,941	42,687	194,628
Fair value reserve	-	-	-	-	(1,097,896)	-	(1,097,896)	77	(1,097,819)
Deferred tax - fair value reserve	-	-	-	-	329,370	-	329,370	(23)	329,347
Statutory credit risk reserve	-	-	(2,036,982)	2,036,982	-	-	-	-	-
Total other comprehensive income	**-**	**-**	**(2,036,982)**	**2,036,982**	**(768,526)**	**151,941**	**(616,585)**	**42,741**	**(573,844)**
Total comprehensive income	**-**	**-**	**5,335,047**	**2,036,982**	**(768,526)**	**151,941**	**6,755,444**	**117,730**	**6,873,174**
Transactions with owners, recorded directly in equity									
Rights issue - I&M Bank (T) Limited	-	-	189,227	65,401	-	-	254,628	(219,589)	35,039
Special dividend - 2020	-	-	(4,300,000)	-	-	-	(4,300,000)	-	(4,300,000)
Final dividend - 2019	-	-	(2,478,527)	-	-	-	(2,478,527)	-	(2,478,527)
Total transactions with owners for the year	**-**	**-**	**(6,589,300)**	**65,401**	**-**	**-**	**(6,523,899)**	**(219,589)**	**(6,743,488)**
Balance as at 31 December 2021	**2,980,000**	**5,531,267**	**37,975,789**	**7,281,534**	**(536,377)**	**(100,160)**	**53,132,053**	**1,067,478**	**54,199,531**

The notes set out on pages 47 to 143 form an integral part of these financial statements.

OUR FINANCIALS (Continued)
Company Statement of Changes in Equity
For the year ended 31 December 2022

2022:	Share capital KShs'000	Share premium KShs'000	Retained earnings KShs'000	Statutory credit risk reserve KShs'000	Fair value reserve KShs'000	Total KShs'000
At 1 January 2022	**2,980,000**	**5,531,267**	**36,937,303**	**6,747,297**	**(275,440)**	**51,920,427**
Comprehensive income for the year						
Net profit after tax	-	-	9,762,151	-	-	9,762,151
	-	**-**	**9,762,151**	**-**	**-**	**9,762,151**
Other comprehensive income						
Statutory credit reserve	-	-	738,644	(738,644)	-	-
Fair value reserve	-	-	-	-	(4,469,218)	**(4,469,218)**
Deferred tax - fair value reserve	-	-	-	-	1,393,598	**1,393,598**
Total other comprehensive income	**-**	**-**	**738,644**	**(738,644)**	**(3,075,620)**	**(3,075,620)**
Total comprehensive income	**-**	**-**	**10,500,795**	**(738,644)**	**(3,075,620)**	**6,686,531**
Transactions with owners recorded directly in equity						
Allotment of shares	20,000	-	-	-	-	20,000
Final dividend - 2021	-	-	(3,993,200)	-	-	(3,993,200)
Total transactions with owners for the year	**20,000**	**-**	**(3,993,200)**	**-**	**-**	**(3,973,200)**
Balance as at 31 December 2022	**3,000,000**	**5,531,267**	**43,444,898**	**6,008,653**	**(3,351,060)**	**54,633,758**

The notes set out on pages 47 to 143 form an integral part of these financial statements.

OUR FINANCIALS (Continued)

Company Statement of Changes in Equity
For the year ended 31 December 2022 (Continued)

2021:	Share capital	Share premium	Retained earnings	Statutory credit risk reserve	Fair value reserve	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
As previously stated at 1 January 2021	**2,980,000**	**5,531,267**	**38,925,990**	**4,580,387**	**306,076**	**52,323,720**
Correction of prior year error						
Fair value revaluation prior year reversal	-	-	(69,901)	-	69,901	-
Deferred tax - fair value reval prior year reversal	-	-	20,970	-	(20,970)	-
At 1 January 2021 restated	**2,980,000**	**5,531,267**	**38,877,059**	**4,580,387**	**355,007**	**52,323,720**
Comprehensive income for the year						
Net profit after tax	-	-	7,005,681	-	-	7,005,681
	-	**-**	**7,005,681**	**-**	**-**	**7,005,681**
Other comprehensive income						
Statutory credit reserve	-	-	(2,166,910)	2,166,910	-	-
Fair value reserve	-	-	-	-	(900,638)	(900,638)
Deferred tax - fair value reserve	-	-	-	-	270,191	270,191
Total other comprehensive income	**-**	**-**	**(2,166,910)**	**2,166,910**	**(630,447)**	**(630,447)**
Total comprehensive income	**-**	**-**	**4,838,771**	**2,166,910**	**(630,447)**	**6,375,234**
Transactions with owners recorded directly in equity						
Special dividend – 2021	-	-	(4,300,000)	-	-	(4,300,000)
Final dividend - 2020	-	-	(2,478,527)	-	-	(2 ,478,527)
Total transactions with owners for the year	**-**	**-**	**(6,778,527)**	**-**	**-**	**(6 ,778,527)**
Balance as at 31 December 2021	**2,980,000**	**5,531,267**	**36,937,303**	**6,747,297**	**(275,440)**	**51,920,427**

The notes set out on pages 47 to 143 form an integral part of these financial statements.

OUR FINANCIALS

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022

1. REPORTING ENTITY

I&M Bank LIMITED (the "Bank" or "Company"), a financial institution licensed under the Kenyan Banking Act (Chapter 488), provides corporate and retail banking services in various parts of the country. The Bank is incorporated in Kenya under the Kenyan Companies Act and has subsidiaries in Kenya and Tanzania. The consolidated financial statements of the Bank as at and for the year ended 31 December 2022 comprise the Bank and its subsidiaries (together referred to as the "Group"). The address of its registered office is as follows:

1 Park Avenue
1st Parklands Avenue
PO Box 30238
00100 Nairobi GPO

The Bank has a 77.80% shareholding in I&M Bank (T) Limited and 100% shareholding in I&M Bancassurance Intermediary Limited (IMBIL) (incorporated on 23 July 2014). IMBIL owns 100% of Youjays Insurance Brokers Limited (effective 31 March 2018) and together with the parent (I&M Bank LIMITED) referred to as "Group".

2. BASIS OF PREPARATION

(a) Statement of compliance

The Group's consolidated and separate financial statements for the year 2022 have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Kenyan Companies Act 2015. Additional information required by the regulatory bodies is included where appropriate. Details of the significant accounting policies are included in Note 3.

For the Kenyan Companies Act, 2015 reporting purposes, in these financial statements the "balance sheet" is represented by/is equivalent to the statement of financial position and the "profit and loss account" is presented in the statement of profit or loss and other comprehensive income.

(b) Basis of measurement

These consolidated and separate financial statements have been prepared under the historical cost basis of accounting except for the financial assets classified as fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) which are measured at fair value.

(c) Functional and presentation currency

These consolidated and separate financial statements are presented in Kenya Shillings (KShs), which also is the Bank's functional currency. All financial information presented in KShs has been rounded to the nearest thousand (KShs'000) except where otherwise stated.

(d) Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

In particular information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 6.

The classification of financial assets includes the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. See Note 3(f)(ii).

The impairment of financial instruments includes the assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses (ECL). See Notes 3(f)(iii) and 5(a).

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

(a) Basis of consolidation

(i) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement in the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intercompany transactions are eliminated during consolidation.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Transactions eliminated on consolidation

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currencies

Foreign currency transactions are translated into the functional currency of Group entities using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss in the year in which they arise.

Foreign currency non-monetary items measured at fair value are translated into functional currency using the rate of exchange at the date the fair value was determined. Foreign currency gains and losses on non-monetary items are recognized in the statement of profit or loss or statement of comprehensive income consistent with the gain or loss on the non-monetary item.

(c) Foreign operations

The results and financial position of the subsidiaries have been translated into the presentation currency as follows:

(i) Assets and liabilities at each reporting period are translated at the closing rate at the reporting date;

(ii) Income and expenses for each statement of comprehensive income 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

(iii) All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

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.

(d) Income recognition

(i) Net interest income

Effective interest rate and amortised cost

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees at points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Income recognition (continued)

(i) Net interest income - continued

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 3(f)(iii).

Presentation

Interest income and expense presented in the statement of profit or loss and Other Comprehensive Income (OCI) include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest on debt instruments measured at FVOCI calculated on an effective interest basis;

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

(ii) Net fee and commission income

Fee and commission income and expenses that are integral to the effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income (including account servicing fees, investment management fees, sales commission, placement fees and syndication fees) are recognised overtime as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are recognised at a point in time as the service is performed.

(iii) Net trading income and net income on financial assets at fair value through profit or loss

'Net trading income and net income on financial assets at fair value through profit or loss' comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences.

(iv) Other operating income

Other operating income comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes, interest and foreign exchange differences. It also includes rental income and gain on disposal of property and equipment.

(v) Rental income – other operating income

Rental income is recognised in the profit or loss on a straight-line basis over the term of the lease.

(vi) Dividend income

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of operating income.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Income tax expense

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for:

- temporary differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination and which affects neither accounting nor taxable profit
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

(f) Financial assets and financial liabilities

(i) Recognition

The Group initially recognises loans and advances, trade receivables, deposits and debt securities on the date at which they are originated. All other financial assets and liabilities (including assets designated at fair value through profit or loss) are initially recognised on the trade date on which the Group becomes a party to the contractual provision of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue. Subsequent to initial recognition, financial liabilities (deposits and debt securities) are measured at their amortized cost using the effective interest method

(ii) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial assets and financial liabilities (continued)

(ii) Classification - continued

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI Test)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Group holds a portfolio of long-term fixed rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty.

The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Debt instruments are measured at amortized cost

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost. Interest income on these instruments is recognized in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial assets and financial liabilities (continued)

(ii) Classification - continued

Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI), unless the instrument is designated in a fair value hedge relationship. When designated in a fair value hedge relationship, any changes in fair value due to changes in the hedged risk are recognized in non-interest income in the Consolidated Statement of profit or loss and other comprehensive income. Upon derecognition, realized gains and losses are reclassified from OCI and recorded in non-interest income in the consolidated Statement of Profit or Loss and Other Comprehensive Income on an average cost basis. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the statement of profit or loss and other comprehensive income.

Premiums, discounts and related transaction costs are amortized over the expected life of the instrument to Interest income in the consolidated statement of profit or loss and other comprehensive income using the effective interest rate method.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The ACL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the statement of financial position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to provision for credit losses in the statement of profit or loss and other comprehensive income. The accumulated allowance recognised in OCI is recycled to the statement of profit or loss and other comprehensive income upon derecognition of the debt instrument.

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:

(i) Are held for trading purposes;

(ii) Are held as part of a portfolio managed on a fair value basis; or

(iii) Whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the statement of financial position, with transaction costs recognized immediately in the statement of profit or loss and other comprehensive income as part of Non-interest income. Realized and unrealized gains and losses are recognized as part of Non-interest income in the statement of profit or loss and other comprehensive income.

Debt instruments designated at FVTPL

Financial assets classified in this category are those that have been designated by the Bank upon initial recognition, and once designated, the designation is irrevocable. The FVTPL designation is available only for those financial assets for which a reliable estimate of fair value can be obtained.

Financial assets are designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognized in Non-interest income in the statement of profit or loss

Equity instruments

The Group has elected at initial recognition to irrevocably designate an equity investment, held for purposes other than trading, to FVOCI. The fair value changes, including any associated foreign exchange gains or losses, are recognized in OCI and are not subsequently reclassified in the statement of profit or loss and other comprehensive income, including upon disposal. Realized gains and losses are transferred directly to retained earnings upon disposal. Consequently, there is no review required for impairment. Dividends will normally be recognized in the statement of profit or loss and other comprehensive income.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. The Group internal policy does not allow reclassification of financial assets after initial recognition.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial assets and financial liabilities (continued)

(iii) Impairment on financial assets

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

- financial assets (amortised cost and FVOCI) including debt instruments, loans and advances and trade receivables from Bancassurance;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date i.e. balances held with central banks, domestic government bills and bonds, and loans and advances to banks; and
- other financial instruments (other than lease receivables) on which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since their initial recognition i.e. stage 1 (see Note 5(a)).

Loss allowances for trade receivables (bancassurance) are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Significant Increase in Credit Risk (SICR)

At each reporting date, the Group performs both qualitative and quantitative assessments whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

The common assessments for SICR is largely determined by the macroeconomic outlook, management judgement, and delinquency and monitoring. The Group considers that a Significant increase in credit risk occurs when assets is more than 30 days past due and to be in default of more than 30 days past due.

Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. Examples of situations include a significant departure from the primary source of repayment, changes in adjudication criteria for a particular group of borrowers; changes in portfolio composition; and legislative changes impacting certain portfolios.

With regards to delinquency and monitoring, there is a rebuttable presumption that delinquency backstop when contractual payments are more than 30 days past due.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial assets and financial liabilities (continued)

(iii) Impairment on financial assets - continued

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date(stage 1 and 2):* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- *financial assets that are credit-impaired at the reporting date (stage 3):* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- *financial guarantee contracts:* the expected payments to reimburse the holder less any amounts that the Group expects to recover. See also Note 5(a).

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see Note 3(f)(iv)) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as stage 3 financial assets). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for a security because of financial difficulties.

A loan that is overdue for 90 days or more is considered impaired. In addition, a loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Government securities (debt instruments)

In making an assessment of whether an investment in sovereign debt (government bills and bonds, balances due from central banks) is credit-impaired, the Group considers the following factors;

(i) The country's ability to access own local capital markets for new debt issuance;

(ii) The respective government ability to maintain sovereignty on its currency; and

(iii) The intentions and capacity, reflected in public statements, of governments and agencies honor these commitments.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial assets and financial liabilities (continued)

(iii) Impairment on financial assets - continued

Presentation of allowance for ECL in the statement of financial position

- Loss allowances for ECL are presented in the statement of financial position as follows:
- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts:* generally, as a provision;
- *where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component:* the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *debt instruments measured at FVOCI:* no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Financial assets at both amortised and FVOCI are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(iv) De-recognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial assets and financial liabilities (continued)

(v) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

The impact of modifications of financial assets on the expected credit loss calculation is discussed in note 3(f)(iii).

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

(g) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or liability measure at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of net exposure to either market or credit risk are measure on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group measure fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included in level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows in the financial statements, cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(i) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the asset.

Subsequent expenditure is capitalised only when it is probable that future economic benefits of the expenditure will flow to the Group. On-going repairs and maintenance are expensed as incurred.

Depreciation is charged on a straight line basis to allocate the cost of each asset, to its residual value over its estimated useful life as follows:

Leasehold improvements	10 – 12½% or over the period of lease if shorter than 8 years
Computer equipment and computer software	20 – 33 ⅓%
Furniture, fittings and fixtures	10 – 12½%
Motor vehicles	20 – 25%

Depreciation is recognised in profit or loss. The assets' residual values and useful lives are reviewed and adjusted as appropriate, at each reporting date.

Any gains or losses on disposal of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in other income in profit or loss

(j) Intangible assets

(i) Computer software

The costs incurred to acquire and bring to use specific computer software licences are capitalised. Software is measure at cost less accumulated amortisation and accumulated impairment. The costs are amortised on a straight line basis over the expected useful lives, from the date it is available for use, not exceeding five years. Costs associated with maintaining software are recognised as an expense as incurred.

Amortisation methods, residual values and useful lives are reviewed and adjusted as appropriate, at each reporting date.

(ii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's interest in the net fair value of the acquired company's identifiable assets, liabilities and contingent liabilities as at the date of acquisition. Goodwill is stated at cost less accumulated impairment losses. At the reporting date, the Group assesses the goodwill carried in the books for impairment.

Goodwill is reviewed annualy for impairment.The task involves comparing the carrying value of a cash generating unit (CGU) including cashflows discounted at a rate of interest that reflects the inherent risks of the CGU to which the goodwill relates to.

(k) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

Group acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Leases (continued)

Group acting as a lessee - continued

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is

remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and group. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Derivative financial instruments

The Group uses financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities.

Derivative financial instruments are recognised initially at fair value on the date the derivative contract is entered into. Subsequent to initial recognition, derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is the amount of the mark to market adjustment at the reporting date.

(n) Employee benefits

(i) Defined contribution plan

The majority of the Group's employees are eligible for retirement benefits under a defined contribution plan.

The assets of the defined contribution scheme are held in a separate trustee administered guaranteed scheme managed by an insurance company. Retirement plans are funded by contributions from the employees and the respective entities. The Group's contributions are recognised in profit or loss in the year to which they relate.

The Group also contributes to various national social security funds in the countries it operates. Contributions are determined by local statute and the Group's contributions are charged to the income statement in the year to which they relate.

(ii) Leave accrual

The monetary value of the unutilised leave by staff as at year end is recognised within accruals and the movement in the year is debited/credited to the profit or loss.

(o) Share capital and share issue costs

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of an equity instrument are deducted from initial measurement of the equity instruments.

(p) Earnings per share

Earnings per share are calculated based on the profit attributable to owners of the company divided by the number of ordinary shares. Diluted earnings per share are computed using the weighted average number of equity shares and dilutive potential ordinary shares outstanding during the year.

(q) Dividends

Dividends are charged to equity in the period in which they are declared. Proposed dividends are not accrued until they have been ratified at the Annual General Meeting.

(r) Contingent liabilities

Letters of credit, acceptances and guarantees are not recognised and are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date the financial statements are approved for issue by the Directors. Any expected loss is charged to profit or loss.

(s) Provisions

Provisions are recognised when the Company 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. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

(t) Fiduciary activities

The Group commonly acts as Trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefits plans and institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

(u) Comparative information

Where necessary, comparative figures have been restated to conform with changes in presentation in the current year.

(v) Non-current assets held for sale

Non-current assets are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal, are re-measured in accordance with the Group's accounting policies. Thereafter, generally the assets, or disposal, are measured at the lower of their carrying amount and fair value less cost to sell. For non-financial assets, fair value takes into account the highest and best use either on a standalone basis or in combination with other assets or other assets and liabilities.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Non-current asset held for sale - continued

Any impairment loss on a disposal is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Bank's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(w) New standards, amendments and interpretations

(i) New standards, amendments and interpretations effective and adopted during the year

The Company has adopted the following new standards and amendments during the year ended 31 December 2022, including consequential amendments to other standards with the date of initial application by the Company being 1 January 2022. The nature and effects of the changes are as explained here in.

New standards or amendments	Effective for annual period beginning or after
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)	1 April 2021
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptional Framework (Amendments to IFRS 3)	1 January 2022
Covid-19-related Rent Concessions(Amendments to IFRS 16)	

- *Covid-19-related Rent Concessions (Amendments to IFRS 16)*

  As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

  Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

  The application of the amendments did not have an impact on the Group's and Company's financial statements.

- *Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)*

  The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

  The application of the amendments did not have an impact on the Group's and Company's financial statements

- *Annual Improvement cycle (2018 – 2020) – various standards*

  The following improvements were finalised in May 2020:

Standards	
IFRS 9 Financial Instruments	IFRS 9 *Financial Instruments* - clarifies which fee should be included in the 10% test for derecognition of financial liabilities.
IFRS 16 Leases	IFRS 16 Leases - amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
IFRS 1 First-time Adoption of International Financial Reporting Standards	IFRS I First-time Adoption of International Financial Reporting Standards - allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS I exemption.

The application of the amendments did not have an impact on the Group's and Company's financial statements.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New standards, amendments and interpretations (continued)

(i) New standards, amendments and interpretations effective and adopted during the year - continued

- *Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16)*

  The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

  Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities

- *Reference to the Conceptual Framework (Amendments to IFRS 3)*

  Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

  The application of the amendments did not have an impact on the Group's and Company's financial statements.

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2022

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2022, and have not been applied in preparing these financial statements.

The Group does not plan to adopt these standards early. These are summarised below:

New standards or amendments	Effective for annual periodbeginning or after
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	1 January 2023
Initial Application of IFRS 17 and IFRS 9 Comparative Information (Amendments to IFRS 17)	1 January 2023
Classification of Liabilities as current or non-current (Amendments IAS 1)	1 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
Non--current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024
Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28)	Optional

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the entity).

- *Classification of Liabilities as Current or Non-current (Amendments IAS 1)*

  The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

  The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

  They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

  The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's and Company's financial statements.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New standards, amendments and interpretations (continued)

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2022 - continued

- *IFRS 17 Insurance Contracts*

  IFRS 17 Insurance Contracts sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. An entity shall apply IFRS 17 Insurance Contracts to:

  (a) insurance contracts, including reinsurance contracts, it issues;

  (b) reinsurance contracts it holds; and

  (c) investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

  IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of:

  (a) the fulfilment cash flows—the current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and

  (b) the contractual service margin—the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided.

  IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the Company expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the Company determines that losses are expected. IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates. The entity:

  (a) accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and

  (b) chooses where to present the effects of some changes in discount rates—either in profit or loss or in other comprehensive income.

