Group

I&M GROUP PLC

ANNUAL INTEGRATED REPORT & FINANCIAL STATEMENTS 2022

INNOVATING FOR A BETTER FUTURE

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Abbreviations

ACL	Allowance for Credit Losses
AGM	Annual General Meeting
ALCO	Assets and Liabilities Committee
BAC	Board Audit Committee
BCC	Board Credit Committee
BNRC	Board Nominations and Remuneration Committee
BPC	Board Procurement Committee
BRMC	Board Risk Management Committee
BSTC	Board Share Transfers Committee
BII	British International Investment
CAPEX	Capital Expenditure
CBK	Central Bank of Kenya
CDSC	Central Depository & Settlements Corporation
CEO	Chief Executive Officer
CMA	Capital Markets Authority
COE	Cost of Equity
CRMC	Credit Risk Management Committee
CSR	Corporate Social Responsibility
EAD	Exposure at Default
ECL	Expected Credit Losses
ED	Executive Director
EXCO	Executive Committee
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit and Loss
GALCO	Group Asset Liabilities Committee
GCMC	Group Credit Management Committee
GDP	Gross Domestic Product
GED	Group Executive Director
GEXCO	Group Executive Committee
GPO	General Post Office
GRCO	Group Risk Committee
GRI	Global Reporting Initiative
GRMC	Group Risk Management Committee
GROUP	I&M Group PLC and its subsidiaries and joint venture
HRC	Human Resources Committee
IAS	International Accounting Standards
ICT	Information and Communication Technology
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IMBIL	I&M Bancassurance Intermediary Limited
IMGP	I&M Group PLC (Formerly I&M Holdings PLC)
INED	Independent Non Executive Director
ITSC	IT Steering Committee
KShs	Kenya Shillings
LGD	Loss Given Default
M&A	Mergers and Acquisition
NED	Non Executive Director
NSE	Nairobi Securities Exchange
OCI	Other Comprehensive Income
OPEX	Operating Expense
PBT	Profit Before Tax
PVC	Polyvinyl chloride materials
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

About This Report

Scope and Purpose

I&M Group Plc is pleased to present its FY 2022 Integrated Report. While this speaks to the Group, the focus is on I&M Bank Kenya which represents 72% of the asset value.

This report provides a holistic assessment of material information relating to the Group's governance framework, strategy and business model, operating context, material matters, stakeholder interests and financial performance for the period 1 January 2022 to 31 December 2022. Any notable or material events after this date and up until the approval this Integrated Report are also included. Forward-looking statements are not guarantees of future financial or operating results as they involve assumptions of future conditions in the operating environment some of which are not within the Group's control.

Through this report the Group aims to comprehensively communicate to its existing and potential stakeholders, on how it creates value.

Reporting Framework and Principles

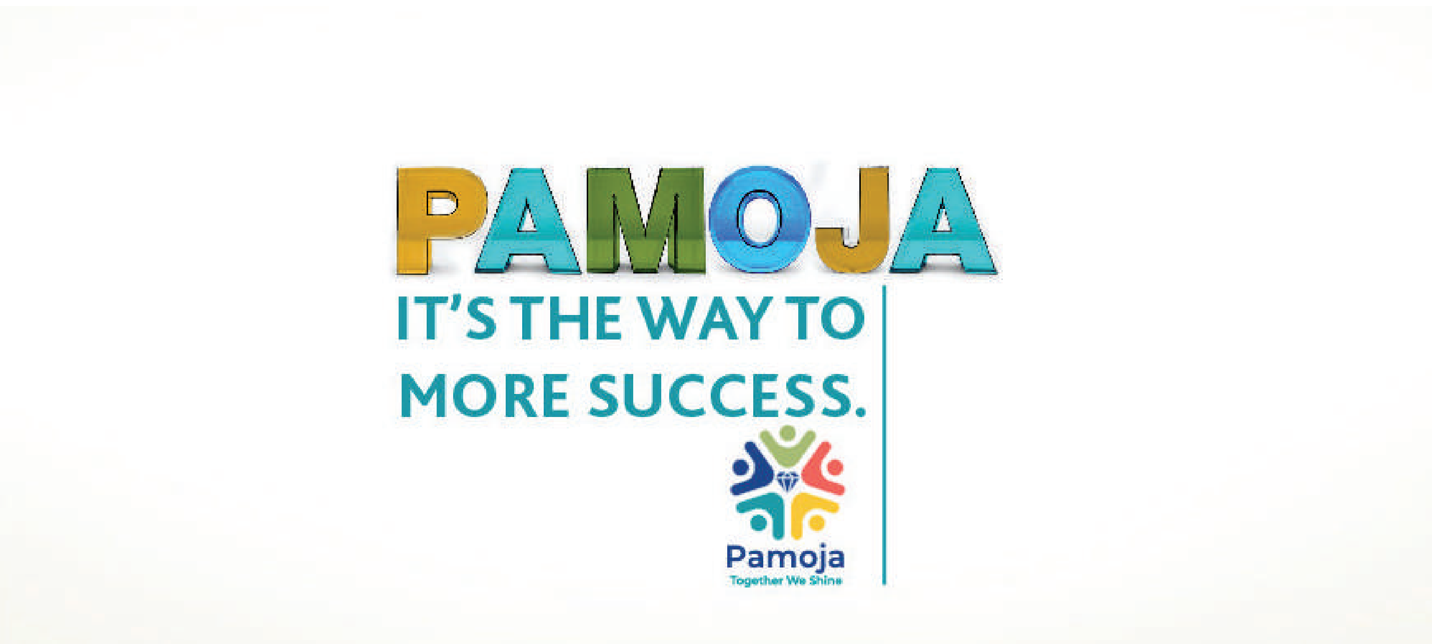
The integrated reporting process and the content of this report are guided by the principles and requirements of the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC), as well as the International Financial Reporting Standards (IFRS).

As a non-operating holding company listed on the NSE and licensed and regulated by the CBK and CMA, I&M complies with the NSE and CMA Listing Requirements, the Kenya Companies Act of 2015, Corporate Governance Guidelines and Codes of Conduct prescribed by the CBK and to The Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 issued by CMA.

Process and Assurance

The integrated reporting process involved reviewing key developments in the execution of our strategy across all our businesses. The content development involved interviews and submissions from the Group's leadership team which was unified to provide an all-rounded view of the Group's value creation process.

I&M employs a combined assurance model to optimise the effectiveness of its business operations, including elements of external reporting. These assurances are provided by the management, the Board, and its independent external auditors, KPMG Kenya, on the true and fair presentation of the annual financial statements.



Who We Are

The Group has a long-standing presence in the Kenyan market as a provider of a wide range of banking and financial services. Incorporated on 16th August 1950 under the name City Trust Limited, it is one of the oldest companies to list on the NSE. As at the end of 2022, the Group had 4,132 individual and institutional shareholders.

I&M Bank was founded in 1974 as a financial services company and later converted into a commercial bank in 1996. I&M Bank undertook a reverse acquisition of City Trust Limited in 2013 and renamed the entity to I&M Group Plc (formerly I&M Holdings Plc). The Group is headquartered in Nairobi, Kenya.

The Group's regional network spans across Rwanda, Tanzania, Uganda and Mauritius. I&M also has non-banking subsidiaries that compliment its banking services. These include, I&M Bancassurance Intermediary Limited, I&M Capital Limited, I&M Burbidge Capital Limited, I&M Realty Limited, Investments and Mortgages Nominees Limited and Giro Limited.

The Group's focus on shared values and impact to the environment and society at large is championed through its social arm, the I&M Foundation. The sustainability agenda has particular focus on Environment Conservation, Education and Skills Development, Economic Empowerment and Enabling Giving.

Key Milestones

1974
I&M Incorporated

1996
I&M licensed as a Commercial Bank

2002
I&M acquired Biashara Bank of Kenya

2008
Acquisition of 50% shares in Bank One Limited, Mauritius (Formerly known as First City Bank Ltd.)

2010
Acquisition of 55% stake in I&M Bank (T) Limited (Formerly known as CF Union Bank Ltd.)

2012
Acquisition of 55% effective shareholding of I&M Bank (Rwanda) PLC (Formerly BCR, Rwanda)

2013
Set up of I&M Holdings as a non-operating holding company, listed on the NSE Additional Tier II capital raise

2014
Formation of I&M Insurance Agency Limited

I&M Realty Limited is formed

2015
I&M Bank ventured into Agency Banking

2016
Acquired 65% shares in I&M Burbidge Capital Limited CDC Group Plc becomes a signifcant shareholder of I&M Holdings

2017
Acquired Giro Commercial Bank Limited

2018
I&M Insurance Agency Limited acquired Youjays Insurance Brokers Limited

2019
I&M recognised as a Tier 1 Bank

2021
Acquisition of I&M Uganda (formerly Orient Bank Uganda Ltd)

Launch of I&M Capital Ltd

2022
Acquisition of the remaining 35% stake in I&M Burbidge Capital

What Drives Us

Our Purpose

Empowering Your Prosperity

Our Strategic Aspiration

To be Eastern Africa's Leading Financial Partner for Growth

Our Brand Promise

We Are On Your Side

Our Behaviors

Agile, Candid, Collaborative, Data-driven, Empowered, Risk-Intelligent

Our Core Values

Courage, Innovation, Integrity, Respect, &Trust

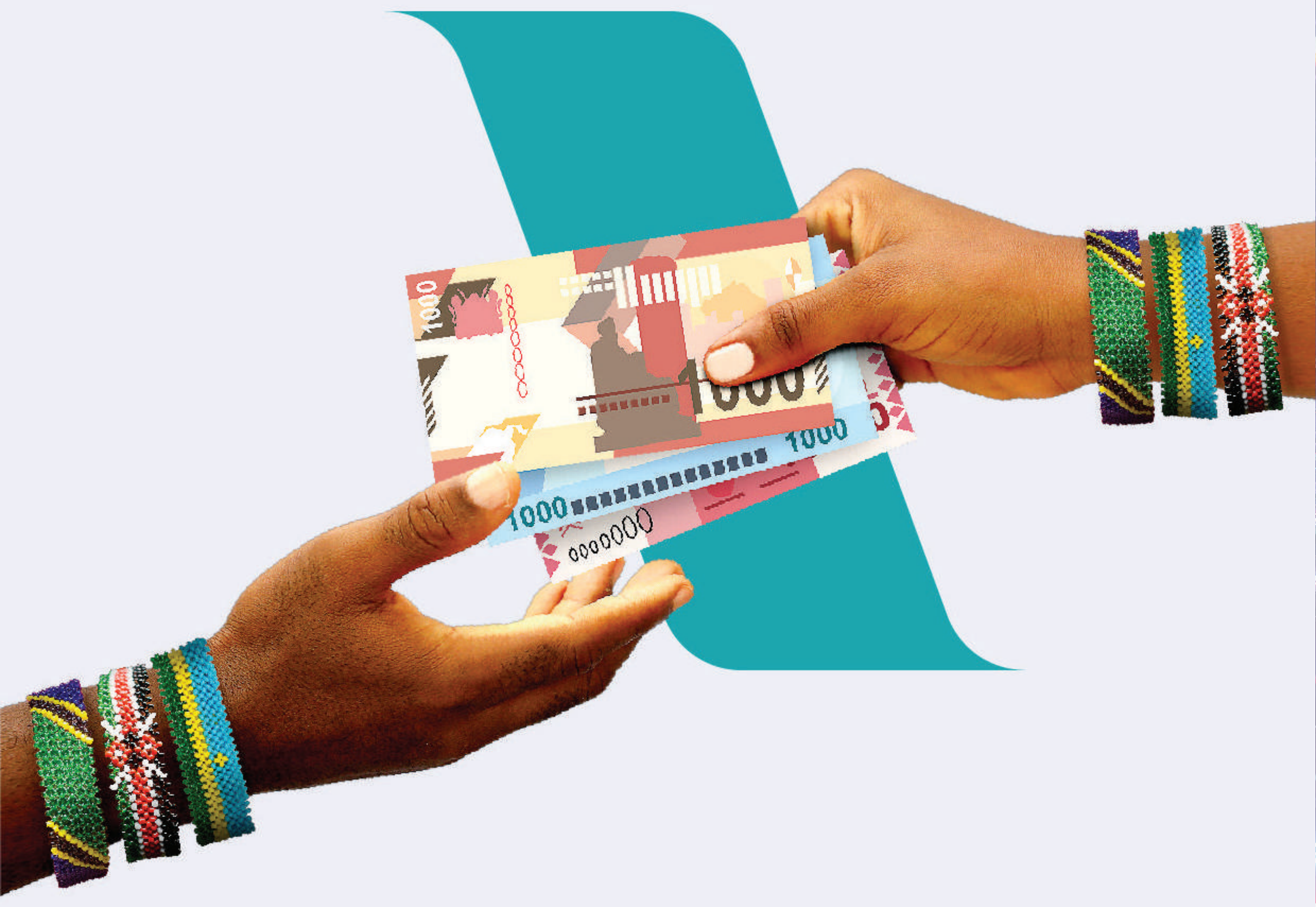
We Are On
Your Side

I&M BRISK
REDEFINING REGIONAL BANKING

Transact seamlessly using your
I&M Bank Account in 3 countries

Enjoy:

- Real-time deposits
- Instant funds transfers
- Competitive forex rates
- Transactions in local or international currencies



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OUR GOVERNANCE

"Corporate governance should be done more through principles that rules.""

Adi Godrej

Chairman's Statement

On behalf of the Board of Directors, it gives me great pleasure to present the Group's financial report for the year ended 31st December 2022.

Over the past year, the world has been focused on recovering from events that will have a lasting impact on modern history: a global Covid-19 pandemic which started in 2020, runaway inflation, rising interest rates and the Russia/Ukraine conflict since early 2022.

The operating environment in Kenya was uncertain for most part of 2022 on account of the uncertain political environment with the extended electioneering period leading up to the general elections in August 2022. Majority of our customers adopted a cautious approach and slowed down their operations before and during the elections period. The peaceful conduct and outcome of the election was commendable and has facilitated minimal disruption of the economy and business environment.

The Group was able to build on its strengths as we continued to invest in the digitization journey we began in 2017. Management exhibited clear leadership in delivery of key strategic projects to ensure we delivered on our commitment to shareholders.

Guided by our corporate strategy we remain confident in our ability to face any challenges that may emerge in 2023 as we strive to create lasting value for all our stakeholders.

Economic Stability

The continent's average real Gross Domestic Product (GDP) growth is estimated to have slowed to 3.8 percent in 2022, from 4.8 percent in 2021. This was impacted by rising inflation, the Russia/Ukraine war, adverse weather conditions, a tightening in global financial conditions, and the rising risk of debt distress.

Nonetheless, regional reports indicate that the East African region will be one of the key players in boosting the continent's growth for the years 2023-2024 and this region is projected to record the highest growth in 2023 compared to all others.

The countries within the region stand to gain from the boost in regional trade and potentially reduce persistent trade deficits.

As a Group we remain cautiously optimistic given the ongoing and considerable global uncertainties. We continue to monitor the additional financial pressures created by the weakening of the Kenya shilling and the tightening monetary conditions globally.

Performance

Looking back at the year 2022, the Group performed well despite the tough operating environment. This would not have been possible without the support of our esteemed customers and partners as well as the resilience shown by our Management and staff. Thank you!

> **"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."**

The Group remained on track to achieve its aspirations under the iMara 2.0 strategy and which resulted in an impressive performance in both profitability and growth. The Total Assets grew by 5% to close the year at KShs 437 billion while profit after tax grew by 34% in comparison to the 2021 performance with a return on equity of 15%. This enabled the Board to recommend a dividend payout of KShs 2.25 per share as the full and final dividend for the full year 2022, 50% higher than the payout for 2021 and reflecting a payout ratio of 33%.

We maintained sufficient liquidity throughout the year, supported by growth in deposits with a focus on improving our deposit mix. Low-cost deposits grew by over 20% driven by the launch of new customer value propositions and drive to the utilization of digital channels. Our performance affirms the solid foundations of our strategic objectives including customer first, employee engagement, digitization and strategic partnerships.

The Group remains committed to maintaining the overall growth momentum targeting a return on equity of above 21%. The growth is expected to be driven through continued focus on enhancing our digital solutions platforms and building a cashless ecosystem to support our customers' businesses.

Sustainability Initiatives

In pursuit of being more responsible citizens, the Group has initiated the journey towards crafting its sustainability strategy. A framework has been developed which has enabled us to identify matters material to our business and subsequent initiatives that the Group should focus on.

The Group is now a signatory to the UN Global Compact, which gives responsibility to its signatories to disclose sustainable operations around Human Rights, Labor conditions, Environment & Anti-corruption. The Group is committed to collaborating with global entities to reduce the negative impacts the organization's activity has on the economy, environment, and people. Adoption of UN's Sustainable Development Goals based on material matters is underway.

In terms of Environment, Social and Governance (ESG) commitments, the Group has in place an ESG policy that provides guidance to all its entities, business associates and stakeholders to operate in line with the ESG principles and to advance ESG-related ventures.

In our commitment to reinforce and integrate Environmental and Social Responsibility, we expect our third parties to perform beyond legal compliance and operate in line with ethical business practices (Governance); act as responsible stewards of natural resources and minimize their negative impact on the environment (Environmental); and protect and advance human rights and the communities in which they operate (Social).

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. On inclusivity and diversity, we monitor our objectives in terms of diversity and gender parity as an employer and continue to invest in staff training and engagement.

The implementation project on climate-related risk management spearheaded by I&M in Kenya remains on track. This is aimed at developing a system for continuous evaluation and monitoring the roll out of initiatives towards tackling the adverse impacts of climate change. The project is also expected to deliver a revised credit policy that accommodates an approach to, and assessment of climate and green lending facilities.