  IFRS 17 also requires disclosures to enable users of financial statements to understand the amounts recognised in the entity's statement of financial position and statement of profit or loss and other comprehensive income, and to assess the risks the Company faces from issuing insurance contracts.

  IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 is effective for financial periods commencing on or after 1 January 2021. An entity shall apply the standard retrospectively unless impracticable. A Company can choose to apply IFRS 17 before that date, but only if it also applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

  The adoption of these changes will not affect the amounts and disclosures of the Group's and Company's financial statements

- *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes*

  The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

  The Group accounts for deferred tax on leases applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. The group is still carrying out the assessment. No impact is expected on retained earnings on adoption of the amendments

- *Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28)*

  The amendments require the full gain to be recognised when assets transferred between an investor and its associate or Company meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or Company is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

  The effective date for these changes has now been postponed until the completion of a broader review.

  The adoption of these changes will not affect the amounts and disclosures of the Group's and Company's financial statements.

  The Group did not early adopt new or amended standards in the year ended 31 December 2022.

(x) Comparatives

Where necessary, comparative figures have been restated to conform to changes in presentation in the current year.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

4. IMPACT OF RUSSIA-UKRAINE WAR

Management through ALCO, continually monitors macroeconomic risks brought about by the Russia-Ukraine crisis and other geopolitical events which have led to elevated inflation, exchange rate depreciation, increased foreign capital outflows, and rising public debt. The impacts of these macro level risks, on the Bank's portfolio are analyzed with a view to implement proactive countermeasures. This also involves continuously expanding stress scenarios that describe a distribution of plausible impacts on both capital and risk to support management in decision making.

5. FINANCIAL RISK MANAGEMENT

This section provides details of the Group's exposure to risk and describes the methods used by management to control risk

Financial risk

The most important types of risk to which the Group is exposed are credit risk, market risks and operational risk. Market risk includes liquidity risk, currency risk and interest rate risk.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the statement of financial position. In the case of credit derivatives, the Group is also exposed to or protected from the risk of default of the underlying entity referenced by the derivative. With gross-settled derivatives, the Group is also exposed to a settlement risk, being the risk that the Group honours its obligation but the counterparty fails to deliver the counter-value.

Credit-related commitment risks

The Group makes available to its customers guarantees which may require that the Group makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group to similar risks to loans and are mitigated by the same control processes and policies.

The Board of Directors of the individual Group entities have delegated responsibility of the management of credit risk to their respective Board Credit Committees. Further, each entity has its own and separate Credit Risk Management Committee that reports to its Board Credit Committee. The Group's credit exposure at the reporting date from financial instruments held or issued for trading purposes is represented by the fair value of instruments with a positive fair value at that date, as recorded on the statement of financial position.

The risk that the counter-parties to trading instruments might default on their obligation is monitored on an on-going basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and to the volatility of the fair value of trading instruments over their remaining life.

To manage the level of credit risk, the Group deals with counter parties of good credit standing wherever possible and when appropriate, obtains collateral.

An assessment of the extent to which fair values of collaterals cover existing credit risk exposure on loans and advances to customers is highlighted below.

The Group also monitors concentrations of credit risk that arise by industry or sector and type of customer in relation to Group loans and advances to customers by carrying a balanced portfolio. The Group concentration is on manufacturing,wholesale and retail and real estate and all are within internal policy limits on single sector concentration.

To determine impairment of loans and advances, the Group assesses whether it is probable that it will be unable to collect all principal and interest according to the contractual terms of the loans and advances.

Exposure to credit risk

The Group also monitors concentrations of credit risk that arise by industry and type of customer in relation to loans and advances to customers by carrying a balanced portfolio.

The Group has no significant exposure to any individual customer or counter-party.

To determine impairment of loans and advances, the Group assesses whether it is probable that it will be unable to collect all principal and interest according to the contractual terms of the loans and advances..

(i) Credit quality analysis – Loans and advances to customers

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt instruments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

See accounting policy on note 3(f)(iii) for the explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(i) Credit quality analysis - Loans and advances to customers - continued

Group

2022:

	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total 31 December KShs'000
Risk classification				
Loans and advances to Customers at amortised cost				
Normal (Stage 1)	172,001,551	-	-	172,001,551
Watch (Stage 2)	-	23,380,927	-	23,380,927
Non-Performing loans (Stage 3)	-	-	23,381,046	23,381,046
Gross carrying amount	**172,001,551**	**23,380,927**	**23,381,046**	**218,763,524**
Loss allowance	(228,775)	(3,317,171)	(11,862,428)	(15,408,374)
Carrying amount	**171,772,776**	**20,063,756**	**11,518,618**	**203,355,150**

2021:

	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total 31 December KShs'000
Risk classification				
Loans and advances to Customers at amortised cost				
Normal (Stage 1)	150,305,669	-	-	150,305,669
Watch (Stage 2)	-	20,454,590	-	20,454,590
Non-Performing loans (Stage 3)	-	-	20,253,197	20,253,197
Gross carrying amount	**150,305,669**	**20,454,590**	**20,253,197**	**191,013,456**
Loss allowance	(492,037)	(1,739,504)	(9,222,767)	(11,454,308)
Carrying amount	**149,813,632**	**18,715,086**	**11,030,430**	**179,559,148**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(i) Credit quality analysis - Loans and advances to customers - continued

Company

2022:

	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total 31 December KShs'000
Risk classification				
Loans and advances to Customers at amortised cost				
Normal (Stage 1)	156,870,933	-	-	156,870,933
Watch (Stage 2)	-	21,089,009	-	21,089,009
Non-Performing loans (Stage 3)	-	-	19,662,342	19,662,342
Gross carrying amount	**156,870,933**	**21,089,009**	**19,662,342**	**197,622,284**
Loss allowance	(219,206)	(3,077,974)	(10,311,214)	(13,608,394)
Carrying amount	**156,651,727**	**18,011,035**	**9,351,128**	**184,013,890**

2021:

	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total 31 December KShs'000
Risk classification				
Loans and advances to Customers at amortised cost				
Normal (Stage 1)	138,494,011	-	-	138,494,011
Watch (Stage 2)	-	15,557,819	-	15,557,819
Non-Performing loans (Stage 3)	-	-	18,563,142	18,563,142
Gross carrying amount	**138,494,011**	**15,557,819**	**18,563,142**	**172,614,972**
Loss allowance	(476,930)	(1,463,493)	(8,528,906)	(10,469,329)
Carrying amount	**138,017,081**	**14,094,326**	**10,034,236**	**162,145,643**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(i) Credit quality analysis - Loans and advances to customers - continued

The following shows the grading of loans and advances to customers in line with local prudential guidelines:

Group:	2022	2021
Loans and advances to customers	**KShs'000**	**KShs'000**
Identified impairment:		
Grade 3: Substandard	4,254,091	707,797
Grade 4: Doubtful	11,657,821	14,677,495
Grade 5: Loss	7,469,134	4,867,905
	23,381,046	**20,253,197**
Specific allowances for impairment	(11,862,428)	(9,222,767)
Carrying amounts	**11,518,618**	**11,030,430**
Unidentified impairment:		
Grade 2: Watch	23,380,927	20,454,590
Grade 1: Normal	172,001,551	150,305,669
	195,382,478	**170,760,259**
Portfolio allowances for impairment	(3,545,946)	(2,231,541)
Carrying amounts	**191,836,532**	**168,528,718**
Total carrying amounts	**203,355,150**	**179,559,148**

Company:		
Loan and advances to customers	**2022**	**2021**
Identified impairment:	**KShs'000**	**KShs'000**
31 December 2022		
Grade 3: Substandard	2,127,152	598,917
Grade 4: Doubtful	11,598,822	14,628,732
Grade 5: Loss	5,936,368	3,335,493
	19,662,342	**18,563,142**
Specific allowance for impairment	(10,311,214)	(8,528,906)
Carrying amounts	**9,351,128**	**10,034,236**
Unidentified impairment:		
Grade 2: Watch	21,089,009	15,557,819
Grade 1: Normal	156,870,933	138,494,011
	177,959,942	**154,051,830**
Portfolio impairment provision	(3,297,180)	(1,940,423)
Carrying amount	**174,662,762**	**152,111,407**
Total carrying amount	**184,013,890**	**162,145,643**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(i) Credit quality analysis - Loans and advances to customers - continued

Group:	Gross KShs'000	Net KShs'000
Identified impairment:		
31 December 2022		
Grade 3: Substandard	4,254,091	1,680,589
Grade 4: Doubtful	11,657,821	5,243,261
Grade 5: Loss	7,469,134	4,594,768
	23,381,046	**11,518,618**
31 December 2021		
Grade 3: Substandard	707,797	584,920
Grade 4: Doubtful	14,677,495	8,229,486
Grade 5: Loss	4,867,905	2,216,024
	20,253,197	**11,030,430**
Unidentified impairment:		
31 December 2022		
Grade 1: Normal	172,001,551	171,772,776
Grade 2: Watch	23,380,927	20,063,756
	195,382,478	**191,836,532**
31 December 2021		
Grade 1: Normal	150,305,669	149,813,632
Grade 2: Watch	20,454,590	18,715,086
	170,760,259	**168,528,718**

Company:	Gross KShs'000	Net KShs'000
Identified impairment:		
31 December 2022		
Grade 3: Substandard	2,127,152	245,603
Grade 4: Doubtful	11,598,822	5,187,317
Grade 5: Loss	5,936,368	3,918,208
	19,662,342	**9,351,128**
31 December 2021		
Grade 3: Substandard	598,917	499,675
Grade 4: Doubtful	14,628,732	8,217,227
Grade 5: Loss	3,335,493	1,317,334
	18,563,142	**10,034,236**
Unidentified impairment:		
31 December 2022		
Grade 1: Normal	156,870,933	156,651,727
Grade 2: Watch	21,089,009	18,011,035
	177,959,942	**174,662,762**
31 December 2021		
Grade 1: Normal	138,494,011	138,017,081
Grade 2: Watch	15,557,819	14,094,326
	154,051,830	**152,111,407**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(i) Credit quality analysis - loans and advances to customers - continued

Impaired loans and securities

Impaired loans and securities are loans for which the Group determines that it is probable that it will be unable to collect all or part principal and interest due according to the contractual terms of the loan agreement(s). These loans are graded 3 (Substandard) to 5 (Loss) in the Group's internal credit risk and grading system.

Neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed with reference to the Group's internal rating system. All such loans must be performing in accordance with the contractual terms and are expected to continue doing so. Loans in this category are fully protected by their current sound net worth and paying capacity of the borrower. These loans and advances are categorised as normal in line with Central Bank of Kenya (CBK) prudential guidelines.

Past due but not impaired loans

These are loans where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group. These loans are stage 2 (Watch) in the Group's internal credit risk and grading system.

(ii) Credit quality analysis – trade receivables

The Group's exposure to trade receivables credit risk is influenced mainly by the individual characteristics of each customer. The Group uses an allowance matrix, using the simplified approach, to measure the lifetime ECLs of trade receivables for customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

2022:	Gross KShs'000	Impairment KShs'000	Net KShs'000	Credit impaired
Current	19,223	1,778	17,445	No
Past due:				
30-90 days	11,853	1,333	10,520	No
91-180 days	15,084	6,659	8,425	Yes
180-360 days	36,602	15,331	21,271	Yes
Over 360 days	20,470	20,470	-	Yes
	103,232	**45,571**	**57,661**	

2021:	Gross KShs'000	Impairment KShs'000	Net KShs'000	Credit impaired
Current	7,572	948	6,624	No
Past due:				
30-90 days	11,470	1,546	9,924	No
91-180 days	11,129	4,926	6,203	Yes
180-360 days	21,011	8,292	12,719	Yes
Over 360 days	17,597	17,597	-	Yes
	68,779	**33,309**	**35,470**	

Impairment loss movement on trade receivables

	2022 KShs'000	2021 KShs'000
At 1 January	**33,309**	**23,625**
Write offs	**(248)**	**-**
Charge for the year	**12,510**	**9,684**
At 31 December	**45,571**	**33,309**

Loss rates are based on actual credit loss experience over the past three years. All trade receivables that are past due over 180 days are considered uncollectible and fully impaired. All financial assets that are contractually 90 days in arrears are automatically classified as impaired under IFRS 9. The Group therefore is of the view that due to the short term nature of these instruments, the impact of economic conditions is immaterial. Consequently, the impact of forward looking information has not been taken on these financial statements.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(ii) Credit quality analysis - Trade receivables - continued

The Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes, if they are available; financial statements, credit agency information, industry information and in some cases references from other credible sources. Credit limits are established for each customer and reviewed frequently. Any credit exceeding those limits require approval from the risk management committee.

In addition, the Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of six months for customers. A significant part of the Group's customers have been transacting with the entities.

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade receivable and contract assets for which no loss allowance is recognised because of collateral.

(iii) Credit quality analysis-other assets

The Group has estimated that the ECL for the following financial assets is not material as at 31 December 2022. These financial assets have been assessed to be in Stage 1 (low credit risk). Consequently, no ECL has been carried in the books.

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Balances with central banks (Note 18)	12,714,020	13,400,138	10,595,310	11,150,689
Items in the course of collection (Note 19)	433,996	654,632	433,996	648,914
Loans and advances to banks (Note 20)	10,981,678	6,005,054	9,985,263	4,990,799
Financial assets at fair value through other comprehensive income				
(FVOCI) - Debt instruments (Note 22)	50,034,300	62,538,424	49,622,300	62,838,955
Other financial assets at amortised cost; Government securities (Note 22)	29,058,219	36,142,410	22,655,837	30,605,205
Due from group companies (Note 28)	782,325	790,849	1,009,654	839,071
	104,004,538	**119,531,507**	**94,302,360**	**111,073,633**

(iv) Collateral and other security enhancements

The Group holds collaterals against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimate of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowings activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2022 or 2021.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

Loans and advances to customers	**2022**	**2021**
Group	**KShs'000**	**KShs'000**
Fair value of collateral held – against impaired loans	**11,518,618**	**11,030,430**
Company		
Fair value of collateral held - against impaired loans	**9,351,128**	**10,034,236**

(v) Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3(f)(iii).

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL - continued

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information an analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Credit risk grading

Other than for loans and advances to banks and investment securities where the Group relies on internal credit rating models, the Group relies substantially macroeconomic variables and historic data in the market it operates in for credit risk grading that reflect its assessment of the probability of default of individual counterparties.

In addition, the prudential guidelines are supplemented

- by Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures.
- External data such as credit bureau scoring information on individual borrowers.
- Expert judgement from the Credit Risk Officer to be fed into the final credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs 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 each type of portfolio held by the Group:

Customer loans and advances

After the date of initial recognition, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score. Any other known information about the borrower which impacts their creditworthiness. A relationship manager will also incorporate any updated or new information/credit assessments into the credit system on an ongoing basis.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for loans and advances. The Group collects performance and default information about its credit risk exposures analysed by country and borrower as well as by credit risk grading.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and exchange rate.

Based on advice from the Risk Committees and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

The Group has applied a simpler methodology (lifetime ECL) for its other exposures including lease receivables and trade receivables.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3(f)(v).

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL - continued

Modified financial assets - continued

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms;
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired /in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

During the year, the Group has offered various forms of assistance to customers. The assistance included arrangements such as temporary deferral of principal and interest repayments, replacing principal and interest with interest only repayments, and extension of loan maturity dates. Refer to Key Judgements and Estimates in this Note for details of the impact of deferrals when determining if there has been a Significant Increase in Credit Risk (SICR).

The loan repayment deferral package is considered to be a loan modification under IFRS 9. This either results in the loan being derecognised and replaced with a new loan (substantial modification) or the existing loan continuing to be recognised (non-substantial modification).

The table below shows the outstanding balance as at 31 December 2022 of all loans that have been modified (both substantial and non-substantial modifications):

	2022		2021	
	Group KShs'000	Company KShs'000	Group KShs'000	Company KShs'000
Assistance package category				
Loan deferral package				
Corporate & Institutional Banking	13,232,262	11,806,015	14,946,819	13,622,625
Business Banking	857,610	857,610	2,431,778	2,431,778
Premium Banking	49,220	49,220	247,053	247,053
Personal Banking	36,354	36,354	21,667	21,667
Interest only				
Corporate Institutional Banking	4,177,293	4,146,444	28,641	-
Business Banking	405,473	405,473	-	-
Premium Banking	74,753	74,753	-	-
Personal Banking	-	-	-	-
Term extensions				
Corporate Institutional Banking	4,045,400	4,045,400	-	-
Business Banking	58,013	58,013	-	-
Premium Banking	-	-	-	-
Personal Banking	-	-	-	-
Total				
Corporate Institutional Banking	**21,454,955**	**19,997,859**	**14,975,460**	**13,622,625**
Business Banking	**1,321,096**	**1,321,096**	**2,431,778**	**2,431,778**
Premium Banking	**123,973**	**123,973**	**247,053**	**247,053**
Personal Banking	**36,354**	**36,354**	**21,667**	**21,667**
	22,936,378	**21,479,282**	**17,675,958**	**16,323,123**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL - continued

Modified financial assets - continued

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine if the changes to the terms of the existing financial asset are considered substantial. This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral. Where a modification is considered non-substantial, the existing financial asset is not derecognised and its date of origination continues to be used to determine SICR. Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date, which also becomes the date of origination used to determine SICR for this new asset.

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

Incorporation of forward-looking information

For banking subsidiaries, the Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the respective countries` Assets and Liabilities Committee (ALCO) and consideration of a variety of external actual and forecast information, the banking subsidiaries formulate a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios.

This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the International Monetary Fund (IMF), World Bank and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the banking subsidiaries carry out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios

The banking subsidiaries have identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

In each country, the Banking Industry non-performing loans (NPL%) was a reasonable approximation to the default risk. The correlation between the Banking Industry non-performing loans (NPL%) with the macroeconomic factors was then inferred to the Bank's predicated Probabilities of Default.

Further, in determining the economic scenarios to be applied, each of the economic variable was adjusted either upside or downside using the historical standard deviation.

In determining the likelihood of each of the macroeconomic scenarios based on sectors, a weighting of 75% (base case), 8% (upside case) and 17% (downside case) was applied for Kenya.

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

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL - continued

Incorporation of forward-looking information - continued

The economic scenarios used as at 31 December 2022 included the following ranges of key indicators based on sectors;

Agriculture		Weighting		
	Coefficients	Base	Upside	Downside
		75%	8%	17%
GDP	(0.44142)	5.96%	5.25%	6.67%
Constant	0.07524	-	-	-

Energy & Water		Weighting		
	Coefficients	Base	Upside	Downside
		75%	8%	17%
Lending rate	9.96710	12.33%	12.44%	12.23%
GDP	(0.66230)	5.96%	5.25%	6.67%
Constant	(1.14180)	-	-	-

Financial Services		Weighting		
	Coefficients	Base	Upside	Downside
		75%	8%	17%
GDP	(0.21801)	5.96%	5.59%	6.33%
Constant	0.10113	-	-	-

Manufacturing		Weighting		
	Coefficients	Base	Upside	Downside
		75%	8%	17%
GDP	(0.25925)	5.96%	5.25%	6.67%
Constant	0.08254	-	-	-

Real Estate		Weighting		
	Coefficients	Base	Upside	Downside
		75%	8%	17%
Public debt to GDP	0.18114	70.35%	70.65%	70.06%
Constant	0.05808	-	-	-

Tourism Hotels & Restaurant		Weighting		
	Coefficients	Base	Upside	Downside
		75%	8%	17%
GDP	(0.32917)	5.04%	4.33%	5.75%
Constant	0.10922	-	-	-

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL - continued

Incorporation of forward-looking information - continued

Wholesale Retail &Trade		Weighting		
	Coefficients	Base	Upside	Downside
		75%	8%	17%
Housing Price Index	1.31691	0.27%	0.29%	0.26%
Constant	0.08677	-	-	-

Transport		Weighting		
	Coefficients	Base	Upside	Downside
		75%	8%	17%
Housing Price Index	(0.27183)	5.96%	5.25%	6.67%
Constant	0.08787	-	-	-

Some sectors did not have correlations with macro-economic factors. These include: Building & Construction, Mining & Quarrying, and Personal & Household. For these sectors, either NPL ratios were noted as 0% or models failed to meet the predetermined thresholds. In view of this, management judgements were applied by taking a minimum PD of 0.05% for purposes of ECL calculation and adjusting by the average macro adjustments from Agriculture, Manufacturing, Wholesale & Trade, Tourism, Real Estate and Financial Services sectors respectively.

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

In determining the likelihood of each of the macroeconomic scenarios based on sectors, a weighting of 95% (base case), 3% (upside case) and 3% (downside case) was applied for Tanzania.