The Group remains equally committed to its philosophy of giving back to society. The activities carried out through the I&M Foundation, facilitate impactful initiatives driving the Group's sustainability agenda through a collaborative approach with its partners. I&M Kenya supported the Foundation by allocating 2% of its Profit Before Tax approximately KShs 212 Mn to the Foundation's activities. Aligned with the Group's vision and sustainability agenda, the regional subsidiaries continued to support activities within the education, conservation, and health sector in their countries of operation.

We remain committed to mitigating direct social and environmental impacts while managing indirect impacts and improving our compliance and assurance functions over the long term.

Governance

The Group Board is committed to creating maximum shared value through active oversight over the business operations guided by our strong governance framework. To ensure sustainability of the business model, the Group embraces robust governance and risk frameworks. These structures and frameworks are reviewed on an ongoing basis taking into consideration the changing business landscape in our areas of operations. Accordingly, the Board reviewed and updated the Group's Board Charter and the Committee's terms of reference.

The integration of I&M Bank in Uganda which was acquired in 2021 is tracking well resulting to a seamless transition. In 2022, the Group acquired the remaining 35% stake in I&M Burbidge Capital. This entity is now fully owned by the Group.

The Group successfully held its 2022 Annual General Meeting (AGM) virtually and continues to embrace the use of electronic means to facilitate maximum shareholder participation.

Board Changes

There have been a number of changes at the Board level across the Group. The Board is pleased to welcome Ms. Risper Ohaga whose appointment was approved by the Central Bank in February 2023. Ms. Ohaga brings a wealth of experience in financial management. At the Group level, Mr. Chris Low retired as the Regional Director upon the successful completion of his term. I take this opportunity to appreciate and thank Mr. Low for his invaluable contribution as well as each of the subsidiary Boards' directors who retired in 2022 for their service to our Group.

At the subsidiary level, we are pleased to announce the appointment of Mr. Gul Khan as the Chief Executive Officer of I&M Bank in Kenya taking over from Mr. Kihara Maina who now takes on the newly created position of Regional Chief Executive Officer. Mr. Khan brings a wealth of experience and knowledge from the digital finance world which is well-aligned with our strategic pillars. He comes in at a time when the Bank and Group at large will be reviewing the next phase of our iMara 2.0 strategy. I would like to sincerely appreciate Mr. Maina for the leadership he provided to the Bank over the last 6 Years steering it through our corporate strategy iMara 1.0, transitioning into iMara 2.0 and attaining Tier 1 status. We are confident that going forward he will successfully deliver on our Group strategy and harness Group synergies.

I&M in Tanzania also welcomed a new Chief Executive Officer, Mr. Zahid Mustafa, in 2022 following the departure of Mr. Baseer Mohammed. Mr. Mustafa brings on board a strong set of banking skills, with an emphasis on Business and Consumer Banking, Digital Banking, Customer Experience and Products & Channels. We equally appreciate Mr. Mohammed's service to the Group for the last 7 years having led I&M Tanzania through a tough macro-economic regime. We wish him well in his future endeavors.

Looking Ahead

The events over the last 3 years have tested our resilience and the Group has not only adapted well but emerged stronger, as evidenced by our strong 2022 performance. The measures put in place to sustain the business during this time would not have been possible without the continued support from the Board of Directors. This is to thank them for all their hard work and continued commitment.

We remain optimistic about the prospects of economic recovery as we remain committed to delivering on the last phase of our iMara 2.0 strategy, which ends in 2023. With the expected gradual recovery of the economy in Kenya under a new political regime, we shall consider business opportunities aligned with the government's priorities such as investment in MSMEs, agriculture productivity, and affordable housing, among others.

I appreciate the energetic and insightful engagements we have had during Board deliberations. The Board of every entity in the Group provided strategic guidance to the various businesses ensuring strong governance standards. I would like to acknowledge the Management team's foresight in their leadership decisions during these unpredictable times ensuring that the Group continued to create value for our stakeholders.

A special thank you to the staff of all our entities for their commitment to drive the Group's vision. Through their collaboration, the Group managed to make exceptional strides in its digitization journey.

Finally, our appreciation goes to our esteemed customers and partners for their loyalty and support accorded to us in embracing the new solutions to ensure we keep serving them better.

Daniel Ndonye
Chairman
25 March 2023

Our Governance Framework

Introduction

The Group's Board of Directors ('the Board') provides leadership and strategic guidance to ensure long-term sustainable growth, adherence to high standards of ethical behaviour and creation of sustainable stakeholder value within a framework of good governance. The Board has the ultimate responsibility and accountability for the Group's activities and performance and is at the core of the corporate governance practices within the Group. The Board remains committed to the highest standards of governance, ensuring that the Group complies with the laws, regulations, and practices applicable to it.

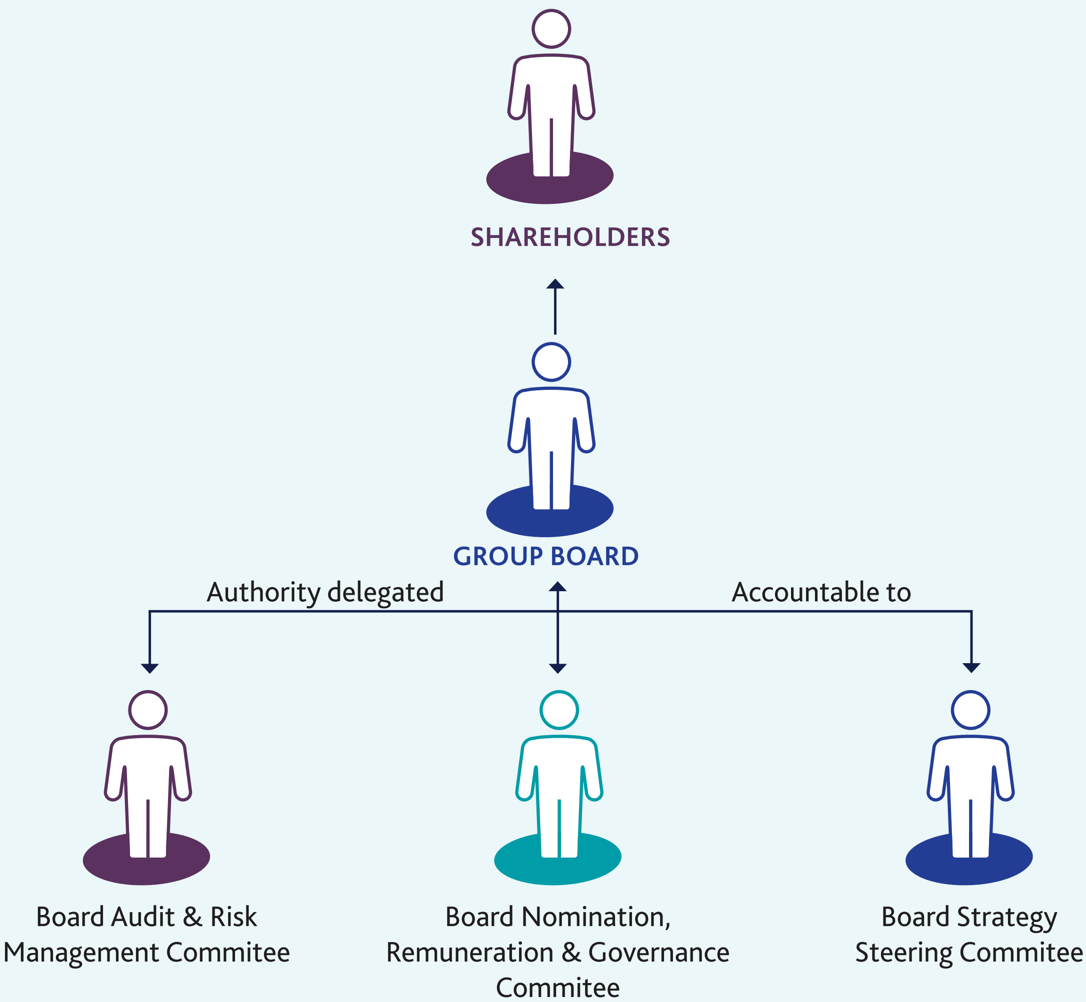
In undertaking its statutory duty to promote the success of the Company, the Board applies good governance practices as it guides the strategic decision making to ensure that interests of all stakeholders are considered. The Board ensures effective engagement with stakeholders by continuously monitoring the macro environment to address emerging risks and capitalize on opportunities as they arise. On the other hand, Management is entrusted with the day-to-day running of the Company to ensure successful execution of the strategy with clear and measurable performance indicators

The Board reviews the Group's corporate governance framework and practices on a regular basis to ensure continuous alignment with regulatory changes, best practice, and shareholder expectations. The framework outlines the key principles of the Group's corporate governance practices and provides guidance to the Board, Management, and employees of the Group. It sets out how the Company has applied the principles of good governance as outlined in the Capital Markets Authority (CMA) Code of Corporate Governance for Issuers of Securities to the Public, 2015 ('the Code'), on Corporate Governance and the Companies Act, 2015. The Company is also guided by its constitutive documents, Board Charter, and internal corporate governance policies. In 2022, the shareholders at the Annual General Meeting approved the adoption of new Articles of Association aligned to the Companies Act, 2015.

Governance Structure

The Group is licensed as a non-operating holding company ('NOHC') by the Central Bank of Kenya and operates within a clearly defined governance framework established by the Board of Directors. It includes a robust management structure built on a platform of stringent internal control, pre-approved policies, practices and procedures to deliver sustainable value to its shareholders, whilst remaining focused on its responsibility to society at large. This underpins the Group's commitment to ensuring that it conducts its business with the highest standards of integrity, transparency and accountability across all levels.

The Company's subsidiary and joint venture entities are governed by different statutory and regulatory requirements across the region. As a NOHC, the Board takes full ownership of its responsibility to provide effective and responsible leadership, characterised by ethical values of responsibility, accountability and fairness in order to promote the long-term success of the Group and deliver sustainable shareholder value.



Our Shareholders

The Company is listed on the Nairobi Securities Exchange and had 4,132 shareholders as of 31 December 2022. The top 10 shareholders of the Company listed below hold 77.4% of the shares.

Name	Domicile	No of Shares	% Holding
Minard Holdings Limited	LC	357,035,864	21.6%
Tecoma Limited	LC	304,179,232	18.4%
Ziyungi Limited	LC	294,192,000	17.8%
British International Investment(BII)	FC	167,526,000	10.1%
Bhagwanji Raja Charitable Foundation The Registered Trustees	LC	42,270,120	2.6%
Investments & Mortgages Nominees Ltd A/C 0001229	LC	34,024,744	2.1%
Investments & Mortgages Nominees Ltd A/C 0004047	LC	33,581,872	2.0%
Blanford Investments Limited	LC	18,314,408	1.1%
Lombard Holdings Limited	LC	14,745,448	0.9%
Sentinel Investments Limited	LC	13,847,972	0.8%
Others (4,122 shareholders not holding more than 5% individually)		373,903,816	22.6%
Total		**1,653,621,476**	**100.00%**

LC- Local Company **FC- Foreign Company**

Share range	Number of shareholders	Shares held	Shareholding %
Less than 1 million shares	4,048	148,782,672	8.8%
> 1 million < 2 million shares	48	65,032,928	3.9%
> 2 million < 3 million shares	7	17,768,528	1.1%
> 3 million shares	29	1,422,037,348	86.0%
Grand Total	**4,132**	**1,653,621,476**	**100.00%**

Split by type of investor	Shareholding %
East African Community Partner State Institution	74.8%
East African Community Partner State Individual	11.9%
Foreign Institutions	10.4%
Foreign Individual	2.9%

Our Board

Board of Directors' Profiles

The brief profiles of the Board of I&M Group PLC are set out below:

Daniel Ndonye
Chairman

Daniel Ndonye | Age 74 Yrs
Chairman

Tenure on Board
Appointed Chairman of the Board on 14 June 2013.

Committee Membership/(s)
Board Nomination, Remuneration and Governance Committee.

Qualifications
Bachelor of Commerce Degree
Fellow of the Institute of Chartered Accountants in England and Wales, the Institute of Certified Public Accountants of Kenya and the Institute of Certified Secretaries of Kenya.

Profile
Mr. Daniel Ndonye is a chartered accountant by profession, having worked with Deloitte & Touche for over 30 years, 20 of which he was the Managing/Senior Partner. He has a broad range experience at Board level and sits on the boards of several companies.

Sarit S Raja Shah
Group Executive Director

Sarit S Raja Shah | Age 54 Yrs
Group Executive Director

Tenure on Board
Appointed on 14 June 2013

Committee membership/(s)
Board Nomination, Remuneration and Governance Committee

Board Strategy Steering Committee

Qualification
Masters' Degree in Internal Audit and Management from City University London.

Profile
Mr. Sarit S Raja Shah has been the Executive Director of I&M Bank since 1993 with extensive experience in leadership and management. He was appointed as Group Executive Director of I&M Group PLC in June 2018. He also sits in the Boards of several companies including subsidiaries and associates of I&M Group PLC.

Suresh B R Shah,MBS
Non - Executive Director

Suresh B R Shah, MBS | Age 78 Yrs
Non - Executive Director

Tenure on Board
Appointed on 14 June 2013

Committee membership/(s)
None

Qualification
Founder member

Profile
Mr. Suresh Bhagwanji Raja Shah is a founder member and Chairman Emeritus of I&M Bank Limited. 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.

Michael Tuner
Independent Director

Michael Turner | Age 63 Yrs
Independent Director

Tenure on Board
Appointed on 1 August 2014.

Committee Membership/(s)
Board Audit and Risk Management Committee
Board Nomination, Remuneration and Governance Committee (Chair)

Qualifications
Bachelor of Science Degree in Civil Engineering from the University of Southampton

Fellow of the Institute of Chartered Accountants in England and Wales.

Profile
Mr. Michael Turner is the Managing Director of Actis (East Africa). He has vast experience in investment banking. He sits on the Boards of various companies.

Our Board

Nyambura Koigi
Independent Director

Nyambura Koigi | Age 67 Yrs
Independent Director

Tenure on Board
Appointed on 28 October 2015

Committee membership/(s)
Board Audit and Risk Management Committee

Qualification
Doctorate of Business Administration from the Nelson Mandela Metropolitan University, Masters of Business Administration and Bachelor of Arts Degree both from the University of Nairobi.

Fellow of the Institute of Certified Secretaries of Kenya and the Kenya Institute of Management.

Profile
Dr. Nyambura has worked in various capacities in the financial sector including banking, business development, information technology and was the Managing Director at Postbank for nine years. Nyambura is also trained in management of Pensions Funds, is a certified trainer in corporate governance and a certified mediator. She sits in several private and public sector boards.

Suleiman Kiggundu Jr
Independent Director

Suleiman Kiggundu Jr | Age 49 Yrs
Independent Director

Tenure on Board
Appointed on 5 June 2018

Committee Membership/(s)
Board Strategy Steering Committee (Chair)

Qualifications
Electrical engineer and economist from Yale University

Profile
Mr. Suleiman Kiggundu Jr. has served in senior leadership roles at various institutions, including Equator Bank, HSBC Bank Plc and CDC Group Plc (now BII Plc). He sits on the boards of several companies. He is also the Chairman of the Board Strategy Steering Committee.

Rose Wanjiru Kinuthia
Independent Director

Rose Wanjiru Kinuthia | Age 62 Yrs
Independent Director

Tenure on Board
Appointed on 3 March 2020

Committee membership/(s)
Board Audit and Risk Management Committee (Chair)

Qualification
Master of Science degree in Risk Management from New York University, New York; Master of Business Administration from Adelphi University, New York; and Bachelor of Arts from the University of Nairobi, Nairobi.

Profile
Ms. Rose Kinuthia brings on board wealth of experience and knowledge having spent a significant part of her career as a seasoned risk practitioner for 20 years with extensive experience in risk management and specializing in banking, pension funds and insurance.

Sachit S Raja Shah
Non-Executive Director

Sachit S Raja Shah | Age 50 Yrs
Non - Executive Director

Tenure on Board
Appointed on 10 July 2015

Committee membership/(s)

None
Qualification

Bachelors of Science degree in Banking and Finance from City University London

Profile
Mr. Sachit S Raja Shah is the Executive Director of GA Insurance Limited. He previously worked with AMP Asset management in London and HSBC Bank PLC London. He sits on the Boards of various Companies.

Our Board

Risper Genga Ohaga
Independent Director

Risper Genga Ohaga | Age 47 Yrs | Joined February 2023
Independent Director

Tenure on Board
Appointed on 7 February 2023

Qualifications
Bachelor of Commerce (BCom) from University of Nairobi;
Certified Public Accountant of Kenya (CPA-K); and
Certified Internal Auditor (CIA)

Profile
Ms. Risper Ohaga is a seasoned finance professional with over 23 years' experience in financial management, strategy, audit and risk management spanning multiple countries. She currently serves as the Group Chief Financial Officer of East African Breweries Limited (EABL), a subsidiary of Diageo Group. She also sits on the Board of EABL and its subsidiaries.

Christoper Low
Regional Director
(Outgoing)

Christopher Low | Age 62 Yrs | Retired in February 2023
Regional Director

Tenure on Board
Appointed on 15 January 2021
Resigned on 28 February 2023

Committee membership/(s)
Board Audit and Risk Management Committee
Board Nomination, Remuneration and Governance Committee
Board Strategy Steering Committee

Qualification
MA. From Oxford University, Member of the Institute of Chartered Accountants in England and Wales.

Profile
Mr. Christopher Low is the Regional Director of the Group. He brings on board a vast wealth of experience having served as the Group Chief Executive Officer at Letshego Holdings Limited, one of Botswana's largest publicly listed and multinational groups, operating financial services business across eleven countries in Sub-Saharan Africa. He has experience in International Banking, Digital Transformation, Risk Management and Financial Inclusion.