Hotel and Restaurant		Weighting		
	Coefficient/ sensitivity	Base %	Upside %	Downside %
Weighting		67%	25%	8%
Inflation	4.0012	5.29%	5.78%	4.79%
Constant	(0.1381)	-	-	-

Trade		Weighting		
	Coefficient/ sensitivity	Base %	Upside %	Downside %
Weighting		67%	25%	8%
Lending	1.7988	14.02%	14.24%	13.80%
Constant	(0.1570)	-	-	-

Transport and communication		Weighting		
	Coefficient/ sensitivity	Base %	Upside %	Downside %
Weighting		67%	25%	8%
Central Bank Rate	2.0776	11.93%	12.05%	11.81%
GDP	(2.9062)	4.87%	5.10%	4.63%
Constant	0.0415	-	-	-

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL - continued

Incorporation of forward-looking information - continued

Housing loan		Weighting		
	Coefficient/ sensitivity	Base %	Upside %	Downside %
Weighting		**67%**	**25%**	**8%**
Inflation	(0.4861)	5.29%	4.79%	5.78%
Saving	(3.3315)	1.93%	1.71%	2.15%
Constant	0.1534	-	-	-

Mining		Weighting		
	Coefficient/ sensitivity	Base %	Upside %	Downside %
		67%	**25%**	**8%**
Public debt to GDP	98.7220	37.09%	37.12%	37.06%
Constant	(36.5030)	-	-	-

Personal loan		Weighting		
	Coefficient/ sensitivity	Base %	Upside %	Downside %
Weighting		**67%**	**25%**	**8%**
Public debt to GDP	0.4713	36.85%	36.87%	36.82%
364- day T-bills	0.1446	4.69%	5.38%	3.99%
Constant	(0.1601)	-	-	-

Real estate		Weighting		
	Coefficient/ sensitivity	Base %	Upside %	Downside %
Weighting		**67%**	**25%**	**8%**
Inflation	3.1888	5.29%	5.78%	4.79%
Constant	0.0373	-	-	-

Some sectors did not have an intuitive relationship with macro-economic factors and had weak correlations. These include: Housing, Transport & Communication, Mining & Quarrying, Other Services, Tourism, Agriculture, Education and Hotels & Restaurants. For these sectors, an average adjustment of sectors with intuitive relationship with macroeconomic factors and credit conversion above 40% was used to adjust Historical PDs.

Other Sectors had no historical default rates and historical PDs were noted as 0%. This included Education, Agriculture (Stage 2) and tourism restaurant and hotels (Stage 2). In view of this, management judgements were applied by taking a minimum PD of 0.05% for purposes of ECL calculation.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for loans and advances to banks and investment securities.

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL - continued

Measurement of ECL - continued

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based mainly on the counterparties' collateral and also on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- segment type;
- credit risk grading; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

ECL - Sensitivity analysis

The uncertainty of the impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the Group's allowance for expected credit losses. The rapidly evolving consequences of COVID-19 and government, business and consumer responses could result in significant adjustments to the allowance in future financial years.

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Group should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 31 December 2022:

	2022		2021	
Group	ECL KShs'000	Impact KShs'000	ECL KShs'000	Impact KShs'000
If 1% of stage 1 facilities were included in Stage 2	3,692,277	294,672	2,358,125	181,185
If 1% of stage 2 facilities were included in Stage 1	3,366,870	(30,733)	2,162,496	(14,445)
100% upside scenario	3,359,928	(37,676)	2,157,525	(19,415)
100% base scenario	3,380,521	(17,083)	2,170,928	(6,012)
100% downside scenario	3,415,880	18,276	2,246,404	(75,504)

	2022		2021	
Company	ECL KShs'000	Impact KShs'000	ECL KShs'000	Impact KShs'000
If 1% of stage 1 facilities were included in Stage 2	3,679,033	294,323	2,331,084	181,435
If 1% of stage 2 facilities were included in Stage 1	3,354,011	(30,698)	2,135,140	(14,509)
100% upside scenario	3,346,526	(38,183)	2,126,662	(22,987)
100% base scenario	3,367,819	(16,891)	2,143,362	(6,287)
100% downside scenario	3,403,877	19,168	2,222,133	(72,484)

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3(f)(iii).

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL - continued

Loans and advances to customers at amortised cost

Group

	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Balance at 1 January 2022	**492,037**	**1,739,504**	**9,222,767**	**11,454,308**	**150,305,669**	**20,454,590**	**20,253,197**	**191,013,456**
Transfer from 12 months ECL (Stage 1)	(30,373)	26,698	3,675	-	(12,747,844)	9,852,113	2,895,731	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	200,099	(350,336)	150,237	-	6,556,547	(10,020,361)	3,463,814	-
Transfer from Lifetime ECL credit impaired (Stage 3)	22,590	376,718	(399,308)	-	415,734	1,598,228	(2,013,962)	-
Net remeasurement of loss allowance	(473,410)	1,477,068	4,461,952	**5,465,610**	13,434,338	1,278,243	551,766	**15,264,347**
New financial assets originated or purchased	38,649	37,647	162,383	**238,679**	18,101,050	903,199	181,066	**19,185,315**
Financial assets derecognised	(21,784)	(9,311)	(230,778)	**(261,873)**	(4,974,246)	(1,062,470)	(170,442)	**(6,207,158)**
Write off	-	-	(1,612,436)	**(1,612,436)**	-	-	(1,910,375)	**(1,910,375)**
Translation difference	967	19,183	103,936	**124,086**	910,303	377,385	130,251	**1,417,939**
Balance at 31 December 2022	**228,775**	**3,317,171**	**11,862,428**	**15,408,374**	**172,001,551**	**23,380,927**	**23,381,046**	**218,763,524**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL - continued

Loans and advances to customers at amortised cost - continued

Group

	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000
Balance at 1 January 2021	**403,666**	**1,095,529**	**10,655,610**	**12,154,805**	**134,495,641**	**19,650,983**	**22,785,145**	**176,931,769**
Transfer from 12 months ECL (Stage 1)	(8,684)	8,093	591	-	(7,130,628)	6,869,371	261,257	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	130,380	(378,573)	248,193	-	6,264,390	(9,754,229)	3,489,839	-
Transfer from Lifetime ECL credit impaired (Stage 3)	21,849	421,970	(443,819)	-	57,536	1,368,683	(1,426,219)	-
Net remeasurement of loss allowance	(92,587)	586,886	2,626,388	**3,120,687**	6,513,004	1,847,132	(624,939)	**7,735,197**
New financial assets originated or purchased	45,844	6,613	187,772	**240,229**	14,138,644	863,175	242,698	**15,244,517**
Financial assets derecognised	(8,649)	(2,652)	-	**(11,301)**	(4,480,148)	(517,165)	(81)	**(4,997,394)**
Write off	-	-	(4,104,092)	**(4,104,092)**	-	-	(4,584,058)	**(4,584,058)**
Translation difference	218	1,638	52,124	**53,980**	447,230	126,640	109,555	**683,425**
Balance at 31 December 2021	**492,037**	**1,739,504**	**9,222,767**	**11,454,308**	**150,305,669**	**20,454,590**	**20,253,197**	**191,013,456**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL - continued

Loans and advances to customers at amortised cost – continued

Company

	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000
Balance at 1 January 2022	**476,930**	**1,463,493**	**8,528,906**	**10,469,329**	**138,494,011**	**15,557,819**	**18,563,142**	**172,614,972**
Transfer from 12 months ECL (Stage 1)	(29,188)	26,424	2,764	-	(11,127,782)	9,443,001	1,684,781	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	200,099	(350,336)	150,237	-	5,550,304	(7,577,697)	2,027,393	-
Transfer from Lifetime ECL credit impaired (Stage 3)	22,591	376,716	(399,307)	-	415,734	1,598,228	(2,013,962)	-
Net remeasurement of loss allowance	(467,293)	1,533,340	3,101,976	**4,168,023**	12,521,624	1,529,254	552,479	**14,603,357**
New financial assets originated or purchased	37,851	37,647	162,383	**237,881**	15,991,287	883,840	181,066	**17,056,193**
Financial assets derecognised	(21,784)	(9,310)	(110,723)	**(141,817)**	(4,974,245)	(345,436)	(170,442)	**(5,490,123)**
Write off	-	-	(1,125,022)	**(1,125,022)**	-	-	(1,162,115)	**(1,162,115)**
Balance at 31 December 2022	**219,206**	**3,077,974**	**10,311,214**	**13,608,394**	**156,870,933**	**21,089,009**	**19,662,342**	**197,622,284**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL - continued

Loans and advances to customers at amortised cost – continued

Company	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000
Balance at 1 January 2021	**382,838**	**1,066,775**	**9,540,371**	**10,989,984**	**123,850,781**	**16,636,736**	**20,177,531**	**160,665,048**
Transfer from 12 months ECL (Stage 1)	(7,903)	7,322	581	-	(5,297,874)	5,040,810	257,064	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	101,731	(349,924)	248,193	-	5,765,154	(9,238,937)	3,473,783	-
Transfer from Lifetime ECL credit impaired (Stage 3)	21,849	169,179	(191,028)	-	27,112	880,820	(907,932)	-
Net remeasurement of loss allowance	(58,732)	566,092	2,373,385	**2,880,745**	5,896,667	2,336,219	(687,946)	**7,544,940**
New financial assets originated or purchased	43,919	6,529	184,684	**235,132**	12,181,109	396,855	218,411	**12,796,375**
Financial assets derecognised	(6,772)	(2,480)	-	**(9,252)**	(3,928,938)	(494,684)	-	**(4,423,622)**
Write off	-	-	(3,627,280)	**(3,627,280)**	-	-	(3,967,769)	**(3,967,769)**
Balance at 31 December 2021	**476,930**	**1,463,493**	**8,528,906**	**10,469,329**	**138,494,011**	**15,557,819**	**18,563,142**	**172,614,972**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL - continued

Loan commitments and financial guarantee contracts

Group

	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000
Balance at 1 January 2022	**229,388**	**12,168**	**-**	**241,556**	**87,129,055**	**608,689**	**124,131**	**87,861,875**
Transfer from 12 months ECL (Stage 1)	(28,689)	6,594	22,095	-	(3,233,509)	2,858,436	375,073	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	8	(8)	-	-	382,059	(382,059)	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	95,030	-	(95,030)	-
Net remeasurement of loss allowance	(100,222)	4,310	37,241	**(58,671)**	6,700,980	(121,802)	54,335	**6,633,513**
New financial assets originated or purchased	224	231	852	**1,307**	1,410,237	221,931	20,154	**1,652,322**
Financial assets derecognised	(34,700)	(7)	-	**(34,707)**	(10,761,875)	(7,036)	(29,100)	**(10,798,011)**
Translation difference	3	533	-	**536**	573,545	3,470	-	**577,015**
Balance at 31 December 2022	**66,012**	**23,821**	**60,188**	**150,021**	**82,295,522**	**3,181,629**	**449,563**	**85,926,714**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL - continued

Loan commitments and financial guarantee contracts – continued

Group	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000
Balance at 1 January 2021	**107,666**	**53,657**	**24,969**	**186,292**	**75,861,785**	**3,312,438**	**729,448**	**79,903,671**
Transfer from 12 months ECL (Stage 1)	2,373	(2,373)	-	-	(305,636)	186,097	119,539	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	50,832	(50,832)	-	-	3,168,938	(3,168,938)	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	14,524	-	(14,524)	-	698,462	-	(698,462)	-
Net remeasurement of loss allowance	92	11,730	-	**11,822**	214,315	286,429	(2,909)	**497,835**
New financial assets originated or purchased	67,066	5	-	**67,071**	17,617,891	14,574	7,500	**17,639,965**
Financial assets derecognised	(13,456)	(359)	(10,445)	**(24,260)**	(10,433,404)	(24,055)	(30,985)	**(10,488,444)**
Translation difference	291	340	-	**631**	306,704	2,144	-	**308,848**
Balance at 31 December 2021	**229,388**	**12,168**	**-**	**241,556**	**87,129,055**	**608,689**	**124,131**	**87,861,875**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(v) Amounts arising from ECL - continued

Loan commitments and financial guarantee contracts – continued

Company	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000
Balance at 1 January 2022	**229,359**	**437**	**-**	**229,796**	**79,687,003**	**563,669**	**124,131**	**80,374,803**
Transfer from 12 months ECL (Stage 1)	(28,689)	6,594	22,095	-	(3,233,509)	2,858,436	375,073	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	8	(8)	-	-	382,059	(382,059)	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	95,030	-	(95,030)	-
Net remeasurement of loss allowance	(100,222)	14,300	37,241	**(48,681)**	8,164,663	(82,312)	54,335	**8,136,686**
New financial assets originated or purchased	224	231	852	**1,307**	1,410,237	221,931	20,154	**1,652,322**
Financial assets derecognised	(34,700)	(5)	-	**(34,705)**	(10,761,875)	(7,036)	(29,100)	**(10,798,011)**
Balance at 31 December 2022	**65,980**	**21,549**	**60,188**	**147,717**	**75,743,608**	**3,172,629**	**449,563**	**79,365,800**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL - continued

Loan commitments and financial guarantee contracts – continued

Company	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000
Balance at 1 January 2021	**91,755**	**51,195**	**24,967**	**167,917**	**68,561,689**	**3,261,402**	**729,448**	**72,552,539**
Transfer from 12 months ECL (Stage 1)	(187)	187	-	-	(446,603)	327,064	119,539	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	50,832	(50,832)	-	-	3,168,938	(3,168,938)	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	14,524	-	(14,524)	-	698,462	-	(698,462)	-
Net remeasurement of loss allowance	29,106	242	-	**29,348**	(638,657)	153,622	(2,909)	**(487,944)**
New financial assets originated or purchased	56,411	5	-	**56,416**	14,000,581	14,574	7,500	**14,022,655**
Financial assets derecognised	(13,082)	(360)	(10,443)	**(23,885)**	(5,657,407)	(24,055)	(30,985)	**(5,712,447)**
Balance at 31 December 2021	**229,359**	**437**	**-**	**229,796**	**79,687,003**	**563,669**	**124,131**	**80,374,803**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

The definition of liquidity risk is the risk that the Group is unable to meet its obligations as they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows. Such outflows would deplete available cash resources for customer lending, trading activities and investments.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Asset and Liabilities Committee. The Asset and Liabilities Committee (ALCO) also monitors the liquidity gap and at first instance would source funds from market using interbank borrowings and as a last resort, use repo and reverse repo arrangements with the central banks. The Group has also arranged for long term funding as disclosed under Note 33 and Note 34.

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

	Kenya		Tanzania	
	2022	2021	2022	2021
At 31 December	39%	48%	26%	31%
Average for the period	42%	47%	29%	27%
Highest for the period	47%	49%	32%	32%
Lowest for the period	39%	44%	24%	24%

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2022 and 2021. The amounts are gross and undiscounted

Group 31 December 2022	Within 1 month KShs'000	Due within 1-3 months KShs'000	Due between 3-12 months KShs'000	Due between 1-5 years KShs'000	Due after 5 years KShs'000	Total KShs'000
LIABILITIES						
Deposits from banks	44,389	9,496,131	1,635,846	523,636	-	**11,700,002**
Deposits from customers	86,121,631	96,322,326	69,983,392	10,007,506	-	**262,434,855**
Due to group companies	-	1,936,162	-	-	-	**1,936,162**
Other liabilities	1,770,566	3,467,575	131,139	-	-	**5,369,280**
Long term debt	-	-	1,444,525	207,382	-	**1,651,907**
Subordinated debt	-	263,931	-	4,152,930	8,541,988	**12,958,849**
Contractual off-balance sheet financial liabilities	-	-	128,032,135	-	-	**128,032,135**
Capital commitments	-	-	1,392,334	-	-	**1,392,334**
Lease liabilities	32,829	67,044	157,570	620,952	235,305	**1,113,700**
At 31 December 2022	**87,969,415**	**111,553,169**	**202,776,941**	**15,512,406**	**8,777,293**	**426,589,224**

Group 31 December 2021	Within 1 month KShs'000	Due within 1-3 months KShs'000	Due between 3-12 months KShs'000	Due between 1-5 years KShs'000	Due after 5 years KShs'000	Total KShs'000
LIABILITIES						
Deposits from banks	329,892	8,453,956	3,040,031	477,529	-	**12,301,408**
Deposits from customers	73,674,189	93,685,180	82,730,758	3,322,905	102,208	**253,515,240**
Due to group companies	1,998,418	-	-	-	-	**1,998,418**
Other liabilities	733,944	2,755,806	150,759	-	-	**3,640,509**
Long term debt	-	-	1,679,216	2,791,819	-	**4,471,035**
Subordinated debt	-	69,118	109,897	7,291,709	3,917,819	**11,388,543**
Contractual off-balance sheet financial liabilities	-	-	109,566,158	-	-	**109,566,158**
Capital commitments	-	-	2,012,878	-	-	**2,012,878**
Lease liabilities	42,082	125,526	270,067	1,598,922	395,303	**2,431,900**
At 31 December 2021	**76,778,525**	**105,089,586**	**199,559,764**	**15,482,884**	**4,415,330**	**401,326,089**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (continued)

Company
31 December 2022

	Within 1 month KShs'000	Due within 1-3 months KShs'000	Due between 3-12 months KShs'000	Due between 1-5 years KShs'000	Due after 5 years KShs'000	Total KShs'000
LIABILITIES						
Deposits from banks	44,389	7,785,662	1,635,846	523,636	-	**9,989,533**
Deposits from customers	78,777,481	90,503,951	61,878,216	6,493,677	-	**237,653,325**
Due to group companies	-	1,936,162	-	-	-	**1,936,162**
Other liabilities	1,377,885	3,377,767	-	-	-	**4,755,652**
Long term debt	-	-	914,847	-	-	**914,847**
Subordinated debt	-	263,931	-	4,152,930	8,541,988	**12,958,849**
Contractual off-balance sheet financial liabilities	-	-	121,471,221	-	-	**121,471,221**
Capital commitments	-	-	1,248,365	-	-	**1,248,365**
Lease liabilities	14,109	42,272	128,116	566,848	235,305	**986,650**
At 31 December 2022	**80,213,864**	**103,909,745**	**187,276,611**	**11,737,091**	**8,777,293**	**391,914,604**

Company
31 December 2021

	Within 1 month KShs'000	Due within 1-3 months KShs'000	Due between 3-12 months KShs'000	Due between 1-5 years KShs'000	Due after 5 years KShs'000	Total KShs'000
LIABILITIES						
Deposits from banks	329,892	8,052,159	3,040,031	477,529	-	**11,899,611**
Deposits from customers	68,689,944	88,410,523	74,053,172	243,506	-	**231,397,145**
Due to group companies	1,780,607	-	-	-	-	**1,780,607**
Other liabilities	511,684	2,636,809	-	-	-	**3,148,493**
Long term debt	-	-	1,679,216	941,569	-	**2,620,785**
Subordinated debt	-	69,118	109,897	7,291,709	3,917,819	**11,388,543**
Contractual off-balance sheet financial liabilities	-	-	102,079,086	-	-	**102,079,086**
Capital commitments	-	-	1,619,700	-	-	**1,619,700**
Lease liabilities	42,082	125,526	270,067	1,598,922	395,303	**2,431,900**
At 31 December 2021	**71,354,209**	**99,294,135**	**182,851,169**	**10,553,235**	**4,313,122**	**368,365,870**

Deposits from customers represent transactional accounts, savings accounts, call and fixed deposit balances, which past experience has shown to be stable.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spread (not relating to changes in the obligator's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments.
All trading instruments are subject to market risk, the risk that the future changes in market conditions may make an instrument less valuable or more onerous. The Group manages its use of trading instruments in response to changing market conditions.

The Board of Directors of the individual Group entities have delegated responsibility for management of Market Risk to their respective Board Risk Committees. Exposure to market risk is formally managed within Risk Limits and Policy Guidelines issued by the Board, on recommendation of the Board Risk Committee. ALCO, a Management Committee is charged with the responsibility of ensuring implementation and monitoring of the risk management framework in line with policy guidelines. The Group is primarily exposed to Interest Rate and Foreign Exchange Risk. The policy guidelines and procedures in place are adequate to effectively manage these risks.

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Exposure to interest rate risk

This is the risk of loss from fluctuations in the future cash flows of fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the Group's interest rate gap position reflecting assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates is shown below.