Christopher Kihara Maina
Regional, Chief Executive Officer
(Incoming)

Christopher Kihara Maina | Age 53 Yrs
Regional, Chief Executive Officer

Tenure on Board
Appointed on 1 March 2023 (subject to regulatory approval)

Committee membership/(s)
Board Audit and Risk Management Committee
Board Nomination, Remuneration and Governance Committee
Board Strategy Steering Committee

Qualification
Bachelor's degree in Mathematics from Moi University; and
Executive MBA from the University of Chicago – Booth School of Business.

Profile
Mr. Kihara Maina is a seasoned banker having served in senior leadership roles at various institutions. He joined the I&M Group in May 2016 as the Chief Executive Officer and Board member of I&M Bank Kenya. Prior to joining I&M Bank, Kihara was the Managing Director of Barclays Bank Tanzania (now Absa Bank Tanzania).

Bilha Wanjiru Mwangi
Company Secretary

Bilha Wanjiru Mwangi | Age 41 Yrs
Company Secretary

Tenure on Board
Appointed on 20 December 2018

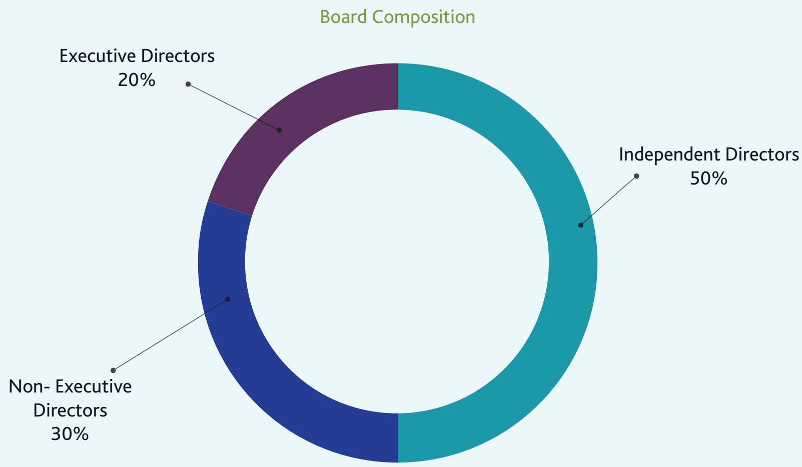
Qualifications
Global Executive Masters of Business Administration (GeMBA) from United States
International University
Bachelor of Laws (LLB) from the University of Nairobi
Certified Public Secretary (CPS)
Member of the Institute of Certified Public Secretaries
Member of the Law Society of Kenya.

Profile
Ms. Bilha W Mwangi is an advocate of the High Court of Kenya and Certified Public Secretary. Bilha is a partner at Wanjiru Kinyanjui Advocates LLP and specialises in company secretarial practice, commercial law, banking and security law and conveyancing.

Board Operations and Control

Board Composition

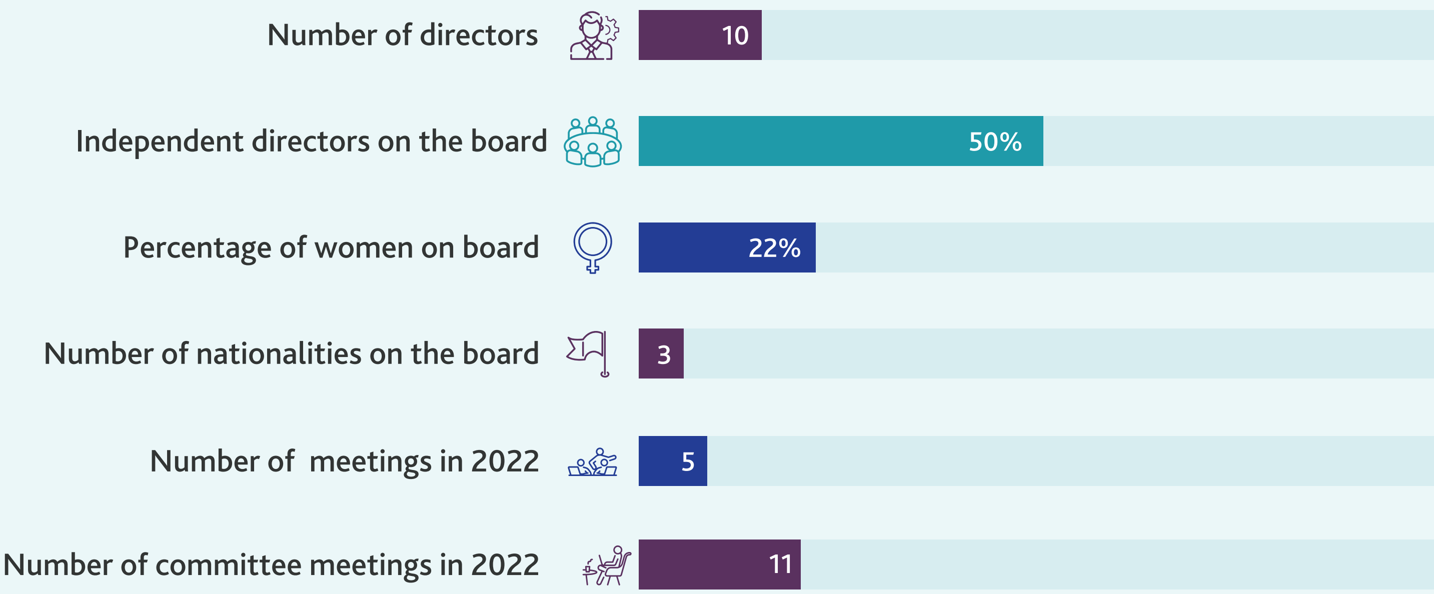
The Articles of Association of the Company stipulate that the number of Directors shall not be less than seven and not more than twelve (excluding Alternate Directors). The Board Charter requires that the Board constitutes an appropriate balance of independent, non-executive and executive Directors. The current Board is composed of ten Directors, distributed as follows:



* There are no Alternate Directors

Directors' Independence

The Board recognizes the value of independent and objective judgement on strategic deliberations. To this end, the Company's Board Charter and the Corporate Governance Policy stipulate that the Board shall at all times have at least one third of its members as independent Directors. The tenure of independent Directors is set at a maximum of 9 years. The status of independence of Board members is assessed by the Board annually through the Directors' Declaration of Independence.



Board Operations and Control (Cont'd)

Board Governance and Responsibilities

The Board collectively sets the Group's strategy and oversees the execution and implementation against this strategy in its performing its role, the Board:

Separation of Roles and Responsibilities

The Board has put in place the necessary mechanisms to enable it effectively discharge its roles and responsibilities. The specific roles and responsibilities to be discharged by the Board, its Committees, Chairman of the Board, Group Executive Director, other Directors individually and collectively as well as the Company Secretary are outlined in the Board Charter. The Board Charter is reviewed every two years to ensure relevance amidst changes in the Group's operating environment.

The Board Charter clearly distinguishes between the roles and responsibilities of the Group Chairman and Group Executive Director. The Chairman is tasked with the responsibility of effectively leading the Board, fostering a constructive governance culture and maintain relevant links between all stakeholders. The Group Executive Director is responsible for providing leadership and direction in the day-to-day operations of the Group directed toward implementation of the Group's long-term vision and strategy. The Group Executive Director ensures that the strategy and decisions of the Board are implemented in each of the Group's entity by ensuring that each CEO is accountable for the achievement of the strategic initiatives and financial performance. The independent Non-Executive Directors have the responsibility to constructively challenge Management and oversee the implementation of the strategy within the set risk control environment. The current Board Charter is available on the Group website (www.imbankgroup.com).

Meetings

The Board usually meets at least once every quarter. The Board activities and agenda of each meeting are guided by the annual Board Work Plan approved by the Board each year. Directors are also required to separately attend Board Committee meetings to which they are members, planned training and strategy sessions. Board members receive agenda and board papers well in advance of their meetings, thereby facilitating meaningful deliberations therein.

The quorum for Board meetings is guided by the Company's Articles of Association and is determined to have been reached provided the members attend, either in person, by telephone 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

The Board Charter and the Committees' Terms of Reference were all reviewed and revised versions approved by the Board in 2022. The Board Charter and a summary of the Board Committees' Terms of Reference are available on the Company website www.imbankgroup.com

Directors Appointment

The Board, through the Board Nomination, Remuneration and Governance Committee, is responsible for nominating members to the Board and for filling vacancies on the Board that occur between annual meetings of shareholders. In considering potential directors, the Board seeks to not only identify candidates with appropriate skills, knowledge and experience to contribute to effective direction of the Group but also ensure achievement of diversity in its composition as set out in the Board Succession Policy. All directors receive formal letters of appointment setting out the main terms and conditions of their appointment.