Group 31 December 2022	Within 1 month KShs'000	Due within 1-3 months KShs'000	Due between 3-12 months KShs'000	Due between 1-5 years KShs'000	Due after 5 years KShs'000	Non-interest bearing KShs'000	Total KShs'000
ASSETS							
Cash and balances with central banks	-	-	-	-	-	15,966,304	**15,966,304**
Items in the course of collection	-	-	-	-	-	433,996	**433,996**
Loans and advances to banks	6,929,725	3,685,199	353,074	13,680	-	-	**10,981,678**
Loans and advances to customers	1,846,237	184,424,975	4,750,405	8,733,124	3,600,409	-	**203,355,150**
Financial assets at fair value through profit or loss (FVTPL)	-	-	739,897	1,833,401	12,507,627	-	**15,080,925**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	-	7,769,661	42,067,566	197,073	**50,034,300**
Other financial assets at amortised cost	684,290	1,986,517	742,099	19,920,624	5,782,350	-	**29,115,880**
Due from group companies	-	-	-	-	-	782,325	**782,325**
Other assets	-	-	-	-	-	3,599,744	**3,599,744**
31 December 2022	**9,460,252**	**190,096,691**	**6,585,475**	**38,270,490**	**63,957,952**	**20,979,442**	**329,350,302**
LIABILITIES							
Deposits from banks	44,150	9,128,391	1,571,984	438,189	-	-	**11,182,714**
Deposits from customers	80,202,531	95,227,213	68,027,598	8,793,942	-	5,590,228	**257,841,512**
Due to group companies	-	-	-	-	-	1,732,442	**1,732,442**
Other liabilities	-	89,809	131,139	-	-	5,223,507	**5,444,455**
Long term debt	-	-	1,392,184	171,759	-	-	**1,563,943**
Subordinated debt	-	9,800,069	-	-	-	-	**9,800,069**
31 December 2022	**80,246,681**	**114,245,482**	**71,122,905**	**9,403,890**	**-**	**12,546,177**	**287,565,135**
Interest rate gap	**(70,786,429)**	**75,851,209**	**(64,537,430)**	**28,866,600**	**63,957,952**	**8,433,265**	**41,785,167**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Exposure to interest rate risk - continued

Group 31 December 2021	Within 1 month KShs'000	Due within 1-3 months KShs'000	Due between 3-12 months KShs'000	Due between 1-5 years KShs'000	Due after 5 years KShs'000	Non-interest bearing KShs'000	Total KShs'000
ASSETS							
Cash and balances with central banks	-	-	-	-	-	17,539,247	**17,539,247**
Items in the course of collection	-	-	-	-	-	654,632	**654,632**
Loans and advances to banks	4,636,155	1,053,561	315,338	-	-	-	**6,005,054**
Loans and advances to customers	2,041,867	162,636,934	1,786,156	5,422,136	7,672,055	-	**179,559,148**
Financial assets at fair value through profit or loss (FVTPL)	-	-	197,776	2,334,693	13,400,491	-	**15,932,960**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	3,862,212	11,980,177	6,755,714	39,687,589	252,732	**62,538,424**
Other financial assets at amortised cost	97,112	7,510,181	9,850,343	13,916,738	4,803,506	-	**36,177,880**
Due from group companies	-	-	-	-	-	790,849	**790,849**
Other assets	-	-	-	-	-	2,016,943	**2,016,943**
31 December 2021	**6,775,134**	**175,062,888**	**24,129,790**	**28,429,281**	**65,563,641**	**21,254,403**	**321,215,137**
LIABILITIES							
Deposits from banks	348,064	8,321,607	2,921,351	399,606	-	-	**11,990,628**
Deposits from customers	69,089,707	92,620,050	80,418,719	2,919,952	83,096	4,303,143	**249,434,667**
Due to group companies	-	-	-	-	-	1,792,385	**1,792,385**
Other liabilities	-	79,596	150,759	-	-	3,410,155	**3,640,510**
Long term debt	-	-	2,431,625	1,532,425	-	-	**3,964,050**
Subordinated debt	-	8,924,816	-	-	-	-	**8,924,816**
31 December 2021	**69,437,771**	**109,946,069**	**85,922,454**	**4,851,983**	**83,096**	**9,505,683**	**279,747,056**
Interest rate gap	**(62,662,637)**	**65,116,819**	**(61,792,664)**	**23,577,298**	**65,480,545**	**11,748,720**	**41,468,081**

Customer deposits up to three months represent transactional accounts, savings accounts and call deposit account balances, which past experience has shown to be stable and of a long term nature.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Exposure to interest rate risk - continued

The Group's operations are subject to the risk of interest rate fluctuations to the extent that the interest earning assets (including investments) and interest bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Group's business strategies.

Company	Effective interest rate	Within 1 month KShs'000	Due within 1-3 months KShs'000	Due between 3-12 month KShs'000	Due between 1-5 years KShs'000	Due after 5 years KShs'000	Non-interest bearing KShs'000	Total KShs'000
31 December 2022								
ASSETS								
Cash and balances with Central Bank of Kenya	-	-	-	-	-	-	12,978,570	**12,978,570**
Items in the course of collection	-	-	-	-	-	-	433,996	**433,996**
Loans and advances to banks	1.7%	6,426,222	3,211,505	347,536	-	-	-	**9,985,263**
Loans and advances to customers	10.4%	-	181,583,198	641,590	732,650	1,056,452	-	**184,013,890**
Financial assets at fair value through profit or loss (FVTPL)	-	-	-	739,897	1,833,401	12,507,627	-	**15,080,925**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	-	-	7,769,662	41,852,638	-	**49,622,300**
Other financial assets at amortised cost		-	996,425	-	18,585,998	3,073,414	-	**22,655,837**
Due from group companies	-	-	-	-	-	-	1,009,654	**1,009,654**
Other assets	-	-	-	-	-	-	3,338,641	**3,338,641**
31 December 2022		**6,426,222**	**185,791,128**	**1,729,023**	**28,921,711**	**58,490,131**	**17,760,861**	**299,119,076**
LIABILITIES								
Deposits from banks	7.4%	44,150	7,661,168	1,571,984	438,189	-	-	**9,715,491**
Deposits from customers	3.7%	78,476,654	89,474,989	60,148,934	5,706,219	-	-	**233,806,796**
Due to group companies	-	-	-	-	-	-	1,914,149	**1,914,149**
Other liabilities	-	-	-	-	-	-	4,755,652	**4,755,652**
Long term debt	5.1%	-	-	884,444	-	-	-	**884,444**
Subordinated debt	6.9%	-	9,800,069	-	-	-	-	**9,800,069**
31 December 2022		**78,520,804**	**106,936,226**	**62,605,362**	**6,144,408**	**-**	**6,669,801**	**260,876,601**
Interest rate gap		**(72,094,582)**	**78,854,902**	**(60,876,339)**	**22,777,303**	**58,490,131**	**11,091,060**	**38,242,475**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Exposure to interest rate risk - continued

The Group's operations are subject to the risk of interest rate fluctuations to the extent that the interest earning assets (including investments) and interest bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Group's business strategies.

Company	Effective interest rate	Within 1 month KShs'000	Due within 1-3 months KShs'000	Due between 3-12 month KShs'000	Due between 1-5 years KShs'000	Due after 5 years KShs'000	Non-interest bearing KShs'000	Total KShs'000
31 December 2021								
ASSETS								
Cash and balances with Central Bank of Kenya	-	-	-	-	-	-	13,931,296	**13,931,296**
Items in the course of collection	-	-	-	-	-	-	648,914	**648,914**
Loans and advances to banks	1.1%	4,610,973	64,488	315,338	-	-	-	**4,990,799**
Loans and advances to customers	11.1%	-	159,714,951	641,590	732,650	1,056,452	-	**162,145,643**
Financial assets at fair value through profit or loss (FVTPL)	-	-	-	197,776	2,334,693	13,400,491	-	**15,932,960**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	3,862,212	12,533,440	6,755,714	39,687,589	-	**62,838,955**
Other financial assets at amortised cost		-	6,560,580	8,736,270	12,307,556	3,000,799	-	**30,605,205**
Due from group companies	-	-	-	-	-	-	839,071	**839,071**
Other assets	-	-	-	-	-	-	1,866,978	**1,866,978**
31 December 2021		**4,610,973**	**170,202,231**	**22,424,414**	**22,130,613**	**57,145,331**	**17,286,259**	**293,799,821**
LIABILITIES								
Deposits from banks	5.9%	328,115	7,923,404	2,921,351	399,606	-	-	**11,572,476**
Deposits from customers	3.7%	68,427,638	87,405,362	71,983,642	213,977	-	-	**228,030,619**
Due to group companies	-	-	-	-	-	-	1,773,808	**1,773,808**
Other liabilities	-	-	-	-	-	-	3,148,494	**3,148,494**
Long term debt	-	-	-	2,431,625	-	-	-	**2,431,625**
Subordinated debt	12.5%	-	8,924,816	-	-	-	-	**8,924,816**
31 December 2021		**68,755,753**	**104,253,582**	**77,336,618**	**613,583**	**-**	**4,922,302**	**255,881,838**
Interest rate gap		**(64,144,780)**	**65,948,649**	**(54,912,204)**	**21,517,030**	**57,145,331**	**12,363,957**	**37,917,983**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Exposure to interest rate risk - continued

Customer deposits up to three months represent current, savings and call deposit account balances, which past experience has shown to be stable and of a long term nature.

The Group's operations are subject to the risk of interest rate fluctuations to the extent that the interest earning assets (including investments) and interest bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Group's business strategies.

Sensitivity analysis

A change of 200 basis points in interest rates at the reporting date would have increased/decreased equity and profit or loss by the amounts shown below. The analysis assumes that all other variables in particular foreign currency exchange rates remain constant.

Group

31 December 2022 200 basis points	Profit or loss Increase/decrease in basis points (KShs'000)	Equity net of tax Increase/decrease in basis points (KShs'000)
Assets	6,167,417	4,317,192
Liabilities	(5,500,379)	(3,850,265)
Net position	**667,038**	**466,927**
31 December 2021	**Profit or loss**	**Equity net of tax**
Assets	5,999,215	4,199,451
Liabilities	(5,404,827)	(3,783,379)
Net position	**594,388**	**416,072**

Company

31 December 2022 200 basis points	Profit or loss Increase/decrease in basis points (KShs'000)	Equity net of tax Increase/decrease in basis points (KShs'000)
Assets	5,627,164	3,939,015
Liabilities	(5,084,136)	(3,558,895)
Net position	**543,028**	**380,120**
31 December 2021	**Profit or loss**	**Equity net of tax**
Assets	5,530,271	3,871,190
Liabilities	(5,019,191)	(3,513,434)
Net position	**511,080**	**357,756**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Currency rate risk

The Group is exposed to currency risk through transactions in foreign currencies. The Group's transactional exposure gives rise to foreign currency gains and losses that are recognised in the profit or loss. In respect of monetary assets and liabilities in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate. The table below analyses the currencies which the Group is exposed to as at 31 December 2022 and 31 December 2021.

Group

At 31 December 2022	USD KShs'000	GBP KShs'000	Euro KShs'000	Other KShs'000	Total KShs'000
ASSETS					
Cash and balances with central banks	3,541,270	293,791	393,439	12,168	**4,240,668**
Items in the course of collection	53,750	-	260	-	**54,010**
Loans and advances to banks	4,254,458	743,584	284,633	1,531,686	**6,814,361**
Loans and advances to customers	78,401,820	2,065,012	4,176,605	4,165	**84,647,602**
Other financial assets at amortised cost	16,496,172	-	-	-	**16,496,172**
Due from group companies	597,940	-	-	43,917	**641,857**
Other assets	5,554,933	86,944	45,824	19,775	**5,707,476**
At 31 December 2022	**108,900,343**	**3,189,331**	**4,900,761**	**1,611,711**	**118,602,146**
LIABILITIES					
Deposits from banks	8,655,533	21,663	88,288	20,908	**8,786,392**
Deposits from customers	81,196,568	8,304,662	3,255,800	1,485,793	**94,242,823**
Other liabilities	4,644,141	291,464	209,459	21,650	**5,166,714**
Long-term debt	2,374,629	-	-	-	**2,374,629**
Subordinated debt	9,800,069	-	-	-	**9,800,069**
At 31 December 2022	**106,670,940**	**8,617,789**	**3,553,547**	**1,528,351**	**120,370,627**
Net on balance sheet position	**2,229,403**	**(5,428,458)**	**1,347,214**	**83,360**	**(1,768,481)**
Net notional off balance sheet position	**(4,814,617)**	**5,432,299**	**(1,365,683)**	**11,582**	**(736,419)**
Overall net position – 2022	**(2,585,214)**	**3,841**	**(18,469)**	**94,942**	**(2,504,900)**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Currency rate risk - continued

Group - continued

At 31 December 2021	USD KShs'000	GBP KShs'000	Euro KShs'000	Other KShs'000	Total KShs'000
ASSETS					
Cash and balances with central banks	5,255,586	2,318,924	890,774	336,308	**8,801,592**
Items in the course of collection	44,276	-	825	-	**45,101**
Loans and advances to banks	375,311	-	-	-	**375,311**
Loans and advances to customers	65,532,149	3,988,648	3,847,242	-	**73,368,039**
Other financial assets at amortised cost	16,679,027	-	-	-	**16,679,027**
Due from group companies	44,778	-	-	13,117	**57,895**
Other assets	434,487	13,253	5,260	18,360	**471,360**
At 31 December 2021	**88,365,614**	**6,320,825**	**4,744,101**	**367,785**	**99,798,325**
LIABILITIES					
Deposits from banks	3,357,433	18,615	81,189	1,601	**3,458,838**
Deposits from customers	74,937,978	8,254,724	2,644,399	237,693	**86,074,794**
Other liabilities	2,722,509	18,877	11,285	29,242	**2,781,913**
Long-term debt	3,811,820	-	-	-	**3,811,820**
Subordinated debt	8,924,816	-	-	-	**8,924,816**
At 31 December 2021	**93,754,556**	**8,292,216**	**2,736,873**	**268,536**	**105,052,181**
Net on balance sheet position	**(5,388,942)**	**(1,971,391)**	**2,007,228**	**99,249**	**(5,253,856)**
Net notional off balance sheet position	**3,883,063**	**1,991,038**	**(2,031,251)**	**33,050**	**3,875,900**
Overall net position – 2021	**(1,505,879)**	**19,647**	**(24,023)**	**132,299**	**(1,377,956)**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Currency rate risk - continued

Company

At 31 December 2022	USD KShs'000	GBP KShs'000	Euro KShs'000	Other KShs'000	Total KShs'000
ASSETS					
Cash and balances with Central Bank of Kenya	1,370,213	218,708	337,195	2,213	**1,928,329**
Items in the course of collection	46,926	-	260	-	**47,186**
Loans and advances to banks	4,254,458	743,584	284,633	1,531,686	**6,814,361**
Loans and advances to customers	66,638,256	2,065,012	4,176,605	4,165	**72,884,038**
Other financial assets at amortised cost	16,496,172	-	-	-	**16,496,172**
Due from group companies	597,940	-	-	43,917	**641,857**
Other assets	5,551,499	86,935	45,824	-	**5,684,258**
At 31 December 2022	**94,955,464**	**3,114,239**	**4,844,517**	**1,581,981**	**104,496,201**
LIABILITIES					
Deposits from banks	8,655,533	21,663	88,288	20,908	**8,786,392**
Deposits from customers	71,458,816	8,236,414	3,196,970	1,485,793	**84,377,993**
Other liabilities	1,878,024	284,617	213,334	20,566	**2,396,541**
Long-term debt	888,067	-	-	-	**888,067**
Subordinated debt	9,800,069	-	-	-	**9,800,069**
At 31 December 2022	**92,680,509**	**8,542,694**	**3,498,592**	**1,527,267**	**106,249,062**
Net on balance sheet position	**2,274,955**	**(5,428,455)**	**1,345,925**	**54,714**	**(1,752,861)**
Net notional off balance sheet position	**(4,814,617)**	**5,432,299**	**(1,365,683)**	**11,582**	**(736,419)**
Overall net position – 2022	**(2,539,662)**	**3,844**	**(19,758)**	**66,296**	**(2,489,280)**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Currency rate risk - continued

Company - continued

At 31 December 2021	USD KShs'000	GBP KShs'000	Euro KShs'000	Other KShs'000	Total KShs'000
ASSETS					
Cash and balances with Central Bank of Kenya	3,239,876	2,249,214	838,555	327,066	6,654,711
Items in the course of collection	37,940	-	825	-	38,765
Loans and advances to banks	375,311	-	-	-	375,311
Loans and advances to customers	54,610,311	3,988,648	3,847,242	-	62,446,201
Other financial assets at amortised cost	16,679,027	-	-	-	16,679,027
Due from group companies	44,778	-	-	13,117	57,895
Other assets	431,298	13,245	5,260	-	449,803
At 31 December 2021	**75,418,541**	**6,251,107**	**4,691,882**	**340,183**	**86,701,713**
LIABILITIES					
Deposits from banks	3,357,433	18,615	81,189	1,601	3,458,838
Deposits from customers	65,896,998	8,191,359	2,589,779	237,693	76,915,829
Other liabilities	154,318	12,520	14,882	28,236	209,956
Long-term debt	2,431,626	-	-	-	2,431,626
Subordinated debt	8,924,816	-	-	-	8,924,816
At 31 December 2021	**80,765,191**	**8,222,494**	**2,685,850**	**267,530**	**91,941,065**
Net on balance sheet position	**(5,346,650)**	**(1,971,387)**	**2,006,032**	**72,653**	**(5,239,352)**
Net notional off balance sheet position	**3,883,063**	**1,991,038**	**(2,031,251)**	**33,050**	**3,875,900**
Overall net position – 2021	**(1,463,587)**	**19,651**	**(25,219)**	**105,703**	**(1,363,452)**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Currency rate risk - continued

Sensitivity analysis

A reasonable possible strengthening or weakening of the USD, GBP, EUR against the Kenya shilling (KShs) would have affected the measurement of financial instruments denominated in foreign currency and effected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates remain constant.

At 31 December 2022	Profit or loss Strengthening/weakening of currency KShs'000	Equity net of tax Strengthening/weakening of currency KShs'000
USD (± 2.5% movement)	(64,630)	(45,241)
GBP (± 2.5% movement)	96	67
EUR (± 2.5% movement)	(462)	(323)

At 31 December 2021	Profit or loss Strengthening/weakening of currency KShs'000	Equity net of tax Strengthening/weakening of currency KShs'000
USD (± 2.5% movement)	(37,647)	(26,353)
GBP (± 2.5% movement)	491	344
EUR (± 2.5% movement)	(601)	(420)

Company:

At 31 December 2022	Profit or loss Strengthening/weakening of currency KShs'000	Equity net of tax Strengthening/weakening of currency KShs'000
USD (± 2.5% movement)	(63,492)	(44,444)
GBP (± 2.5% movement)	96	67
EUR (± 2.5% movement)	(494)	(346)

At 31 December 2021	Profit or loss Strengthening/weakening of currency KShs'000	Equity net of tax Strengthening/weakening of currency KShs'000
USD (± 2.5% movement)	(36,590)	(25,613)
GBP (± 2.5% movement)	491	344
EUR (± 2.5% movement)	(630)	(441)

(d) Capital management

The Group's policy is to maintain a strong capital base so as to maintain regulatory, investor, creditor and market confidence and to sustain future development of business. The impact of the level of capital of shareholders' return is also recognized in addition to recognizing the need to maintain a balance between the higher returns that may be possible with greater gearing and the advantages and security afforded by sound capital position.

Regulatory capital - Kenya

The Central Bank of Kenya sets and monitors capital requirements for banking industry in Kenya.

The objective of the Central Bank of Kenya is to ensure that a Bank maintains a level of capital which:

- is adequate to protect its depositors and creditors;
- is commensurate with the risks associated with its activities and profile
- promotes public confidence in the Bank.

In implementing current capital requirements, the Central Bank of Kenya requires banks to maintain a prescribed ratio of total capital to total risk-weighted assets. Banks are expected to assess the credit risk, market risk and operational risk of the risk weighted assets to derive the ratios. The 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.

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Capital management (continued)

Regulatory capital - Kenya - continued

The Central Bank of Kenya requires a bank to maintain at all times:

- a core capital of not less than 8% of total risk weighted assets, plus risk weighted off -balance sheet items
- a core capital of not less than 8% of its total deposit liabilities
- a total capital of not less than 12% of its total risk weighted assets, plus risk weighted off-balance sheet items

In addition to the minimum capital adequacy ratios of 8% and 12%, institutions are required to hold a capital conservation buffer of 2.5% over and above these minimum ratios to enable the institutions withstand future periods of stress. This brings the minimum core capital to risk weighted assets and total capital to risk weighted assets requirements to 10.5% and 14.5% respectively.

A bank must maintain a minimum core capital of KShs 1,000 million. The bank's regulatory capital is analysed into two tiers:

- Tier 1 capital. This includes ordinary share capital, share premium, retained earnings and after deduction of investment in subsidiaries, goodwill, other intangible assets and other regulatory adjustments relating to items that are included in equity which are treated differently for capital adequacy purposes.
- Tier 2 capital. This includes 25% of revaluation reserves of property and equipment, subordinated debt not exceeding 50% of core capital, collective impairment allowances and any other approved reserves.

The risk based approach to capital adequacy measurement is applied to both on and off balance sheet items. Risk weights are assigned on assets from assessing the following:

- Credit risk arising from the possibility of losses associated with reduction of credit quality of borrowers or counterparties;
- Market risk arising from movements in market prices pertaining to interest rate related instruments and foreign exchange risk and commodities risk;
- Operational risk resulting from inadequate or failed internal processes, people and systems or from external events.

The Bank's (Company's) regulatory capital position at 31 December was as follows:

Company:		**2022 KShs'000**	**2021 KShs'000**
Core capital (Tier 1)			
Share capital		3,000,000	2,980,000
Share premium		5,531,267	5,531,267
Retained earnings		37,144,898	32,937,303
		45,676,165	**41,448,570**
Less: Deferred tax		(43,261)	(66,019)
Less: Investment in subsidiary		(3,057,585)	(3,057,585)
Total core capital		**42,575,319**	**38,324,966**
Supplementary capital (Tier 2)			
Term subordinated debt		7,870,156	7,778,208
Statutory loan loss reserve		6,008,653	6,747,297
		13,878,809	**14,525,505**
Total capital		**56,454,128**	**52,850,471**
Risk weighted assets			
Credit risk weighted assets		220,987,952	195,827,487
Market risk weighted assets		20,940,394	17,800,488
Operational risk weighted assets		37,840,940	33,513,810
Total risk weighted assets		**279,769,286**	**247,141,784**
Deposits from customers		**236,775,189**	**232,110,990**
Capital ratios	Minimum*		
Core capital/Total deposit liabilities	**8.0%**	**17.98%**	**16.51%**
Core capital /Total risk weighted assets	**10.5%**	**15.22%**	**15.51%**
Total capital /Total risk weighted assets	**14.5%**	**20.18%**	**21.38%**

**** As defined by the Central Bank of Kenya***

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Capital management (continued)

Regulatory capital - Tanzania

The Bank of Tanzania sets and monitors capital requirements for the Tanzania banking industry. The Bank of Tanzania has set among other measures, the rules and ratios to monitor adequacy of a bank's capital. In implementing current capital requirements, The Bank of Tanzania requires Banks to maintain a prescribed ratio of total capital to total risk-weighted assets. The Bank's regulatory is analysed in two tiers:

- Tier 1 capital: This includes ordinary share capital, share premium, retained earnings, after deductions for prepaid expenses, goodwill, other intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital: This includes qualifying subordinated liabilities, collective impairment allowances and the element of fair value reserve relating to unrealized gains on equity instruments classified as FVOCI.

Various limits are applied to elements of the capital base such as qualifying Tier 2 capital cannot exceed Tier 1 capital and qualifying subordinated debt may not exceed 50 percent of Tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of Tier 2 capital. Tier 1 capital is also subjected to various limits such as Tier 1 capital should not be less than 10 percent of the risk weighted assets.

In addition to the above requirements, the Bank of Tanzania require banks to maintain a capital conservation buffer of 2.5% over and above the regulatory capital ratios to enable the Bank to withstand stressful economic conditions. In situations where the buffer is less than 2.5%, the Bank is restricted from distributing any dividends to shareholders as well as paying bonus to senior management and other staff members. Further the Bank is required to submit a capital restoration plan to the Bank of Tanzania (BoT) within a specified period of time as determined by BoT. In the event the capital restoration plan is not approved by BoT, the Bank may be directed to raise additional capital in order to restore the capital conservation buffer.

The Bank's regulatory capital position is as illustrated below:

		TZS'000	TZS'000
Total risk weighted assets		**442,790,292**	**455,203,329**
Capital ratios	Minimum*		
Core capital /Total risk weighted assets	**10.0%**	**15.22%**	**16.02%**
Total capital /Total risk weighted assets	**12.0%**	**16.39%**	**19.55%**

As defined by the Bank of Tanzania

(e) Climate related risk

Climate-related risks' are potential negative impacts on the Group arising from climate change. Climate-related risks have an impact on the principal risk categories discussed above (i.e. credit, liquidity, market and operational risks), but due to their pervasive nature, they have been identified and managed by the Group on an overall basis.

The Group distinguishes between physical risks and transition risks. Physical risks arise as result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels. Transition risks arise as a result of measures taken to mitigate the effects of climate change and transition to a low-carbon economy – e.g. changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand.

The Group has set up a Board Risk Committee, which is responsible for developing group-wide policies, processes and controls to incorporate climate risks in the management of principal risk categories.

The Group has developed a climate risk framework for:

- identifying risk factors and assessing their potential impact on the Group's financial statements; and
- allocating responsibilities for managing each identified risk factor. The Group has also set out principles on how to incorporate climate-related risk into stress test scenarios

The Group has identified the following climate-related risk factors as having an impact on the Group's financial instruments and included them in its principal risk management processes.

- Industries exposed to increased transition risks: The Group has identified industries that are subject to increased risk of climate regulation negatively affecting their business model. The Group Credit Committee has set overall lending limits for these industries. – Physical risk to real estate: The Group has identified areas in which it operates that are exposed to increased physical risk such as hurricanes or floods. Heightened physical risk is considered in valuing collateral, such as real estate, plant or inventory.

In addition, the Group is in the process of developing models that aim to assess how borrowers' performance is linked to climate change. The Group plans to use these models in pricing credit risk and in calculating ECLs.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

6. USE OF ESTIMATES AND JUDGEMENT

Key sources of estimation uncertainty

(a) Allowance for credit losses

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3(f)(iii) which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

(b) Income taxes

Significant estimates are required in determining the liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax balances and deferred tax liability in the period in which such determination is made.

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy 3(j)(ii) and computed in Note 26. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

(d) Critical accounting judgements in applying the Group's accounting policies

Critical accounting judgements made in applying the Group's accounting policies include financial asset and liability classification. The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances.

In classifying financial assets as held to collect, the Group has determined that it has both positive intention and ability to hold the assets until their maturity date as required by the group's accounting policies

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

7. FAIR VALUE HEIRARCHY FOR ASSETS CARRIED AT FAIR VALUE

Accounting classifications at carrying amounts and fair values

The tables below show the carrying amounts and fair values of assets and liabilities, including their levels in the fair value hierarchy.

Group 31 December 2022	Carrying amounts					Fair value			
	Financial assets at amortised cost KShs'000	Financial assets at FVOCI KShs'000	Financial assets at FVTPL KShs'000	Other financial liabilities at amortised cost KShs'000	Total KShs'000	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Financial assets									
Cash and balances with central banks	15,966,304	-	-	-	**15,966,304**	-	-	-	-
Items in the course of collection	433,996	-	-	-	**433,996**	-	-	-	-
Loans and advances to banks	10,981,678	-	-	-	**10,981,678**	-	-	-	-
Loans and advances to customers	203,355,150	-	-	-	**203,355,150**	-	-	-	-
Financial assets at fair value through profit or loss (FVTPL)	-	-	15,080,925	-	**15,080,925**	15,080,925	-	-	15,080,925
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	50,034,300	-	-	**50,034,300**	45,090,079	4,944,221	-	50,034,300
Other financial assets at amortised cost	29,115,880	-	-	-	**29,115,880**	-	-	-	-
Due from group companies	782,325	-	-	-	**782,325**	-	-	-	-
Other assets	3,599,744	-	-	-	**3,599,744**	-	-	-	-
	264,235,077	**50,034,300**	**15,080,925**	**-**	**329,350,302**	**60,171,004**	**4,944,221**	**-**	**65,115,225**
Financial liabilities									
Deposits from banks	-	-	-	11,182,714	**11,182,714**	-	-	-	-
Deposits from customers	-	-	-	257,841,512	**257,841,512**	-	-	-	-
Due to group companies	-	-	-	1,732,442	**1,732,442**	-	-	-	-
Long term borrowings	-	-	-	1,563,943	**1,563,943**	-	-	-	-
Subordinated debt	-	-	-	9,800,069	**9,800,069**	-	-	-	-
Other liabilities	-	-	-	5,444,455	**5,444,455**	-	-	-	-
	-	**-**	**-**	**287,565,135**	**287,565,135**	**-**	**-**	**-**	**-**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

7. FAIR VALUE HEIRARCHY FOR ASSETS CARRIED AT FAIR VALUE (Continued)

Accounting classifications at carrying amounts and fair values (continued)

Group 31 December 2021	Carrying amounts					Fair value			
	Financial assets at amortised cost KShs'000	Financial assets at FVOCI KShs'000	Financial assets at FVTPL KShs'000	Other financial liabilities at amortised cost KShs'000	Total KShs'000	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Financial assets									
Cash and balances with central banks	17,539,247	-	-	-	**17,539,247**	-	-	-	-
Items in the course of collection	654,632	-	-	-	**654,632**	-	-	-	-
Loans and advances to banks	6,005,054	-	-	-	**6,005,054**	-	-	-	-
Loans and advances to customers	179,559,148	-	-	-	**179,559,148**	-	-	-	-
Financial assets at fair value through profit or loss (FVTPL)	-	-	15,932,960	-	**15,932,960**	15,932,960	-	-	**15,932,960**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	62,538,424	-	-	**62,538,424**	57,550,617	4,987,807	-	**62,538,424**
Other financial assets at amortised cost	36,177,880	-	-	-	**36,177,880**	-	-	-	-
Due from group companies	790,849	-	-	-	**790,849**	-	-	-	-
Other assets	2,016,943	-	-	-	**2,016,943**	-	-	-	-
	242,743,753	**62,538,424**	**15,932,960**	-	**321,215,137**	**73,483,577**	**4,987,807**	-	**78,471,384**
Financial liabilities									
Deposits from banks	-	-	-	11,990,628	**11,990,628**	-	-	-	-
Deposits from customers	-	-	-	249,434,667	**249,434,667**	-	-	-	-
Due to group companies	-	-	-	1,792,385	**1,792,385**	-	-	-	-
Long term borrowings	-	-	-	3,964,050	**3,964,050**	-	-	-	-
Subordinated debt	-	-	-	8,924,816	**8,924,816**	-	-	-	-
Other liabilities	-	-	-	3,640,510	**3,640,510**	-	-	-	-
	-	-	-	**279,747,056**	**279,747,056**	-	-	-	-

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

7. FAIR VALUE HEIRARCHY FOR ASSETS CARRIED AT FAIR VALUE (Continued)

Measurement of fair values

Valuation techniques and significant unobservable inputs

Financial assets measured at fair value - At 31 December

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment securities – Fair Value through Other Comprehensive Income	Prices quoted at securities exchanges	None	Not applicable

Accounting classifications at carrying amounts and fair values (continued)

Company 31 December 2022	Carrying amounts					Fair value			
	Financial assets at amortised cost KShs'000	Financial assets at FVOCI KShs'000	Financial assets at FVTPL KShs'000	Other financial liabilities at amortised cost KShs'000	Total KShs'000	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Financial assets									
Balances with Central Bank of Kenya	12,978,570	-	-	-	**12,978,570**	-	-	-	-
Items in the course of collection	433,996	-	-	-	**433,996**	-	-	-	-
Financial assets at fair value through profit or loss (FVTPL)	-	-	15,080,925	-	**15,080,925**	-	15,080,925	-	**15,080,925**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	49,622,300	-	-	**49,622,300**	44,678,079	295,778	4,648,443	**49,622,300**
Other financial assets at amortised cost	22,655,837	-	-	-	**22,655,837**	-	-	-	-
Loans and advances to banks	9,985,263	-	-	-	**9,985,263**	-	-	9,985,263	**9,985,263**
Loans and advances to customers	184,013,890	-	-	-	**184,013,890**	-	-	184,013,890	**184,013,890**
Due from group companies	1,009,654	-	-	-	**1,009,654**	-	-	-	-
Other assets	-	3,338,641	-	-	**3,338,641**	-		-	-
	231,077,210	**52,960,941**	**15,080,925**	-	**299,119,076**	**44,678,079**	**15,376,703**	**198,647,596**	**258,702,378**
Financial liabilities									
Deposits from banks	-	-	-	9,715,491	**9,715,491**	-	-	-	-
Deposits from customers	-	-	-	233,806,796	**233,806,796**	-	-	-	-
Due to group companies	-	-	-	1,914,149	**1,914,149**	-	-	-	-
Long term borrowings	-	-	-	884,444	**884,444**	-	-	-	-
Subordinated debt	-	-	-	9,800,069	**9,800,069**	-	-	-	-
Other liabilities	-	-	-	4,755,652	**4,755,652**	-	-	-	-
	-	**-**	**-**	**260,876,601**	**260,876,601**	**-**	**-**	**-**	**-**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

7. FAIR VALUE HEIRARCHY FOR ASSETS CARRIED AT FAIR VALUE (Continued)

Accounting classifications at carrying amounts and fair values (continued)

Company 31 December 2021	Carrying amounts					Fair value			
	Financial assets at amortised cost KShs'000	Financial assets at FVOCI KShs'000	Financial assets at FVTPL KShs'000	Other financial liabilities at amortised cost KShs'000	Total KShs'000	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Financial assets									
Balances with Central Bank of Kenya	13,931,296	-	-	-	**13,931,296**	-	-	-	-
Items in the course of collection	648,914	-	-	-	**648,914**	-	-	-	-
Financial assets at fair value through profit or loss (FVTPL)	-	-	15,932,960	-	**15,932,960**	-	15,932,960	-	**15,932,960**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	62,838,955	-	-	**62,838,955**	57,297,886	295,012	5,246,057	**62,838,955**
Other financial assets at amortised cost	30,605,205	-	-	-	**30,605,205**	-	-	-	-
Loans and advances to banks	4,990,799	-	-	-	**4,990,799**	-	-	4,990,799	**4,990,799**
Loans and advances to customers	162,145,643	-	-	-	**162,145,643**	-	-	162,145,643	**162,145,643**
Due from group companies	839,071	-	-	-	**839,071**	-	-	-	-
Other assets	-	1,866,978	-	-	**1,866,978**	-	-	-	-
	213,160,928	**64,705,933**	**15,932,960**	**-**	**293,799,821**	**57,297,886**	**16,227,972**	**172,382,499**	**245,908,357**
Financial liabilities									
Deposits from banks	-	-	-	11,572,476	**11,572,476**	-	-	-	-
Deposits from customers	-	-	-	228,030,619	**228,030,619**	-	-	-	-
Due to group companies	-	-	-	1,773,808	**1,773,808**	-	-	-	-
Long term borrowings	-	-	-	2,431,625	**2,431,625**	-	-	-	-
Subordinated debt	-	-	-	8,924,816	**8,924,816**	-	-	-	-
Other liabilities	-	-	-	3,148,494	**3,148,494**	-	-	-	-
	-	**-**	**-**	**255,881,838**	**255,881,838**	**-**	**-**	**-**	**-**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

8. INTEREST INCOME

	2022 KShs '000	2021 KShs '000
(a) Group		
Loans and advances to customers	21,032,245	19,562,841
Loans and advances to banks	242,015	79,364
Investment securities:-		
- At amortised cost	3,551,026	3,297,426
- FVOCI - Debt instruments	4,831,037	4,181,060
	29,656,323	**27,120,691**
(b) Company		
Loans and advances to customers	18,929,697	17,637,510
Loans and advances to banks	171,304	39,049
Investment securities:-		
- At amortised cost	2,932,772	2,772,140
- FVOCI - Debt instruments	4,813,413	4,165,911
	26,847,186	**24,614,610**

9. INTEREST EXPENSE

	2022 KShs '000	2021 KShs '000
(a) Group		
Deposits from customers	9,955,788	9,007,399
Deposits from banks	863,925	254,876
Long term debt	162,975	207,975
Subordinated debt	646,582	351,208
Lease liabilities (Note 32)	145,626	104,981
	11,774,896	**9,926,439**
(b) Company		
Deposits from customers	8,901,892	8,144,915
Deposits from banks	831,755	240,673
Long term debt	98,788	135,406
Subordinated debt	646,582	339,015
Lease liabilities (Note 32)	129,922	87,171
	10,608,939	**8,947,180**

10. NET FEE AND COMMISSION INCOME

	2022 KShs '000	2021 KShs '000
(a) Group		
Fee and commission income		
Commissions	3,296,262	2,968,364
Service fees	1,433,827	1,152,099
	4,730,089	**4,120,463**
Fees and commission expense		
Interbank transaction fees	(126,903)	(95,389)
Other	(126,685)	(108,792)
	(253,588)	**(204,181)**
Net fee and commission income	**4,476,501**	**3,916,282**
(b) Company		
Fee and commission income		
Commissions	2,808,695	2,544,401
Service fees	1,293,913	1,053,667
	4,102,608	**3,598,068**
Fees and commission expense		
Interbank transaction fees	(126,311)	(88,737)
Other	(124,686)	(106,221)
	(250,997)	**(194,958)**
Net fee and commission income	**3,851,611**	**3,403,110**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

10. NET FEE AND COMMISSION INCOME (Continued)

Fees and commission from conracts with customers is measured based on the consideration specified in a contract with a customer. The Group recogizes revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature of timing of satisfaction of performance, obligations, including significant payment terms	Revenue recognition policies under IFRS 15
Transactional service fees	Consist of fees charged for processing services such as cash management, global payments, clearing, international funds transfer and other trade services	Recognized as/when the associated service is satisfied, which normally occurs at the point in time the service is requested by the customer and provided.
Deposit-related fees	Consist of service charges on deposit accounts and fees earned from performing cash management activities and other deposit account services.	Fees are recognized in the period in which the related service is provided
Insurance distribution revenue/ commission	Commissions earned from third-party insurance companies for marketing and selling insurance policies.	Commissions are recognized in Commissions and fees at the point in time the associated service is fulfilled- when the insurance policy is sold to the policyholder.
Credit card and bank card income	Composed of interchange fees, which are earned by card issuers based on purchase sales, and certain card fees, including annual fees. Costs related to customer reward programs and certain payments to partners (primarily based on program sales, profitability and customer acquisitions	Costs related to card reward programs are recognized when the rewards are earned by the cardholders. Payments to partners are recognized when incurred

11. NET TRADING INCOME

	2022	2021
(a) Group	**KShs '000**	**KShs '000**
Income from foreign exchange dealings	4,241,395	1,162,898
Net income on financial assets at fair value through profit or loss (FVTPL)	860,147	1,633,602
	5,101,542	**2,796,500**
(b) Company		
Income from foreign exchange dealings	4,021,933	1,010,293
Net income on financial assets at fair value through profit or loss (FVTPL)	860,147	1,633,602
	4,882,080	**2,643,895**

12. OTHER OPERATING INCOME

	2022	2021
(a) Group		
(i)Other income		
Profit on sale of property and equipment	1,923	5,868
Management fees income	61,520	56,728
Other income	205,283	45,951
	268,726	**108,547**
(b) Company		
(i)Other income		
Profit on sale of property and equipment	1,923	5,869
Management fees	96,914	106,561
Other income	170,117	21,895
	268,954	**134,325**
(ii)Dividend income		
Dividend income - Giro Limited	13,500	-
Dividend income - I&M Bank (T) Limited	56,387	-
Dividend income - I&M Bancassurance Intermediary Limited	17,500	27,500
	87,387	**27,500**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

13. OPERATING EXPENSES

	2022 KShs'000	2021 KShs'000
(a) Group		
Staff costs		
Salaries and wages	3,877,564	3,834,317
Contribution to defined benefit and contribution plan	215,697	203,578
Statutory contribution	55,350	47,381
Other staff costs	511,700	381,528
	4,660,311	**4,466,804**
Premises and equipment costs		
Service charge	158,710	148,193
Utilities	179,084	181,197
Other premises and equipment costs	73,814	75,784
	411,608	**405,174**
General administrative expenses		
Deposit protection insurance contribution	397,548	355,399
Other general administrative expenses	3,529,574	2,861,749
	3,927,122	**3,217,148**
Depreciation and amortisation		
Depreciation on property and equipment (Note 25)	985,495	854,141
Amortisation of intangible assets (Note 26)	642,748	474,490
	1,628,243	**1,328,631**

	2022	2021
The average number of employees employed by the Group are as follows:		
Management	1,205	1,081
Others	214	294
Period reference	**1,419**	**1,375**

(b)Company	2022 KShs '000	2021 KShs '000
Staff costs		
Salaries and wages	3,263,995	3,301,877
Contribution to defined benefit and contribution plan	212,046	200,440
Statutory contribution	2,696	2,621
Other staff costs	428,199	324,844
	3,906,936	**3,829,782**
Premises and equipment costs		
Service charge	147,894	148,193
Utilities	170,437	171,988
Other premises and equipment costs	41,233	43,903
	359,564	**364,084**
General administrative expenses		
Deposit protection insurance contribution	366,885	329,281
Other general administrative expenses	2,958,874	2,517,032
	3,325,759	**2,846,313**
Depreciation and amortisation		
Depreciation on property and equipment (Note 25)	856,799	747,292
Amortisation of intangible assets (Note 26)	558,342	402,875
	1,415,141	**1,150,167**

	2022	2021
The average number of employees employed by the Company are as follows:		
Management	1,021	894
Others	196	278
Period reference	**1,217**	**1,172**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

14. PROFIT BEFORE INCOME TAX

	2022 KShs'000	2021 KShs'000
(a) Group		
Profit before income tax is arrived at after charging:		
Depreciation	985,495	854,141
Amortisation of intangible assets	642,748	474,490
Directors' emoluments: -fees	40,799	26,736
Directors' emoluments: -other	202,321	198,204
Auditor's remuneration	26,316	26,919
Net profit on sale of property and equipment	1,923	5,868
(b) Company		
Profit before income tax is arrived at after charging:		
Depreciation	856,799	747,292
Amortisation of intangible assets	558,342	402,875
Directors' emoluments: -fees	27,843	25,612
Directors' emoluments: -other	202,321	198,204
Auditor's remuneration	10,412	10,043
Net profit on sale of property and equipment	1,923	5,868