Board Operations and Control (Cont'd)

Director Induction, Orientation & Continuous Professional Development

All newly appointed Directors are appropriately introduced to the business of the Group through a comprehensive induction programme and are provided with information on the affairs of the Group, the governance structure & conduct of meetings, the director's duties & responsibilities, the Company's Constitution and such other useful documents. The programme includes a series of meetings with other Directors, the Group Executive Director and Senior Executives.

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 also have access to Senior Executives 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. The Board and its Committees are free to obtain external or independent professional advice as they may consider necessary to carry out their duties.

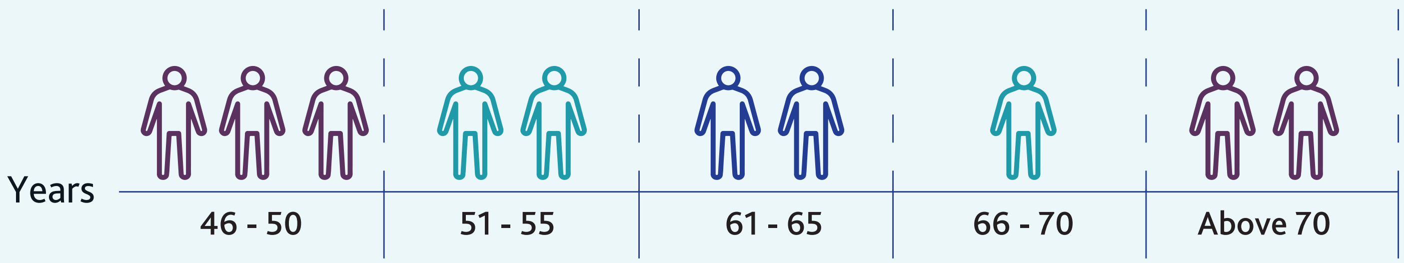
In order to ensures that the Board is kept up to date with developments in the industry both locally and globally the Company organizes up-skilling and continuous development programs for Directors across the Group. The continuous development program enhances governance practices within the Board itself and in the interest of the Group. Tabulated below are the formal programs held during the year. The Group also availed various other virtual trainings to Directors on areas such as fraud risk management, cyber risk intelligence and anti-fraud and corruption.

Training Description	Date Undertaken	No. Of Hours
Training on Environmental, Social & Governance (ESG)	21 May 2022	3 Hrs
Training on AML/CFT	21 May 2022	3 Hrs
Training On Culture Transformation	21 May 2022	1 Hrs
Audit & Risk Conference on Creating a Risk Intelligent Business	12 October 2022 & 13 October 2022	16Hrs

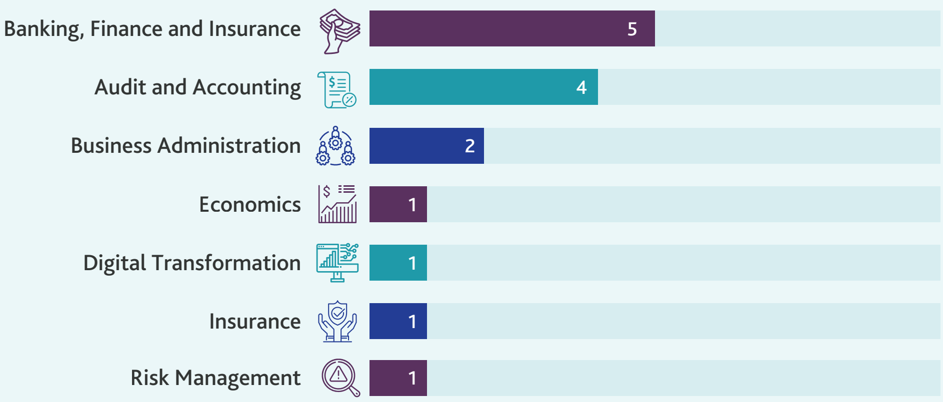
Board Skills, Experience and Diversity

Collectively, the Board has vast experience, stemming from the individual Director's varied backgrounds across multiple disciplines. The Board seeks to achieve diversity of perspective, demographics, ethnic, cultural, age and gender. The Board developed a Board Skills Matrix which is reviewed by the Board regularly through the Board Nomination, Remuneration & Governance Committee, as it reviews the Board's composition and skills. In 2022, the Board undertook a detailed review of succession at the Group and across the various subsidiaries within the Group. Gender diversity in the Group Board, while considered optimum at 30%, remains an area of improvement for the Board.

Directors Age Range



Board Skills and Experience



Board Operations and Control (Cont'd)

Conflict of Interest

All Directors are expected to comply with the Company's Conflict of Interests Policy and to act ethically and in a manner consistent with the values of the business both individually and collectively. Any Director who considers that they may have a conflict of interest in any matter concerning the Company is required to immediately declare the potential conflict of interest to the Board.

Any Director with a conflict interest in any matter that is being considered during any Board or Board Committee meeting, would recuse themselves from discussion and voting on the matter.

In order to monitor potential conflicts, the Company maintains a register of conflicts of interest which is updated regularly.

Directors' Interests in the Company as of 31st December 2022

Name of Director	Number of Shares	% Shareholding
Suresh Bhagwanji Raja Shah, MBS	174,947,573	10.6%
Sarit S Raja Shah	37,595,103	2.3%
Sachit S Raja Shah	37,152,231	2.3%

Company Secretary

The Company Secretary is a member in good professional standing with the Institute of Certified Secretaries of Kenya (ICS-K) and is appointed by the Board. The Company Secretary is responsible for the effective implementation of the Governance Framework and monitoring compliance with the Board procedures and statutory requirements. The Company secretary is also responsible for facilitating timely flow of information within the Board and its committees and between the Directors and management as well as overseeing induction of new Directors and facilitating ongoing professional development of Directors. In consultation with the Chairman, the Company Secretary ensures regular assessments on the effectiveness of the Board and its Committees while the effectiveness of the Company Secretary is similarly assessed by the Board as part of the annual Board performance evaluation process.

2022 Key Activities:

The Board undertook, inter alia, the following activities:

- Reviewed and approved the Group consolidated forecasts for 2022
- Reviewed the annual budgets for the various subsidiaries within the Group
- Reviewed strategic plans and objectives for the Group and subsidiaries and status of implementation against the strategic plan
- Reviewed the Group organization structure
- Reviewed the Group succession plan
- Reviewed the quarterly unaudited consolidated Group Management Accounts and annual Audited Financial Statements for the year ended 31st December 2021 and publications thereof
- Approved a first and final dividend of KShs1.50 per share amounting to KShs 2.5 billion for the year ended 31st December 2021
- Reviewed quarterly performance of the banking entities within the Group as compared to peer banks
- Reviewed and approved the agenda and notice for the Annual General Meeting
- Reviewed quarterly updates from the banking and non-banking subsidiaries in the Group
- Reviewed updates from the Board Committees
- Reviewed changes in shareholding structure
- Approved the revised Board Charter and recommended the new Articles of Association to the shareholders for approval
- Approved its annual calendar of meetings for 2023
- Received a report on the annual board evaluation exercise for the year 2021
- Approved the revision of the board evaluation tools to be used across the Group
- Reviewed results from the Legal & Compliance and Governance Audit including progress on implementation of the actions agreed
- Reviewed and approved the annual 2023 Board work plan
- Reviewed the director development plan for 2023
- Approved various Group policies as recommended by the Committees

Board Operations and Control (Cont'd)

Board Committees

The Board has delegated authority to three Board Committees to assist the Board to effectively discharge its mandate. Each Committee has in place Terms of Reference approved by the Board that outline its responsibilities. The Terms of Reference are reviewed annually. The Board regularly reviews the membership of the Committees.

A summary of the composition, responsibilities and key activities achieved by the Board Committees is outlined below:

Board Audit and Risk Management Committee (BARMC)
Ms. Rose Kinuthia (Chairperson)

The BARMC consists of three independent directors and one Executive Director. It is Chaired by an Independent Director

Members

- Dr. Nyambura Koigi
- Mr. Michael Turner
- Mr. Kihara Maina (Subject to regulatory approval)

Responsibilities

The key responsibilities of the BARMC are to assist the Board in fulfilling its statutory and fiduciary responsibilities, by providing an objective and independent review of the effectiveness of the external reporting of financial information and the internal control environment of the Group. The BARMC is also responsible for the oversight of the Group's risk management framework and reviewing the Group's risk appetite from time to time.

2022 Activities

BARMC held six scheduled meetings in the year.

The Committee undertook, inter alia, the following activities:

- The Committee reviewed the Group Audit Strategic initiatives for FY 2022
- Approved and oversaw the implementation of the annual internal audit plan for FY 2022
- Reviewed the audited financial statements for FY 2021 and quarterly unaudited accounts for consideration and ultimate approval by the Board
- Reviewed the internal audit reports for audits undertaken during the year
- Reviewed the Group's Compliance and Risk reports including Cyber Risk and Enterprise Risk Management Framework
- Oversaw critical cybersecurity activities in the year
- Reviewed and recommended various policies for approval by the Board
- Provided oversight on the annual Group Audit & Risk Conference and actions agreed thereof
- The Committee held two separate meetings with the external auditors, KPMG, without Management present and is satisfied that the auditors remain independent

Board Operations and Control (Cont'd)

Board Nomination, Remuneration and Governance Committee (BNRGC)
Mr. Michael Turner (Chairman)

The BNRGC consists of two Independent Directors and two Executive Directors. It is chaired by an Independent Director.