15. INCOME TAX EXPENSE AND TAX PAYABLE

(a) Income tax expense

(i) Group

	2022 KShs'000	2021 KShs'000
Current tax		
Current year's tax	3,890,255	3,781,264
Under provision in prior year	10,650	22,582
	3,900,905	**3,803,846**
Deferred tax (Note 27)		
Current year	(1,580,725)	30,633
Prior year adjustment	61,728	(46,376)
	(1,518,997)	**(15,743)**
Income tax expense	**2,381,908**	**3,788,103**
The tax on the Group's profit differs from the theoretical amount using the basic tax rate as follows:		
Accounting profit before tax	**11,739,214**	**11,235,121**
Computed tax using the applicable corporation tax rate at 30%	3,521,764	3,370,536
Under provision in prior year	10,650	22,582
Effect on non-deductible costs/non-taxable income	(1,212,234)	441,361
Over provision in prior year - deferred tax	61,728	(46,376)
	2,381,908	**3,788,103**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

15. INCOME TAX EXPENSE AND TAX PAYABLE (Continued)

(a) Income tax expense - continued

	2022 KShs'000	2021 KShs'000
(ii) Company		
Current tax		
Current year's tax at 30%	3,774,841	3,580,146
Under provision in prior year	10,899	26,524
	3,785,740	**3,606,670**
Deferred tax (Note 27)		
Current year	(1,349,536)	21,472
Prior year adjustment	61,728	(46,376)
	(1,287,808)	**(24,904)**
Income tax expense	**2,497,932**	**3,581,766**

The tax on the Company's profit differs from the theoretical amount using the basic tax rate as follows:

	2022 KShs'000	2021 KShs'000
Accounting profit before tax	**12,260,083**	**10,587,447**
Computed tax using the applicable corporation tax rate at 30%	3,678,025	3,176,234
Under provision in prior year	10,899	26,524
Effect on non-deductible costs /non-taxable income	(1,252,720)	425,384
Under provision in prior year - deferred tax	61,728	(46,376)
	2,497,932	**3,581,766**

(b)Tax (recoverable)/payable

	2022 KShs'000	2021 KShs'000
(i) Group		
At 1 January	(96,744)	(14,555)
Income tax expense (Note 15(a)(i))	3,900,905	3,803,846
Effect of tax in foreign jurisdiction	(1,695)	841
Tax paid (Note 36(a))	(4,150,044)	(3,886,876)
At 31 December	**(347,578)**	**(96,744)**
Tax recoverable	(353,305)	(126,054)
Tax payable	5,727	29,310
	(347,578)	**(96,744)**
(ii) Company		
At 1 January	(125,958)	(79,972)
Income tax expense (Note 15(a)(ii))	3,785,740	3,606,670
Tax paid (Note 36(c))	(3,938,631)	(3,652,656)
At 31 December	**(278,849)**	**(125,958)**

16. EARNINGS PER SHARE

	Group		Company	
	2022	2021	2022	2021
Net profit after tax attributable to owners of the company (KShs '000')	**9,469,652**	**7,372,029**	**9,762,151**	**7,005,681**
Weighted average number of ordinary shares in issue during the year ('000)	**30,000**	**29,800**	**30,000**	**29,800**
Earnings per share (KShs)	**315.66**	**247.38**	**325.41**	**235.09**

There were no potentially dilutive shares outstanding at 31 December 2022 (2021 – Nil).

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

17. DIVIDEND PER SHARE

	2022 KShs'000	2021 KShs'000
The calculation of dividend per share is based on:		
Final dividend proposed during the year (KShs'000)	6,300,000	3,993,200
	6,300,000	**3,993,200**
Number of ordinary shares in issue as at 31 December ('000)	**30,000**	**29,800**
Final dividend per share (KShs.)	**210.00**	**134.00**

The payment of dividends is subject to withholding tax at the rate of 10% for all non-residents, 5% for Kenyan residents and Nil for resident Kenyan companies with shareholding of 12.5% or more.

18. CASH AND BALANCES WITH CENTRAL BANKS

	2022 KShs'000	2021 KShs'000
(a) Group		
Cash on hand	3,252,284	4,139,109
Balances with central banks:		
-Restricted balances (Cash reserve ratio)	10,981,761	10,610,992
-Unrestricted balances	1,732,259	2,789,146
	15,966,304	**17,539,247**
(b) Company		
Cash on hand	2,383,260	2,780,607
Balances with Central Bank of Kenya:		
-Restricted balances (Cash reserve ratio)	9,644,259	9,442,660
-Unrestricted balances	951,051	1,708,029
	12,978,570	**13,931,296**

The Group's Cash Reserve Ratio is non-interest earning and is based on the value of deposits as adjusted for the respective central banks requirements. At 31 December 2022, the cash ratio requirement was 4.25% (2021 – 4.25%) in Kenya and, 7.0% (2021 – 7.0%) in Tanzania of eligible deposits. These funds are available for use by the Company(I&M Bank LIMITED) in its day-to-day operations in a limited way provided that on any given day this balance does not fall below the 3.00% requirement and provided that the overall average in the month is at least 4.25% (2021 - 4.25%)

19. ITEMS IN THE COURSE OF COLLECTION

	2022 KShs'000	2021 KShs'000
(a) Group		
Assets	**433,996**	**654,632**
(b) Company		
Assets	**433,996**	**648,914**

Items in the course of collection represent net settlement balances through the inter-banking clearing process.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

20. LOANS AND ADVANCES TO BANKS

	2022	2021
(a) Group	**KShs'000**	**KShs'000**
Due within 90 days	10,634,142	5,689,716
Due after 90 days	347,536	315,338
	10,981,678	**6,005,054**
(b) Company		
Due within 90 Days	9,637,727	4,675,461
Due after 90 days	347,536	315,338
	9,985,263	**4,990,799**

21. LOANS AND ADVANCES TO CUSTOMERS

(a) Classification

	2022	2021
	KShs'000	**KShs'000**
(i) Group		
Overdrafts	62,608,980	50,716,621
Loans	143,186,147	132,240,205
Bills discounted	2,926,684	1,366,301
Finance leases	10,041,713	6,690,329
Gross loans and advances	**218,763,524**	**191,013,456**
Less: Impairment losses on loans and advances	(15,408,374)	(11,454,308)
Net loans and advances	**203,355,150**	**179,559,148**
(ii) Company		
Overdrafts	54,612,165	44,998,254
Loans	130,041,722	119,560,088
Bills discounted	2,926,684	1,366,301
Finance leases	10,041,713	6,690,329
Gross loans and advances	**197,622,284**	**172,614,972**
Less: Impairment losses on loans and advances	(13,608,394)	(10,469,329)
Net loans and advances	**184,013,890**	**162,145,643**

The movement in impairment loss reserves in compliance with IFRS 9 is disclosed on Note 5(a)(iii).

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Impairment losses on loans and advances and other financial assets at amortised cost - Group

2022:

	Loans and advances to customers at amortised cost KShs'000	Loan commitments and financial guarantee contracts KShs'000	Total banking KShs'000	Trade receivable KShs'000	Total KShs'000
Net remeasurement of loss allowance	5,465,610	(58,671)	5,406,939	12,510	5,419,449
New financial assets originated or purchased	238,679	1,307	239,986	-	239,986
	5,704,289	**(57,364)**	**5,646,925**	**12,510**	**5,659,435**
Recoveries and impairment no longer required	(261,873)	(34,707)	(296,580)	-	(296,580)
Recoveries of loans and advances previously written off	(158,304)	-	(158,304)	-	(158,304)
Amounts directly written off during the year	157,147	-	157,147	-	157,147
	5,441,259	**(92,071)**	**5,349,188**	**12,510**	**5,361,698**

2021:

	Loans and advances to customers at amortised cost KShs'000	Loan commitments and financial guarantee contracts KShs'000	Total banking KShs'000	Trade receivable KShs'000	Total KShs'000
Net remeasurement of loss allowance	3,120,687	11,822	3,132,509	9,684	3,142,193
New financial assets originated or purchased	240,229	67,071	307,300	-	307,300
	3,360,916	**78,893**	**3,439,809**	**9,684**	**3,449,493**
Recoveries and impairment no longer required	(11,301)	(24,260)	(35,561)	-	(35,561)
Recoveries of loans and advances previously written off	(410,526)	-	(410,526)	-	(410,526)
Amounts directly written off during the year	359,297	-	359,297	-	359,297
	3,298,386	**54,633**	**3,353,019**	**9,684**	**3,362,703**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Impairment losses on loans and advances – Company

2022:

	Loans and advances to customers at amortised cost KShs'000	Loan commitments and financial guarantee contracts KShs'000	Total banking KShs'000
Net remeasurement of loss allowance	4,168,023	(48,681)	4,119,342
New financial assets originated or purchased	237,881	1,307	239,188
	4,405,904	**(47,374)**	**4,358,530**
Recoveries and impairment no longer required	(141,817)	(34,705)	(176,522)
Recoveries of loans and advances previously written off	(158,304)	-	(158,304)
Amounts directly written off during the year	37,092	-	37,092
	4,142,875	**(82,079)**	**4,060,796**

2021:

	Loans and advances to customers at amortised cost KShs'000	Loan commitments and financial guarantee contracts KShs'000	Total banking KShs'000
Net remeasurement of loss allowance	2,880,745	29,348	2,910,093
New financial assets originated or purchased	235,132	56,416	291,548
	3,115,877	**85,764**	**3,201,641**
Recoveries and impairment no longer required	(9,252)	(23,885)	(33,137)
Recoveries of loans and advances previously written of	(410,526)	-	(410,526)
Amounts directly written off during the year	340,489	-	340,489
	3,036,588	**61,879**	**3,098,467**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Non-performing loans and advances

Non-performing loans and advances net of impairment losses and estimated value of securities are disclosed in Note 5(a).

(i) Group

	2022	2021
	KShs'000	KShs'000
Interest on impaired loans and advances which has not yet been received in cash	1,366,186	1,132,406
(ii) Company		
Interest on impaired loans and advances which has not yet been received in cash	696,422	518,206

(d) Loans and advances concentration by sector

(i) Group

	2022		2021	
	KShs'000	%	KShs'000	%
Manufacturing	63,351,066	29%	51,734,960	27%
Wholesale and retail trade	43,596,397	20%	36,492,342	19%
Building and construction	13,436,910	6%	11,747,154	6%
Agriculture	10,227,804	5%	5,697,374	3%
Real estate	32,417,252	15%	33,516,426	18%
Transport and communication	12,067,646	6%	10,915,448	6%
Business services	7,850,706	4%	8,434,117	4%
Electricity and water	2,133,403	1%	851,362	0%
Finance and insurance	6,488,784	3%	4,761,963	2%
Mining and quarrying	2,009,133	1%	1,642,446	1%
Others	25,184,423	10%	25,219,864	14%
	218,763,524	**100%**	**191,013,456**	**100%**

(ii) Company

	2022		2021	
	KShs'000	%	KShs'000	%
Manufacturing	58,816,638	30%	47,513,938	28%
Wholesale and retail trade	39,926,922	20%	33,867,887	20%
Building and construction	12,173,107	6%	11,082,606	6%
Agriculture	8,888,444	4%	5,013,123	3%
Real estate	27,965,701	14%	29,199,154	17%
Transport and communication	11,084,258	6%	10,205,475	6%
Business services	7,355,519	4%	8,037,461	5%
Electricity and water	2,133,403	1%	851,362	0%
Finance and insurance	6,488,784	3%	4,761,963	3%
Mining and quarrying	1,584,657	1%	1,177,858	1%
Others	21,204,851	11%	20,904,145	11%
	197,622,284	**100%**	**172,614,972**	**100%**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Finance leases

Loans and advances to customers include finance leases receivable as follows:

(i) Group

	2022 KShs'000	2021 KShs'000
Receivable no later than 1 year	490,992	561,842
Receivable later than 1 year and no later than 5 years	6,677,302	4,973,236
Receivable later than 5 year	2,873,419	1,155,251
	10,041,713	**6,690,329**

(ii) Company

	2022 KShs'000	2021 KShs'000
Receivable no later than 1 year	490,992	561,842
Receivable later than 1 year and no later than 5 years	6,677,302	4,973,236
Receivable later than 5 year	2,873,419	1,155,251
	10,041,713	**6,690,329**

22. FINANCIAL ASSETS

(a) Financial assets at fair value through profit or loss (FVTPL)

	2022 KShs'000	2021 KShs'000
(i) Group		
Derivative assets	739,898	179,138
Government securities (Non Liquid)	14,341,027	15,753,822
	15,080,925	**15,932,960**
(ii) Company		
Derivative assets	739,898	179,138
Government securities (Non Liquid)	14,341,027	15,753,822
	15,080,925	**15,932,960**

22. FINANCIAL ASSETS

(b) Financial assets measured at fair value through other comprehensive income (FVOCI)

	2022 KShs'000	2021 KShs'000
(i) Group		
Equity investment	550,051	476,414
Preference shares investment in related parties*	4,648,443	4,692,795
Corporate bonds	295,778	295,012
Government securities (Non Liquid)	44,540,028	57,074,203
	50,034,300	**62,538,424**
(ii) Company		
Equity investment	496,475	426,671
Preference shares investment	4,648,443	5,246,057
Corporate bonds	295,778	295,012
Government securities (Non Liquid)	44,181,604	56,871,215
	49,622,300	**62,838,955**

* On 28 January 2016 and 6 July 2016, I&M Realty Limited issued 350 5% non-cumulative preference shares of a par value of KShs 10,000,000 each to the value of KShs 3.5 billion redeemable after a period of 7 years at the discretion of the issuer, which were fully subscribed to by I&M Bank LIMITED. An additional 30 non-cumulative redeemable preference shares of KShs 10,000,000 each were issued in 2019 by I&M Realty Limited and were fully subscribed by I&M Bank LIMITED. These additional preference rank pari passu in all respect with the existing non-cumulative redeemable preference shares.

* On 17 June 2021, Giro Limited issued 9,000,000 5% non-cumulative preference shares of a par value of KShs 30 each at KShs 60 each to the value of KShs 540,000,000 redeemable after a period of 5 years but before the expiry of 10 years at the discretion of the issuer, which were fully subscribed to by I&M Bank LIMITED

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

22. FINANCIAL ASSETS (Continued)

(c) Other financial assets at amortised cost

	2022 KShs'000	2021 KShs'000
(i) Group		
Government securities (non liquid)	29,058,219	36,142,410
Trade receivables	57,661	35,470
	29,115,880	**36,177,880**
(ii) Company		
Government securities (non liquid)	**22,655,837**	**30,605,205**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

22. FINANCIAL ASSETS (Continued)

The change in the carrying amount of investment securities held by the Group is as shown below:

Group	Financial assets at fair value through profit or loss (FVTPL)	Other financial assets at amortised cost	Financial assets measured at fair value through other comprehensive income (FVOCI)				
	Government securities KShs'000	Government securities KShs'000	Government securities KShs'000	Preference shares KShs'000	Equity investments KShs'000	Corporate bond KShs'000	Total KShs'000
31 December 2022							
At 1 January	15,932,960	36,142,410	57,074,203	4,692,795	476,414	295,012	114,613,794
Additions	5,000	10,673,991	9,418,567	-	-	-	20,097,558
Disposals and maturities	(167,300)	(20,064,028)	(17,848,376)	-	-	-	(38,079,704)
Changes in fair value	(2,408,180)	-	(4,110,773)	(44,352)	69,804	696	(6,492,805)
Amortisation of discounts and premiums, unearned interest and interest receivable	1,718,445	1,879,104	14,258	-	-	70	3,611,877
Translation reserve	-	426,742	(7,851)	-	3,833	-	422,724
At 31 December	**15,080,925**	**29,058,219**	**44,540,028**	**4,648,443**	**550,051**	**295,778**	**94,173,444**
31 December 2021							
At 1 January	11,798,434	41,593,094	36,606,922	4,408,750	448,857	-	94,856,057
Additions	13,009,290	20,518,434	45,663,639	540,000	-	288,860	80,020,223
Disposals and maturities	(9,182,773)	(27,938,602)	(25,116,129)	-	-	-	(62,237,504)
Changes in fair value	201,884	-	(828,461)	(255,955)	(13,334)	(69)	(895,935)
Amortisation of discounts and premiums, unearned interest and interest receivable	106,125	1,715,509	748,579	-	38,885	6,221	2,615,319
Translation reserve	-	253,975	(347)	-	2,006	-	255,634
At 31 December	**15,932,960**	**36,142,410**	**57,074,203**	**4,692,795**	**476,414**	**295,012**	**114,613,794**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

22. FINANCIAL ASSETS (Continued)

The change in the carrying amount of investment securities held by the Group is as shown below:

Company	Financial assets at fair value through profit or loss (FVTPL) Government securities KShs'000	Other financial assets at amortised cost Government securities KShs'000	Financial assets measured at fair value through other comprehensive income (FVOCI) Government securities KShs'000	Preference shares KShs'000	Equity investments KShs'000	Corporate bond KShs'000	Total KShs'000
31 December 2022							
At 1 January	15,932,960	30,605,205	56,871,215	5,246,057	426,671	295,012	109,377,120
Additions	5,000	8,500,000	8,958,473	-	-	-	17,463,473
Disposals and maturities	(167,300)	(18,013,647)	(17,152,876)	(553,262)	-	-	(35,887,085)
Changes in fair value	(2,408,180)	-	(4,495,366)	(44,352)	69,804	696	(6,877,398)
Amortisation of discounts and premiums, unearned interest and interest receivable	1,718,445	1,564,279	158	-	-	70	3,282,952
At 31 December	**15,080,925**	**22,655,837**	**44,181,604**	**4,648,443**	**496,475**	**295,778**	**87,359,062**
31 December 2021							
At 1 January	11,798,434	36,732,012	36,606,922	4,870,719	401,120	-	90,409,207
Additions	13,009,290	18,500,000	45,468,514	540,000	-	288,860	77,806,664
Disposals and maturities	(9,182,773)	(26,050,018)	(25,116,129)	(100,000)	-	-	(60,448,920)
Changes in fair value	201,884	-	(822,573)	(64,662)	(13,334)	(69)	(698,754)
Amortisation of discounts and premiums, unearned interest and interest receivable	106,125	1,423,211	734,481	-	38,885	6,221	2,308,923
At 31 December	**15,932,960**	**30,605,205**	**56,871,215**	**5,246,057**	**426,671**	**295,012**	**109,377,120**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

23. HELD FOR SALE ASSETS

Group	2022 KShs'000	2021 KShs'000
Held for sale assets	748,849	1,001,430
Company		
Held for sale assets	748,849	1,001,430

Assets held for sale are assets foreclosed by the Group in the normal course of business and are primarily recovered through sale.

24. INVESTMENT IN SUBSIDIARIES

			2022		2021	
	Country of incorporation	Sector	KShs'000	% Ownership	KShs'000	% Ownership
I&M Bank (T) Limited	Tanzania	Banking	3,057,585	77.80%	3,057,585	77.80%
I&M Bancassurance Intermediary Limited	Kenya	Insurance	100	100%	100	100%
At 1 January and 31 December			3,057,685		3,057,685	

The Bank acquired 55.03% controlling equity stake in CF Union Bank Limited (now I&M Bank (T) Limited) on 14 January 2010 to offer banking services in Tanzania. In 2016, through a combination of rights issues (effective 12 October 2016) and a buyout of Proparco shares in I&M Bank (T) Limited (effective 26 October 2016) to get to 70.38% and to 77.80% in 2021 following take up of renounced rights issue shares.

I&M Bancassurance Intermediary Limited was incorporated on 23 July 2014 and commenced operations on 1 August 2014 to offer insurance agency services in Kenya.

A summary of the subsidiaries performance is shown below;

		Revenue	Expenses	Profit before tax	Profit after tax
		KShs'000	KShs'000	KShs'000	KShs'000
Entity	**Year**	a	b	c=(a-b)	d
I&M Bank (T) Limited	2022	2,217,991	(2,906,698)	**(688,707)**	**(506,064)**
	2021	1,988,310	(1,495,932)	**492,378**	**337,788**
I&M Bancassurance Intermediary Limited	2022	327,246	(88,667)	**238,579**	**171,910**
	2021	264,304	(78,531)	**185,773**	**133,337**
Youjays Insurance Brokers Limited	2022	138	(457)	**(319)**	**(270)**
	2021	516	246	**762**	**712**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

24. INVESTMENT IN SUBSIDIARIES (Continued)

	Bank	
	2022	**2021**
	KShs'000	**KShs'000**
At 1 January	3,057,685	2,750,753
Additional investment in I&M Bank (T) Limited	-	306,932
At 1 January and 31 December	**3,057,685**	**3,057,685**

The following table summarises the information relating to Group's subsidiary that has Non-controlling interest (NCI).