Members

- Mr. Daniel Ndonye
- Mr. Sarit S. Raja Shah
- Mr. Kihara Maina (Subject to regulatory approval)

The Company has received an exemption from the Capital Markets Authority on the requirement to have three Independent Directors on each of the BARMC and BNRGC.

Responsibilities

The BNRGC assists the Board in fulfilling its responsibilities by undertaking structured assessment of candidates for membership of the Board and Board Committees, and the establishment of an appropriate harmonized framework for remuneration of the Board members across the Group, in line with clearly defined remuneration principles. The Committee also provides oversight on governance-related matters at the Group level such as Board succession planning, induction for new board members, assisting the Board in reviewing the mix of skills and expertise of board members, reviewing the performance and effectiveness of the Board through the board evaluation process and generally providing oversight in relation to the general governance of the entities within the Group. This is to ensure that there is continued compliance with the corporate governance laws, regulations and best practice.

In addition, the Committee provides oversight in relation to the development and implementation of governance related policies at the Group level and ensures compliance with the prevailing corporate governance regulations and principles.

2022 Activities

BNRGC held two scheduled meetings in the year.

The Committee undertook, inter alia, the following activities:
• Recommended to the Board to approve the revised Board Charter and the Committee's revised Terms of Reference
• Recommended to the Board the amendments to the Company's Articles of Association in line with the Companies Act 2015 for approval by shareholders
• Reviewed the training and development reports for the Directors in the Group entities
• Reviewed results of the annual board evaluation for FY2021 including the Committee's annual evaluation report
• Reviewed board composition and succession for the entities within the Group
• Reviewed the Group's reward framework and approved revision of Directors' remuneration
• Reviewed progress on remedial action from the legal & compliance and governance audits
• Reviewed reports on related party transactions, trading of shares by insiders and CSR activities within the Group
• The Committee approved its 2023 Annual workplan
• Received reports on actions taken by each entity on employee engagement
• Oversight on the progress made on the Group's Culture Transformation Programme (Pamoja)

Board Operations and Control (Cont'd)

Board Strategy Steering Committee (BSSC)
Mr. Suleiman Kiggundu Jr. (Chairman)

The BSSC consists of one Independent Director, two Executive Directors, a representative from British International Investments Plc (BII) and 4 management team members

Members

- Mr. Sarit S. Raja Shah
- Mr. Kihara Maina (Subject to regulatory approval)
- Maximilan Biswanger (representing BII)
- 4 managment team members

Responsibilities

The BSSC assists and provides guidance to the Board in fulfilling its responsibilities by considering matters pertaining to the Group's overall long term strategic direction as well as corporate objectives. The BSSC assists the Board in review of the optimum level of the Group's capital structure to support the Group's strategic and financial goals and review the Group's major strategic and investment decisions (including Merger & Acquisition transactions)

2022 Activities

BSSC held four scheduled meetings in the year.

The Committee undertook, inter alia, the following activities:
• Reviewed the Group's Strategy and performance against the Balance Scorecard
• Recommended and monitored efforts to improve regional synergies
• Reviewed the progress on the Group's Culture Transformation Programme - Pamoja
• Monitored the implementation of iMara Strategy across the Group entities
• Approved the Committee's workplan for the year 2023

Board Attendance

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

Directors	17 January 2022	25 March 2022	26 May 2022*	24 June 2022	26 September 2022	9 December 2022	Attendance Rate
Daniel Ndonye	√	√	√	√	√	√	100%
SBR Shah, MBS	√	√	√	√	√	√	100%
Sarit S Raja Shah	√	√	√	√	√	√	100%
Michael Turner	√	√	√	√	√	√	100%
Sachit S Raja Shah	√	√	√	√	√	√	100%
Dr. Nyambura Koigi	√	√	√	√	√	√	100%
Suleimann Kiggundu Jnr	√	√	√	√	√	√	100%
Rose Kinuthia	√	√	√	√	√	√	100%
Chris Low	√	√	√	√	√	√	100%

Board Evaluation

The Board has established a mechanism for evaluating the performance of the Board, Board Committees, Individual Directors, Executive Directors and Company Secretary annually. This process is reviewed regularly. The review and evaluation include assessment of the functioning of the Board as a collective body, the Board composition, diversity and skills, the effectiveness of the governance processes, the functioning of the Board Committees, the robustness of managing risks and effectiveness of board meetings and processes. The Board is also provided with an opportunity to highlight any other key issues facing the Board and unresolved conflicts (if any). The feedback from this process is submitted to the Central Bank of Kenya each year as required under the CBK Prudential Guidelines. This feedback is also discussed at the Board and Board Committees to identify areas of improvement and enhancement in processes. It is out of this feedback that the templates were reviewed comprehensively in 2022 for application across the Group with the aim of standardizing the process across the various subsidiaries. The board evaluation process is automated to promote efficiency in the process.

Shareholder and Stakeholder Engagement

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

The Group engages both formally and informally throughout the year to:

- Develop and promote a good understanding of stakeholder needs, interests, and expectations
- Provide guidance on how the Group should engage with its stakeholders to strengthen and maintain relationships with them
- Identify the opportunities and threats arising from stakeholders' material issues; and
- Assist with strategic, sustainable decision-making.

Stakeholder engagement is decentralized within I&M. All I&M Group 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 center that is the first point of call for all clients' requests and the section "Contact us" on the Group's corporate website.

Concerns raised by stakeholders are monitored on an ongoing basis for compliance by the Group Risk and Compliance Team and by the Board Audit and Risk Management Committee.

Annual General Meeting

I&M recognizes the importance of transparency and accountability to all stakeholders and in particular, to shareholders. The Company has various channels and mechanisms to communicate and engage with shareholders in addition to the Annual General Meeting. These include availing information on the website, publication of quarterly financial results and holding regular investor briefings. The Company remains committed to ensuring open communication with its shareholders and observing the highest standards of governance and shareholder communications.

Shareholders holding a total of 1,308,456,045 ordinary shares in I&M Group PLC registered and participated in the 2022 Virtual Annual General Meeting representing 79.13% of the total issued ordinary shares of the Company. To facilitate shareholders participation in the virtual AGM, shareholders were provided the options of a web portal and an unstructured supplementary service data (USSD) to enable them to register, attend the meeting, ask questions and vote. The key items deliberated during the AGM were as per the AGM notice published on 29th April 2022.

The Shareholder Communication Policy sets out the processes that the Company has put in place to facilitate and encourage participation by shareholders. This policy is aimed at nurturing the loyalty and confidence of the Company's shareholders through frequent and forthright communication, both directly to shareholders and indirectly through analysts and the media. The Company seeks to ensure that interaction with each investor meets the highest levels of professionalism and quality.*

Stakeholder Engagement

The Board is committed to liaising with the investment community including institutional investors, brokers, analysts and rating agencies through investor briefing sessions and presentations discussing performance and providing information on the direction the Company is taking. The investor relations function collects feedback and communicates information relevant to the Group operations and strategy to the various stakeholders including shareholders through various channels. Financial information on the Company is made available on the Company's website and latest results being provided on a quarterly basis in national publications and the Company's website.

All shareholders queries, application for registration of transfer of shares of the Company, immobilization of shares and dividend queries are handled by the Company's appointed shares registrar – CDSC Registrars Limited.

The registrar can be reached at their offices on the 1st Floor, Occidental Plaza, Muthithi Road, P. O. Box 6341 00100, Nairobi or through their e-mail address registrar@cdscregistrars.com and also through their telephone numbers +254 20 258 8000 | +254 710 888 000

The table below sets out the timelines of the key events and shareholder communication forums during the year.

Event/communication	Date
Financial year end	31 December
Release of full year results	30 March 2022
Investor briefing full year 2021 results	1 April 2022
Announcement of the Annual General Meeting	29 April 2022
Annual General Meeting	26 May 2022
Release of Quarter 1 Financial results	24 May 2022
Release of Half Year Financial results	16 August 2022
Investor briefing Half Year 2021 results	1 September 2022
Release of Quarter 3 Financial results	18 November 2022

**A copy of the policy is available on the Group's website (https://www.imbankgroup.com/)*
The following contacts are also available on the website for shareholders to contact the Group: 24-hour Call Centre: +254 20 322 1000, Email investor-relations@imgroup-plc.com

Shareholder and Stakeholder Engagement (Cont'd)

Boards of Subsidiary Companies

The entity Boards have ultimate responsibility for their local business performance and are guided by regulations within the respective jurisdiction and the Group Minimum standards.

The Group Executive Office is headed by the Group Executive Director (GED). He is ably supported by the Regional CEO, Group Nominated Directors and other team members in the Group Executive Office.