	2022	**2021**
NCI percentage	**22.2%**	**22.2%**
	KShs'000	**KShs'000**
Summarized statement of financial position		
Loans and advances to customers	19,341,259	17,413,506
Other assets	12,209,151	11,393,950
Liabilities	(27,023,013)	(24,016,272)
Net Assets	**4,527,397**	**4,791,184**
Carrying amount of NCI	1,005,082	1,063,643
Share premium taken up solely by NCI	3,835	3,835
Total carrying amount of NCI	**1,008,917**	**1,067,478**
Summarized statement of profit or loss and other comprehensive income		
Net interest income	1,622,319	1,509,033
(Loss)/profit for the year	(506,064)	337,788
Total comprehensive income	(506,064)	337,788
Profit allocated to NCI	**(112,346)**	**74,989**
Summarized statement of cash flows		
Net cash generated from operating activities	1,282,372	1,372,493
Net cash used in investing activities	(111,372)	(99,356)
Net cash used financing activities before dividends to NCI	(1,132,106)	(303,840)
Net increase in cash and cash equivalents	**38,894**	**969,297**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

25. PROPERTY AND EQUIPMENT

(a) Group

2022:

	Leasehold improvements KShs'000	Furniture, fittings, fixtures and office equipment KShs'000	Computers KShs'000	Motor vehicles KShs'000	Right of use asset KShs'000	Capital work in progress KShs'000	Total KShs'000
Cost							
At 1 January	2,130,674	1,670,020	1,634,584	122,038	2,443,845	150,365	8,151,526
Additions	13,619	102,891	26,722	9,429	56,936	203,533	413,130
Disposals	(1,045)	(7,540)	(677)	(4,160)	(196,055)	-	(209,477)
Reclassification/internal transfers	20,566	40,039	193,226	-	-	(253,831)	-
Translation differences	15,495	28,315	3,775	2,049	18,775	1,058	69,467
At 31 December	**2,179,309**	**1,833,725**	**1,857,630**	**129,356**	**2,323,501**	**101,125**	**8,424,646**
Depreciation							
At 1 January	1,319,894	970,785	956,000	101,374	949,935	-	4,297,988
Charge for the year	230,137	142,305	313,442	11,164	288,447	-	985,495
On disposal	(911)	(6,153)	353	(3,998)	(169,842)	-	(180,551)
Translation differences	12,006	16,518	2,767	1,450	12,595	-	45,336
At 31 December	**1,561,126**	**1,123,455**	**1,272,562**	**109,990**	**1,081,135**	**-**	**5,148,268**
Net book value at 31 December	**618,183**	**710,270**	**585,068**	**19,366**	**1,242,366**	**101,125**	**3,276,378**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

25. PROPERTY AND EQUIPMENT (Continued)

(a) Group (continued)

2021:

	Leasehold improvements KShs'000	Furniture, fittings, fixtures and office equipment KShs'000	Computers KShs'000	Motor vehicles KShs'000	Right of use asset KShs'000	Capital work in progress KShs'000	Total KShs'000
Cost							
At 1 January	2,010,598	1,341,089	934,221	121,485	2,281,020	683,472	7,371,885
Additions	58,059	166,021	32,278	8,603	153,002	348,376	766,339
Disposals	-	(4,869)	(677)	(8,870)	-	(6,059)	(20,475)
Reclassification/internal transfers	53,919	154,713	667,085	-	-	(875,717)	-
Translation differences	8,098	13,066	1,677	820	9,823	293	33,777
At 31 December	**2,130,674**	**1,670,020**	**1,634,584**	**122,038**	**2,443,845**	**150,365**	**8,151,526**
Depreciation							
At 1 January	1,102,792	846,834	799,780	90,946	597,930	-	3,438,282
Reclassification	-	485	(485)	-	-	-	-
Charge for the year	211,563	120,480	156,121	18,422	347,555	-	854,141
On disposal	-	(4,161)	(677)	(8,674)	-	-	(13,512)
Translation differences	5,539	7,147	1,261	680	4,450	-	19,077
At 31 December	**1,319,894**	**970,785**	**956,000**	**101,374**	**949,935**	**-**	**4,297,988**
Net book value at 31 December	**810,780**	**699,235**	**678,584**	**20,664**	**1,493,910**	**150,365**	**3,853,538**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

25. PROPERTY AND EQUIPMENT (Continued)

(b) Company

2022:

	Leasehold improvements KShs'000	Furniture, fittings, fixtures and office equipment KShs'000	Computers KShs'000	Motor vehicles KShs'000	Right of use asset KShs'000	Capital work in progress KShs'000	Total KShs'000
Cost							
At 1 January	1,929,758	1,258,361	1,667,710	99,998	2,184,835	120,401	7,261,063
Additions	13,343	60,544	25,052	-	10,309	200,571	309,819
Disposals	(1,045)	(7,538)	(677)	(4,159)	(169,855)	-	(183,274)
Reclassification/internal transfers	20,567	40,039	193,225	-	-	(253,831)	-
At 31 December	**1,962,623**	**1,351,406**	**1,885,310**	**95,839**	**2,025,289**	**67,141**	**7,387,608**
Depreciation							
At 1 January	1,174,750	754,261	944,241	83,801	811,400	-	3,768,453
On disposals	(911)	(6,156)	(677)	(3,998)	(169,855)	-	(181,597)
Charge for the year	208,027	100,716	309,682	8,595	229,779	-	856,799
At 31 December	**1,381,866**	**848,821**	**1,253,246**	**88,398**	**871,324**	**-**	**4,443,655**
Net book value at 31 December	**580,757**	**502,585**	**632,064**	**7,441**	**1,153,965**	**67,141**	**2,943,953**

Assets that are fully depreciated amounted to KShs 2,296,726,366 (2021 – KShs 1,882,798,971). If depreciation had been charged during the year on the cost of these assets at a nominal rate, it would have amounted to KShs 550,413,384 (2021 – KShs 340,701,368).

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

25. PROPERTY AND EQUIPMENT (Continued)

(b) Company (continued)

2021:

	Leasehold improvements KShs'000	Furniture, fittings, fixtures and office equipment KShs'000	Computers KShs'000	Motor vehicles KShs'000	Right of use asset KShs'000	Capital work in progress KShs'000	Total KShs'000
Cost							
At 1 January	1,817,901	987,477	981,944	103,667	2,031,833	663,668	6,586,490
Additions	57,937	113,102	29,105	5,200	153,002	336,325	694,671
Disposals	-	(4,493)	(677)	(8,869)	-	(6,059)	(20,098)
Reclassification/internal transfers	53,920	162,275	657,338	-	-	(873,533)	-
At 31 December	**1,929,758**	**1,258,361**	**1,667,710**	**99,998**	**2,184,835**	**120,401**	**7,261,063**
Depreciation							
At 1 January	978,448	671,074	793,914	75,442	515,419	-	3,034,297
On disposals	-	(3,785)	(677)	(8,674)	-	-	(13,136)
Charge for the year	196,302	86,972	151,004	17,033	295,981	-	747,292
At 31 December	**1,174,750**	**754,261**	**944,241**	**83,801**	**811,400**	**-**	**3,768,453**
Net book value at 31 December	**755,008**	**504,100**	**723,469**	**16,197**	**1,373,435**	**120,401**	**3,492,610**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

26. INTANGIBLE ASSETS

(a) Goodwill

The key judgements required in the determination of whether or not a goodwill balance is impaired:

- the level at which goodwill is allocated – consistent with prior periods the Cash Generated Units (CGUs) to which goodwill is allocated are the Group's revenue generating segments that benefit from relevant historical business combinations generating goodwill.
- determination of the carrying amount of each CGU which includes an allocation, on a reasonable and consistent basis of corporate assets and liabilities that are not directly attributable to the CGUs to which goodwill is allocated.
- assessment of the recoverable amount of each CGU used to determine whether the carrying amount of goodwill is supported is based on judgements including:
- selection of the model used to determine the fair value – the Group has used the market multiple approach to estimate the fair value; and
- selection of the key assumptions in respect of future maintainable earnings, the P/E multiple applied, including selection of an appropriate comparator group and determination of an appropriate control premium, and costs of disposal as described above.

The assessment of the recoverable amount of each CGU has been made within the context of the prevailing market condiditions on both earnings and asset prices, and reflects expectations of future events that are believed to be reasonable under the circumstances.

	2022 KShs'000	2021 KShs'000
(i) Group		
I&M Bank (T) Limited	567,081	526,504
Youjays Insurance Brokers Limited	232,284	232,284
Balance as 31 December	**799,365**	**758,788**
(ii) Movement of Goodwill		
At 1 January	758,788	737,560
Exchange differences	40,577	21,228
At 31 December	**799,365**	**758,788**

The recoverable amounts for I&M Bank (T) Limited has been calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing use of the Cash Generating Unit (CGU). The present value of the recoverable amounts on I&M Bank LIMITED share were KShs 5.623 billion (2021 – KShs 4.318 billion) for I&M Bank (T) Limited. No impairment losses were recognised during 2022 (2021 – Nil), because the recoverable amounts of these CGUs were determined to be higher than their carrying amounts. Applying a pretax discount rate of 23% or 26% on the modified free cash flows, there is no impairment sighted.

The key assumptions used in the calculation of value in use were as follows:

	I&M Bank (T) Limited 2022	Youjays Insurance Limited Brokers 2022
5 year risk free rate	9.18%	10.86%
Risk premium	12.30%	9.49%
Terminal growth rate	3.00%	4.00%
Discount rate	21.00%	21.00%
Exchange rate	KShs 1 = TZs 18.92	KShs 1 = Kshs 1
	2021	**2021**
5 year risk free rate	9.10%	10.46%
Risk premium	11.95%	9.33%
Terminal growth rate	3.00%	4.00%
Discount rate	21.00%	20.00%
Exchange rate	KShs 1 = TZs 20.59	KShs 1 = Kshs 1

The discount rate utilised was the risk free rate on the rate of 5 year government bonds issued by the government in the respective markets and in the same currency as the cash flows.

These cash flows have been projected for 5 years for I&M Bank (T) Limited based on the approved Business plans of the respective units. For I&M Bank (T) Limited the terminal growth rates estimated were 3.00%.

In the opinion of the Directors, there was no impairment of goodwill during the year.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

26. INTANGIBLE ASSETS (Continued)

(b) Computer software

(i) Group

2022:

Cost	Computer Software KShs'000	Capital work in progress KShs'000	Total KShs'000
At 1 January	3,768,152	481,174	4,249,326
Additions	62,944	857,714	920,658
Reclassification from capital work in progress	1,005,324	(1,005,324)	-
Translation differences	38,228	-	38,228
At 31 December	**4,874,648**	**333,564**	**5,208,212**
Amortisation			
At 1 January	2,105,029	-	2,105,029
Amortisation for the year	642,748	-	642,748
Translation differences	23,572	-	23,572
At 31 December	**2,771,349**	**-**	**2,771,349**
Carrying amount at 31 December	**2,103,299**	**333,564**	**2,436,863**

2021:

Cost	Computer Software KShs'000	Capital work in progress KShs'000	Total KShs'000
At 1 January	3,068,218	423,189	3,491,407
Additions	325,777	412,816	738,593
Reclassification from capital work in progress	354,831	(354,831)	-
Translation differences	19,326	-	19,326
At 31 December	**3,768,152**	**481,174**	**4,249,326**
Amortisation			
At 1 January	1,621,319	-	1,621,319
Amortisation for the year	474,490	-	474,490
Translation differences	9,220	-	9,220
At 31 December	**2,105,029**	**-**	**2,105,029**
Carrying amount at 31 December	**1,663,123**	**481,174**	**2,144,297**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

26. INTANGIBLE ASSETS (Continued)

(b) Computer software (continued)

(ii) Company

2022:

Cost	Computer Software KShs'000	Capital work in progress KShs'000	Total KShs'000
At 1 January	3,307,589	427,669	3,735,258
Additions	56,408	857,714	914,122
Reclassification from capital work in progress	1,005,324	(1,005,324)	-
At 31 December	**4,369,321**	**280,059**	**4,649,380**
Amortisation			
At 1 January	1,818,622	-	1,818,622
Amortisation for the year	558,342	-	558,342
At 31 December	**2,376,964**	**-**	**2,376,964**
Carrying amount at 31 December	**1,992,357**	**280,059**	**2,272,416**

2021:

Cost	Computer Software KShs'000	Capital work in progress KShs'000	Total KShs'000
At 1 January	2,653,539	369,684	3,023,223
Additions	299,219	412,816	712,035
Reclassification from capital work in progress	354,831	(354,831)	-
At 31 December	**3,307,589**	**427,669**	**3,735,258**
Amortisation			
At 1 January	1,415,747	-	1,415,747
Amortisation for the year	402,875	-	402,875
At 31 December	**1,818,622**	**-**	**1,818,622**
Carrying amount at 31 December	**1,488,967**	**427,669**	**1,916,636**

The Company's computer software with a gross value of KShs 979,759,575 (2021 – KShs 815,729,692) are fully amortised but still in use. If amortisation had been charged during the year on the cost of these assets at a nominal rate, it would have amounted to KShs 195,951,915 (2021- KShs 163,145,938).

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

27. DEFERRED TAX ASSETS

Deferred tax assets at 31 December 2022 and 31 December 2021 are attributable to the following:

(a) Group

2022:	Balance at 1 January KShs'000	Prior year adjustment KShs'000	Recognised in equity KShs'000	Translation differences KShs'000	Recognized in profit or loss KShs'000	Balance at 31 December KShs'000
Equipment	55,945	(50,831)	-	(2,701)	28,564	30,977
Right of use asset	(19,626)	-	-	1,080	(11,606)	(30,152)
General provisions	1,419,734	(10,803)	-	37,080	623,318	2,069,329
Impairment allowances	3,207,630	(94)	-	-	940,449	4,147,985
Fair value reserves	212,970	-	1,278,249	(389)	-	1,490,830
	4,876,653	**(61,728)**	**1,278,249**	**35,070**	**1,580,725**	**7,708,969**

2021:	Balance at 1 January KShs'000	Prior year adjustment KShs'000	Recognised in equity KShs'000	Translation differences KShs'000	Recognized in profit or loss KShs'000	Balance at 31 December KShs'000
Equipment	72,091	13,873	-	(1,253)	(28,766)	55,945
Right of use asset	(24,917)	32,503	-	300	(27,512)	(19,626)
General provisions	1,223,113	-	-	10,691	185,930	1,419,734
Impairment allowances	3,367,915	-	-	-	(160,285)	3,207,630
Fair value reserves	(116,164)	-	329,347	(213)	-	212,970
	4,522,038	**46,376**	**329,347**	**9,525**	**(30,633)**	**4,876,653**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

27. DEFERRED TAX ASSETS (Continued)

(b) Company

2022:	Balance at 1 January KShs'000	Prior year adjustment KShs'000	Recognised in equity KShs'000	Translation differences KShs'000	Balance at 31 December KShs'000
Equipment	67,890	(50,831)	-	17,044	34,103
Right of use asset	(3,957)	-	-	(15,725)	(19,682)
General provisions	1,054,364	(10,803)	-	413,721	1,457,282
Impairment allowances	3,186,822	(94)	-	934,496	4,121,224
Fair value reserves	103,006	-	1,393,598	-	1,496,604
	4,408,125	**(61,728)**	**1,393,598**	**1,349,536**	**7,089,53**

2021:	Balance at 1 January KShs'000	Prior year adjustment KShs'000	Recognised in equity KShs'000	Translation differences KShs'000	Balance at 31 December KShs'000
Equipment	84,751	13,873	-	(30,734)	67,890
Right of use asset	(26,775)	32,503	-	(9,685)	(3,957)
General provisions	874,866	-	-	179,498	1,054,364
Impairment allowances	3,347,373	-	-	(160,551)	3,186,822
Fair value reserves	(167,185)	-	270,191	-	103,006
	4,113,030	**46,376**	**270,191**	**(21,472)**	**4,408,125**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2022 (Continued)

28. (a) DUE FROM RELATED PARTIES

(i) Group

	2022 KShs'000	2021 KShs'000
I&M Realty Limited	637,757	720,230
I&M Bank (Rwanda) PLC	131,127	3,189
I&M Group PLC	-	60,242
I&M Bank (Uganda) Limited	13,441	7,188
	782,325	**790,849**

(ii) Company

	2022 KShs'000	2021 KShs'000
I&M Realty Limited	637,139	720,230
I&M Bank (T) Limited	227,947	48,222
I&M Bank (Rwanda) PLC	131,127	3,189
I&M Group PLC	-	60,242
I&M Bank (Uganda) Limited	13,441	7,188
	1,009,654	**839,071**

(b) DUE TO RELATED PARTIES

(i) Group

	2022 KShs'000	2021 KShs'000
Giro Limited	134,410	217,177
I&M Group PLC	864,255	828,926
I&M Realty Limited	91,345	96,787
I&M Bank (Rwanda) PLC	122,411	204,152
I&M Burbidge Capital Limited	32,611	10,942
I&M Capital Limited	20,755	28,181
I&M Bank (Uganda) Limited	466,655	406,220
	1,732,442	**1,792,385**

(ii) Company

	2022 KShs'000	2021 KShs'000
Giro Limited	134,410	217,177
I&M Group PLC	864,255	828,926
I&M Realty Limited	91,345	96,787
I&M Bank (T) Limited	138,131	70,695
I&M Bank (Rwanda) PLC	122,411	55,143
I&M Bancassurance Intermediary Limited	43,576	56,826
Youjays Insurance Brokers Limited	-	2,911
I&M Burbidge Capital Limited	32,611	10,942
I&M Capital Limited	20,755	28,181
I&M Bank (Uganda) Limited	466,655	406,220
	1,914,149	**1,773,808**

The balances mostly relates to deposits and balances held with I&M Bank LIMITED

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

29. OTHER ASSETS

	2022 KShs'000	2021 KShs'000
(a) Group		
Prepayments	471,826	462,458
Other receivables	3,127,918	1,554,485
	3,599,744	**2,016,943**
(b) Company		
Prepayments	378,410	376,919
Other receivables	2,960,231	1,490,059
	3,338,641	**1,866,978**

30. DEPOSITS FROM BANKS

	2022 KShs'000	2021 KShs'000
(a) Group		
Due within 90 days	9,920,971	8,669,672
Due after 90 days	1,261,743	3,320,956
	11,182,714	**11,990,628**
(b) Company		
Due within 90 days	8,453,748	8,251,520
Due after 90 days	1,261,743	3,320,956
	9,715,491	**11,572,476**

31. DEPOSITS FROM CUSTOMERS

	2022 KShs'000	2021 KShs'000
(a) Group		
Government and Parastatals	925,802	582,857
Private sector and individuals	256,915,710	248,851,810
	257,841,512	**249,434,667**
(b) Company		
Government and Parastatals	925,802	582,857
Private sector and individuals	232,880,994	227,447,762
	233,806,796	**228,030,619**

32. OTHER LIABILITIES

	2022 KShs'000	2021 KShs'000
(a) Group		
Accruals	1,757,948	1,154,472
Other accounts payables	2,313,175	738,815
Lease liability	1,113,700	1,400,775
Provisions for loan commitments*	150,021	241,556
Bankers cheques payable	109,611	104,892
	5,444,455	**3,640,510**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

32. OTHER LIABILITIES (Continued)

	2022 KShs'000	2021 KShs'000
(b) Company		
Accruals	1,598,086	1,067,524
Other accounts payables	1,930,277	505,641
Lease liability	986,650	1,255,902
Provisions for loan commitments*	147,717	229,796
Bankers cheques payable	92,922	89,631
	4,755,652	**3,148,494**

*This represents impairment allowance for loan commitments and financial guarantee contracts.

(c) Lease liability

Below is the analysis of the lease liabilities during the year:

Group	2022 KShs'000	2021 KShs'000
Expected to be settled within 12 months after the year end	437,675	257,443
Expected to be settled more than 12 months after the year end	676,025	1,143,332
	1,113,700	**1,400,775**
Company		
Expected to be settled within 12 months after the year end	184,497	437,675
Expected to be settled more than 12 months after the year end	802,153	818,227
	986,650	**1,255,902**
Group		
Payments of principal portion of the lease liability	323,979	351,297
Interest paid on lease liabilities	145,626	104,981
	469,605	**456,278**
Company		
Payments of principal portion of the lease liability	279,194	320,764
Interest paid on lease liabilities	129,922	87,171
	409,116	**407,935**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

32. OTHER LIABILITIES (Continued)

(c) Lease liability (continued)

Lease liability movement

Group	2022 KShs'000	2021 KShs'000
Balance at 1 January	1,400,775	1,593,697
Additions	45,789	149,502
Interest expense	145,626	104,981
Lease payments	(469,605)	(456,278)
Translation difference	(8,885)	8,873
Balance at 31 December	**1,113,700**	**1,400,775**
Company		
Balance at 1 January	1,255,902	1,427,164
Additions	9,942	149,502
Interest expense	129,922	87,171
Lease payments	(409,116)	(407,935)
Balance at 31 December	**986,650**	**1,255,902**

Amount recognized in profit or loss

Group	2022 KShs'000	2021 KShs'000
Interest on lease liabilities (Note 9)	145,626	104,981
Depreciation of right to use asset (Note 25)	88,447	347,555
	434,073	**452,536**
Company		
Interest on lease liabilities (Note 9)	129,922	87,171
Depreciation of right to use asset (Note 25)	29,779	295,981
	359,701	**383,152**

Extension options

Some leases of office premises contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

33. LONG TERM BORROWINGS

(a) Group

	2022	2021
	KShs'000	KShs'000
Less than one year	1,392,184	1,623,410
One to five years	171,759	2,340,640
	1,563,943	**3,964,050**

The Group's long term borrowings constituted those in Note 33(b) and following in I&M Bank (T) Limited:

The long term borrowing of TZS 3,250 million was granted in two tranches of which (i) TZS 1,800 million was granted on 12 August 2021 with an effective rate of 7.5% for tenure of 5 years and (ii) TZS 1,450 million was granted on 30th August 2021 with an effective rate of 9.0% for a tenure of 3 years. The interest on the facility is repayable on a quarterly basis and the principal at maturity. The outstanding balance as at 31 December 2022 was TZS 3.25 billion (2021 – TZS 3.25 billion).

USD 15 million granted on December 2018 by FMO as a senior debt for tenor of 5 years, of which an amount of USD 10 million was received during the month of December 2018. The interest and principal on the facility is repayable on a quarterly basis. The effective interest rate on this facility is 8.37% p.a.The outstanding balance as at 31 December 2022 was USD 2.5 Million (2021 – USD 5 million).

USD 5 million granted on 16 October 2020 by FMO as a senior debt for a tenor of 3 years.Interest rate is 8.37% per annum payable on quarterly basis. The outstanding balance as at 31 Dececmber 2022 was USD 1.53 million (2021 – USD3.08 million).

(b) Company

	2022	2021
	KShs'000	KShs'000
Less than one year	884,444	1,623,410
One to five years	-	808,215
	884,444	**2,431,625**

The Company's borrowings constituted the following:

(i) USD 15,000,000 facility granted on 9 November 2018 by FMO repayable semi-annually over 4 and a half years after an initial one year grace period.

(ii) USD 25,000,000 facility granted on 2 December 2020 by FMO repayable semi-annually over 4 and a half years after an initial half year grace period

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

33. LONG TERM BORROWINGS (Continued)

Loan movement schedule

(i) Group

	2022 KShs'000	2021 KShs'000
At 1 January	3,964,050	5,981,854
Funds received	493,610	456,524
Payments on principal and interest	(3,402,561)	(2,790,268)
Interest payable	69,941	6,882
Translation differences	438,903	309,058
At 31 December	**1,563,943**	**3,964,050**

(ii) Company

At 1 January	2,431,625	4,233,156
Payments on principal and interest	(1,847,092)	(2,057,510)
Interest payable	3,372	6,982
Translation differences	296,539	248,997
At 31 December	**884,444**	**2,431,625**

34. SUBORDINATED DEBT

(a) Group

Less than one year	258,946	172,663
One to five years	7,999,248	5,923,403
Over five years	1,541,875	2,828,750
	9,800,069	**8,924,816**

The subordinated debt would in the event of winding up of the respective companies be subordinated to the claims of depositors and all other creditors. The Group has not had any defaults of principal or interest with respect to these debts.

(b) Company

	2022 KShs'000	2021 KShs'000
Less than one year	258,946	172,663
One to five years	7,999,248	5,923,403
Over five years	1,541,875	2,828,750
	9,800,069	**8,924,816**

The Company's subordinated debt constituted the following:

(i) USD 27,350,000 medium term unsecured subordinated fixed and floating rate notes issued on 14 August 2019 for a tenor of 5 years with redemption on the maturity date.

(ii) USD 50,000,000 subordinated facility issued on 28 June 2021 for a tenor of 6 years 9 months with redemption in four consequtive approximately equal instalments starting 15 Sept 2026 and on each interest payment date thereafter until and including 15 Mar 2028.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

35. SHARE CAPITAL AND RESERVES

(a) Share capital

	Group and Company	
	2022	2021
	KShs'000	KShs'000
Authorised		
1 January and 31 December - 30,000,000 Ordinary shares of KShs 100 each	3,000,000	3,000,000
Issued and fully paid		
1 January and 31 December - 29,800,000 Ordinary shares of KShs 100 each	3,000,000	2,980,000

All the ordinary shares rank equally with regard to the Company's residual assets, are entitled to dividends from time to time and are entitled to one vote per share at general meetings of the Company.

(b) Major shareholders and share premium

The major shareholders at 31 December 2022 and 2021 were as follows:

	%	Number of shares	Share Capital	Share Premium
			KShs'000	KShs'000
I&M Group PLC (2022)	100	29,800,000	2,980,000	5,531,267
Issue of shares	-	200,000	20,000	-
At 31 December	100	30,000,000	3,000,000	5,531,267
I&M Group PLC (2021)	100	29,800,000	2,980,000	5,531,267
At 31 December	100	29,800,000	2,980,000	5,531,267

(c) Statutory credit risk reserve

Where impairment losses required by legislation or regulations exceed those computed under International Financial Reporting Standards (IFRSs), the excess is recognised as a statutory reserve and accounted for as an appropriation of retained profits and the reverse for reductions. These reserves are not distributable. This is disclosed in the statement of changes in equity appearing on pages 43-46.

(d) Translation reserve

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations (namely I&M Bank (T) Limited - Tanzania) into the functional currency of the parent company. This is disclosed in the statement of changes in equity appearing on pages 43-46.

(e) Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of FVOCI investments, excluding impairment losses, until the investment is derecognised. This is disclosed in the statement of changes in equity appearing on pages 43-46.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

36. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash flow from operating activities- Group

	Note	2022 KShs'000	2021 KShs'000
Profit before income tax		11,739,214	11,235,121
Adjustments for:			
Depreciation on property and equipment	25(a)	697,048	506,586
Depreciation on right of use asset	25(a)	288,447	347,555
Amortisation of intangible asset	26(b)(i)	642,748	474,490
Interest on lease liabilities	9(a)	145,626	104,981
Profit on sale of property and equipment		(1,923)	(5,869)
Net interest income		(17,881,427)	(17,194,252)
Net income on financial assets at fair value through profit or loss (FVTPL)	11(a)	(860,147)	(1,633,602)
Exchange reserves		265,719	24,068
		(4,964,695)	**(6,140,922)**
(Increase)/decrease in operating assets			
Movement in loans and advances to customers		(23,170,745)	(14,329,390)
Financial assets at fair value through profit or loss (FVTPL)		1,712,182	(2,500,924)
Financial assets measured at fair value through other comprehensive income (FVOCI)		8,406,085	(22,171,768)
Other financial assets at amortised cost		7,062,000	5,487,410
Held for sale assets		252,581	18,971
Loans and advances to Banks		(32,198)	(315,338)
Cash and balances with Central Banks:			
– Cash Reserve Ratio		(370,769)	(560,737)
Due from group companies		8,524	15,486
Other assets		(1,582,801)	(388,671)
		(7,715,141)	**(34,744,961)**
Increase/(decrease) in operating liabilities			
Customer deposits		11,479,321	17,330,934
Deposits from banks		(2,059,213)	2,669,815
Long term borrowings		(2,716,047)	(2,333,744)
Due to group companies		(59,943)	841,070
Other liabilities		2,097,902	(221,732)
		8,742,020	**18,286,343**
Cash flows generated from operating activities		**(3,937,816)**	**(22,599,540)**
Tax paid	15(b)(i)	(4,150,044)	(3,886,876)
Interest on lease liabilities		(145,626)	(104,981)
Interest received		29,031,066	26,667,897
Interest paid		(14,847,372)	(13,128,864)
Net cash flows generated from operating activities		**5,950,208**	**(13,052,364)**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

36. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(b) Analysis of cash and cash equivalents – Group

	Note	2022	2021	Change
		KShs'000	KShs'000	KShs'000
Cash and balances with central banks – excluding CRR	18(a)	4,984,543	6,928,255	(1,943,712)
Items in the course of collection	19(a)	433,996	654,632	(220,636)
Loans and advance to banks	20(a)	10,634,142	5,689,716	4,944,426
Deposits from banks	30(a)	(9,920,971)	(8,669,672)	(1,251,299)
		6,131,710	**4,602,931**	**1,528,779**

(c) Reconciliation of profit before income tax to net cash flow from operating activities - Company

	Note	2022	2021
		KShs'000	KShs'000
Cash flows from operating activities			
Profit before income tax		12,260,083	10,587,447
Adjustments for:			
Depreciation on property and equipment	25(b)	627,020	451,311
Depreciation on right of use asset	25(b)	229,779	295,981
Amortisation of intangible asset	26(b)(ii)	558,342	402,875
Interest on lease liabilities	9(b)	129,922	87,171
Profit on sale of property and equipment		(1,923)	(5,869)
Net interest income		(16,238,247)	(15,667,430)
Net income on financial assets at fair value through profit or loss (FVTPL)	11(b)	(860,147)	(1,633,602)
Dividend income	12(b)(ii)	(87,387)	(27,500)
		(3,382,558)	**(5,509,616)**
Increase/(decrease) in operating assets			
Movement in loans and advances to customers		(21,310,171)	(12,035,187)
Financial assets at fair value through profit or loss (FVTPL)		1,712,182	(2,500,924)
Financial assets measured at fair value through other comprehensive income (FVOCI)		8,747,437	(21,881,802)
Other financial assets at amortised cost		7,949,368	6,126,807
Held for sale assets		252,581	18,971
Loans and advances to Banks		(32,198)	(315,338)
Due from group companies		(170,583)	185,731
Cash and balances with Central Bank of Kenya:			
– Cash Reserve Ratio		(201,599)	(294,400)
Other assets		(1,471,663)	(400,917)
		(4,524,646)	**(31,097,059)**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

36. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(c) Reconciliation of profit before income tax to net cash flow from operating activities – Company (continued)

	Note	2022 KShs'000	2021 KShs'000
Increase/(decrease) in operating liabilities			
Customer deposits		8,444,442	12,674,630
Balances due to group companies		140,341	561,232
Deposits from banks		(2,059,213)	2,669,815
Long-term borrowings		(1,847,092)	(2,057,510)
Other liabilities		2,083,044	(358,758)
		6,761,522	**13,489,409**
Cash flows generated from operating activities		**(1,145,682)**	**(23,117,266)**
Tax paid	15(b)(ii)	(3,938,631)	(3,652,656)
Interest on lease liabilities		(129,922)	(87,171)
Interest received		26,289,110	24,179,218
Interest paid		(13,277,204)	(11,744,054)
Net cash flows generated from operating activities		**7,797,671**	**(14,421,929)**

(d) Analysis of cash and cash equivalents – Company

	Note	2022 KShs'000	2021 KShs'000	Change KShs'000
Cash and balances with Central Bank of Kenya – excluding CRR	18(b)	3,334,311	4,488,636	(1,154,325)
Items in the process of collection	19(b)	433,996	648,914	(214,918)
Loans and advances to banks	20(b)	9,637,727	4,675,461	4,962,266
Deposits from banks	30(b)	(8,453,748)	(8,251,520)	(202,228)
		4,952,286	**1,561,491**	**3,390,795**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

37. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS

(a) Legal proceedings

There were a number of legal proceedings outstanding against the Group at 31 December 2022. No provision has been made as professional advice and management view indicates that it is unlikely that any significant loss will arise.

(b) Contractual off-balance sheet financial liabilities

In the ordinary course of business, the Group conducts business involving guarantees, acceptances and letters of credit. These facilities are offset by corresponding obligations of third parties. At the year end, the contingencies were as follows:

Group	2022 KShs'000	2021 KShs'000
Contingencies related to:		
Letters of credit	40,889,019	43,175,580
Guarantees	22,281,947	19,648,325
Other credit commitments	22,755,748	25,037,970
	85,926,714	**87,861,875**
Commitments related to:		
Outstanding spot/forward contracts	42,105,421	21,704,283
	128,032,135	**109,566,158**
Company		
Contingencies related to:		
Letters of credit	39,053,231	41,345,814
Guarantees	19,712,430	15,665,809
Other credit commitments	20,600,139	23,363,180
	79,365,800	**80,374,803**
Commitments related to:		
Outstanding spot/forward contracts	42,105,421	21,704,283
	121,471,221	**102,079,086**

Guarantees are generally written by a bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

Letters of credit commit the Bank to make payment to third parties, on production of documents, which are subsequently reimbursed by customers.

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

Forward contracts are arrangements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate.

The fair values of the respective currency forwards are carried on the face of the balance sheet.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

38. CONTINGENT LIABILITIES

On completion of the tax audit by Kenya Revenue Authority (KRA), covering the years of Income 2011 to 2013, KRA raised an additional tax assessment on the Bank on June 2015. The Bank immediately settled amounts not in dispute and objected to all other items which were in the Directors' view erroneously assessed. The KRA confirmed the assessment on 13 March 2017 amounting to KShs 238,811,243. The matter was subsequently referred to the Tax Appeal Tribunal (Tribunal) by the High Court. The Tribunal issued its judgement and ruled partly in favour of the Bank and partly for the KRA for the various items assessed. The potential liability arising as a result of the Tribunal's decision amounts to KShs 35,467,657. The Bank has lodged an appeal against the Tribunal's ruling at the High Court. Based on the prevailing Tax Procedure Act that defines, inter alia, timeframes in conduct of tax assessments, the Directors in consultation with the bank's legal and tax advisors are of the opinion the ruling will be in the Bank's favour.

On completion of an excise duty audit by Kenya Revenue Authority (KRA), covering the period from 1 January 2014 to 30 September 2018, KRA raised an additional excise duty assessment for an amount KShs 283,512,550 on the Bank on 17 January 2019. The Bank objected to all items which were in the Directors' view erroneously assessed. The KRA subsequently confirmed the assessment on 15 April 2019 for an amount of KShs 231,220,414. The Bank lodged an appeal against this assessment to the Tax Appeal Tribunal. The matter was heard on 16 February 2021 and the tribunal ruled in favour of the bank on 4 March 2022. The KRA appealed the decision of the tax appeal tribunal and the matter is currently in the High Court.

On completion of an withholding tax and value added tax duty audit by Kenya Revenue Authority (KRA), covering the period from 1 January 2015 to 31 December 2017, KRA raised an additional assessment for an amount of KShs 395,262,008 on the Bank on 14 December 2020. The Bank objected on 13 Janurary 2022 to all items which were in the Directors' view erroneously assessed. The KRA subsequently issued an invalidation notice on 27 May 2021. The Bank lodged an appeal against this assessment to the Tax Appeal Tribunal. The tribunal issued a ruling in favour of the bank on 11 February 2022. The KRA has appealed the decision of the tax appeal tribunal and the matter is currently in the High Court.

39. ASSETS PLEDGED AS SECURITY

The below are government securities held under lien in favour of the Central Banks.

	2022	2021
	KShs'000	KShs'000
Group	4,000,000	1,620,000
Company	4,000,000	1,620,000

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

40. RELATED PARTY TRANSACTIONS

In the normal course of business, the Group enters into transactions with related parties. All the loans and advances and deposits are issued or received from the related parties at market interest rates. There were no provisions held towards impairment of any of the advances to related parties.

	2022 KShs'000	2021 KShs'000
(a) Transactions with directors/shareholders		
(i)Loans to Directors/shareholders	**940**	**5,428**
Interest income from loans to Directors/shareholders	341	989
(ii)Deposits from Directors/shareholders	**1,061,149**	**1,003,507**
Interest expense on deposits from Directors/shareholders	35,502	39,494
(b) Transactions with related companies		
(i)Loans to related companies	**1,285,175**	**1,661,832**
Interest income from loans to related companies	127,455	213,467
(ii)Deposits from related companies	**606,916**	**1,545,159**
Interest expense on deposits from related companies	13,788	81,043
(iii)Amounts due from group companies subsidiaries	**7,784**	**21,122**
Interest income on amounts due from subsidiaries	-	-
(iv)Amounts due to group companies subsidiaries	**1,912,152**	**1,773,679**
Interest expense on amounts due from subsidiaries	-	-
(v)Preference shares in I&M Realty Limited	**3,800,000**	**3,800,000**
(vi)Preference shares I&M Bancassurance Intermediary Limited	**-**	**175,000**
Staff loans	**2,104,064**	**1,890,238**
Interest earned on these loans was KShs	144,352	121,929
(d)Management fees received	**32,250**	**115,160**
(e)Management compensation	**202,321**	**168,043**

(f) I&M Bank (T) Limited – Tanzania

In the normal course of business, the Company enters into transactions with related parties. All the loans and advances and deposits are issued or received from the related parties are market interest rates. There were no provisions held towards impairment of any of the advances to related parties.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

41. CAPITAL COMMITMENTS

	2022	2021
	KShs'000	KShs'000
Group	1,392,334	2,012,878
Company	1,248,365	1,619,700

This is capital commitments on leasehold improvements and digitization initiatives being adopted by the Group.

42. OTHER DISCLOSURES

(a) Operational risk

The overall responsibility of managing operational risks - the risk arising from failed or inadequate internal processes, people, systems and external events - is vested with the Board of Directors. The Board through the Board Risk Committee, issues policies that guide management on appropriate practices of operational risk mitigation.

An independent Risk Manager assures the Board Risk Committee of the implementation of the said policies.

The following are key measures that the Group undertakes in managing operational risk:

- Documentation of procedures and controls, including regular review and updates to reflect changes in the dynamic business environment.
- Appropriate segregation of duties, including the independent authorisation of transactions
- Reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Reporting of operational losses and ensuring appropriate remedial action to avoid recurrence.
- Development and implementation of Business Continuity and Disaster Recovery Plans
- Training and professional development of employees to ensure they are well equipped to identify and mitigate operational risks in a timely manner.
- Establishment of ethical practices at business and individual employee's level.
- Implementation of Risk mitigation parameters, including insurance where this is considered effective.

The entire operational risk management framework is subjected to periodic independent audits (internal) in order for the bank to obtain an independent opinion on the effectiveness and efficiency of the framework. Further, the findings of the Internal Audit department are reviewed by the Board Audit Committee and recommendations made implemented in line with the agreed timeframe.

(b) Compliance and regulatory risk

Compliance and regulatory risk includes the risk of bearing the consequences of non-compliance with regulatory requirements. The compliance function is responsible for establishing and maintaining an appropriate framework of Group compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all managers.

(c) Environmental and social risks

Environmental and social risks are the risks that the Group could bear the consequences of socio-environmental fall-out of transactions. Such risks could arise from failure of the bank to assess the impacts of activities (of both the group and its clients) which could harm the environment or have negative social impact.

The Group is aware that it has a responsibility to ensure that its internal practice and its lending activities do not have negative environmental and social impacts and is thus committed to ensure that such risks are sufficiently managed through its environmental and social management policy and by adopting the country's labour and environmental laws. The Group also adheres to international best practice (IFC performance standards and ILO standards as ratified by the Kenya Government).

An environmental and social management system is being put in place to ensure due diligence and monitoring of the environmental and social risk is done efficiently. Compliance to these laws is monitored by the compliance function.

The Directors are responsible for selection and disclosure of the Bank's critical accounting policies and estimates and the application of these policies and estimates.

(d) Climate-related risks

I&M Bank LIMITED Board and the Senior Management acknowledges the potential impacts of climate change on the various business lines. The bank is deliberate in adopting risk intelligence and agility in developing a climate resilient financial institution. As such, the bank aligns to the 2015, Paris Climate Commitments to pursue efforts to limit the temperature increase to 1.5oC compared to pre-industrial levels. Our actions towards climate change mitigation in 2022 saw an increased in uptake of the Green Energy Fund (GEF) by 42% since its launch in 2019.

In recognizing the acute and medium-term extreme weather events and their impacts on the Group's business lines, we have adopted a precautionary principles approach to continuously evaluate and stress test our vulnerability to physical and transition risks across the climate-sensitive portfolio.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

42. OTHER DISCLOSURES (Continued)

(e) Environmental, Social and Governance (ESG) Principles

Adoption of ESG principles in our business model and the day-to-day operations affirms the group Board and Senior Management commitment to sustainable business growth. Our sustainability ambition and strategy are to embed positive environmental, social, financial, and economic outcomes in all our markets of operation, and in line with our Brand Promise, ensure that we go beyond basic financial solutions to journeying with all our stakeholders towards sustainable business growth.

The Group ESG guiding principles and reporting standards are aligned to the United Nations Sustainability development goals and the Global Reporting Initiative (GRI), and Taskforce for Climate-related Financial Disclosures (TCFD) respectively.

Our resilient culture of sustainability is one in which we drive a shared belief about the importance of balancing economic efficiency, social equity, and environmental accountability. We achieve this through formal and informal awareness to raise the level of Staff , Board and other stakeholders' engagement in the journey toward sustainability and to encourage the active participation in our sustainability initiatives. These engagements include training, publishing sustainability information in newsletters and Chief Executive officer monthly bulletin and bringing in speakers to discuss with the Board and Senior Management about sustainability issues during our annual Group Risk and Audit conferences.

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