Each banking entity in the Group has set up various Board Committees to oversee the conduct of its business. The key ones include the following:

Board Audit Committee (BAC)

The BAC assists the Board in fulfilling its responsibilities by reviewing the financial condition of the Bank, its internal controls, performance and findings of the Internal Audit functions. Two BAC meetings are held in each year independent of management giving the internal and external auditors an opportunity to raise matters directly with members of the BAC.

Board Risk Committee (BRC)

The BRC, through the risk management function, is responsible for translating the Risk Management Framework established by the Board of Directors into specific policies, processes and procedures that can be implemented and verified within the different business units, so that risks faced by the Bank are adequately considered and mitigated.

Board Credit Committee (BCC)

The BCC is responsible for review of the overall lending policy, conducting independent loan reviews, delegation and review of lending limits. It also ensures compliance with all statutory and regulatory requirements and is responsible for the overall management of credit risk. The Credit Risk Management Committee (CRMC) assists the BCC in its role.

Board Procurement Committee (BPC)

The BPC is responsible for reviewing and approving significant procurement proposals as well as proposed consultancy assignments and unbudgeted capital expenditure. In addition, the BPC also vets any agreements with and procurement from related parties.

Board Nomination & Remuneration Committee (BNRC)

The BNRC is responsible for 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 senior executives, setting remuneration policies & strategic objectives of senior executives, providing oversight over HR matters and input into HR policies as appropriate.

Shareholder and Stakeholder Engagement (Cont'd)

Relationship between Board and Management

Group Board

Group Executive Commitee (GEXCO)

The Group Executive Committee (GEXCO) is the apex Group level management committee whose main task is to ensure successful delivery of the Group's strategy, drive overall Group performance and leverage group synergies. The committee is also responsible reviewing recommendations of it's subcommittees such as; the top Group risks, Group resourcing requirements and implementation of best practices.

Group Assets & Liabilities Management Committee (GALCO)

The Group Assets & Liability Committee reviews the future expectations and the potential impact of interest-rate movements, liquidity constraints, foreign-exchange exposure and capital adequacy across the region of the Group's operations and supports the subsidiary banking entities in, monitoring and reviewing the most appropriate strategy for each individual entity in terms of the mix of assets and liabilities.

Group Credit Management Committee (GCMC)

This is a Group level committee that supports the Group EXCO, the Board of Directors and Board Credit Committees of each subsidiary in their credit decision duties and reviewing of credit risk management across the Group. The committee is responsible for reviewing the Group credit policy & framework, the credit risk appetite parameters and advising the respective subsidiary Board Credit Committees on complex, high value, or new industry exposures as per agreed threshold.

Group Risk Management Committee (GRMC)

The Group Risk Management Committee promotes sound risk management practices and monitors overall Group exposure for all risk categories across all entities. The Committee is responsible for reviewing and approving the Group Enterprise Risk Management Framework as well as providing advice on international risk management best practices and emerging risks that might affect the Group, together with recommendation on mitigation and/or remedial actions.

The Board has set up a Group Executive Office to lead and direct the implementation of business strategy, performance delivery and safe and compliant execution of the Group's banking and other business to deliver sustainable long-term value for shareholders. The Group Executive Office coordinates the dissemination of information between the Directors and the Management of the entities and is also responsible for the establishment, execution and delivery of agreed strategic objectives approved by the Board.

Shareholder and Stakeholder Engagement (Cont'd)

Subsidiary Management Committees

Each banking entity in the Group has set up various Management Committees. The key ones include:

Executive/Management Committee (EXCO/MANCO)

This committee provides the link between the Board, Top Management and Department Heads. It is responsible for reviewing the individual Bank's corporate and Strategic objectives, business performance review of progress of special projects and to strategise on the way forward in line with market dynamism / conditions. The committee also considers and plans the required action, including assessment of impact thereof on the agreed Corporate Objectives for the year on significant matters agreed upon at the quarterly Board meetings.

Assets & Liabilities Committee (ALCO)

The Assets & Liability Committee is a sub-committee of the Board Risk Management Committee responsible for setting, monitoring and reviewing financial risk management policy and controls including devising the most appropriate strategy for each individual Bank in terms of the mix of assets and liabilities and this is based on the committee expectations of the future and the potential impact of interest-rate movements, liquidity constraints, foreign-exchange exposure and capital adequacy.

Credit Risk Management Committee (CRMC)

CRMC is the link between the Board and Management in terms of implementing the credit and lending policies of each Bank. It is responsible for the sanction of credit proposals in line with the Bank's Credit Policy, effective management and follow-up of all credit-related matters and review of Non-Performing Accounts. The Non-Performing Accounts Committee and the Card Centre Credit Appraisal Committee assist the CRMC in its role.

Transformation Office Steering Committee (TO SteerCo)

This Committee provides the link between the Board and Management in terms of implementing and monitoring of each Bank's Strategic direction, intent and objectives. The Committee plays a significant role in providing direction and focus on the emerging issues/challenges in respect of the implementation of the Bank's strategy.

Risk & Compliance Management Committee (RISKCO)

RISKCO is primarily responsible for integrating risk management into the organisation's goals. RISKCO defines risk review activities regarding the decisions, initiatives, transactions and exposures and prioritises these before prior to presentation to the Board. The committee also periodically reviews and assess the effectiveness of the Bank's enterprise-wide risk assessment processes and recommend improvements, where appropriate.

Human Resources Committee (HRC)

HRC assists the Board in fulfilling its Human Resource Management responsibilities with due recognition to this key resource. HRC oversees implementation of all major HR initiatives, rendering support and guidance as appropriate. It also facilitates periodic review of the Bank's HR policies and practices to ensure the Bank remains competitive and able to attract and retain competent Talent for its business.

Ethics & Social Responsibility

Code of Conduct

In 2022, the Group approved a new Code of Conduct policy that binds all its directors, staff, contractors and consultants engaged with the Group 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 Conduct encompasses, inter alia, matters touching upon health and safety, environment, compliance with laws and regulations, confidentiality of customer information, financial integrity and relationships with external parties. The 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 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 Company or the Group by restricting involvement in other businesses that would be likely to lead to a conflict of interest. Where any director considers that they may have a conflict of interest in any matter pertaining to the Group or being considered at a Board or Committee meeting, they are required to immediately declare the potential conflict for the Board to review. The Director will excuse themselves from the relevant discussions and will not exercise their right to vote in respect of such matters. Directors also declare their pecuniary interests annually. At the Group subsidiaries, policy is directed not only to Directors but to all Senior management and employee who can influence any decisions of these subsidiaries.

Insider Trading & Related Party Transactions

The Group has adopted an 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 behavior 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 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.
- Obtaining gain by fraud.
- 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 requires them to declare their intention to purchase or sell Company's securities before entering into a transaction.

The Board Nomination, Remuneration and Governance Committee has oversight on insider trading and is made aware of insider trades as well as any breach of the Insider Trading Policy through semi-annual returns.

The Group Board 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 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 38.

Whistle Blowing Policy

The Group is committed to the highest standards of openness, probity, and accountability. In line with this commitment, the Group encourages all its stakeholders to come forward and report any unethical or illegal behavior that in any way, shape, or form, relates to the operations of the Group.

The Group has in place a whistle blowing policy and appropriate mechanisms to demonstrate its commitment to the highest standards of openness, probity and accountability. 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 public, in line with the recommendations from the previous governance audit. In 2022, the Bank held a staff plenary session sensitizing the employees on the whistleblowing process and tools at their disposal. These mechanisms enable key stakeholders of the Group to voice concerns in a responsible and effective manner.

The policy is designed to encourage and facilitate raising concerns internally and externally on areas of real or perceived malpractice or impropriety. The policy is reviewed regularly to ensure relevance with best practice. The policy aims to:

- Encourage all stakeholders 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 losses to the Group and or any malicious act that may adversely affect the Group or its subsidiaries, its staff and stakeholders.
- Provide avenues for stakeholders to raise those concerns and receive feedback on any action taken.
- Reassure stakeholders 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 or its subsidiaries' exposure to the damage that can occur when employees and key stakeholders circumvent internal mechanisms.
- Inform stakeholders that the Group and subsidiaries take a serious stand on adherence to the code of conduct and the various policies in place.

The Whistleblowing Reports are regularly reviewed and discussed by the Board Nomination Remuneration and Governance Committee. The Whistle blowing policy is also available on the Company website.

Sustainability & Corporate Social Responsibility (CSR)

The Group is very conscious of its responsibility towards the Community and those around it. The Group, through I&M Foundation, has put in place guidelines that aid in carrying out its Corporate Social Responsibility (CSR) mandate at each entity's level. The Group, through each of its entities, seeks to deepen its relationship with various stakeholders with a focus on Environmental Conservation, Education and Skills Development, Enabling Giving and Economic Empowerment. I&M Bank Kenya supported the Foundation by allocating 2% of its Profit Before Tax amounting to Kshs 212 Million to the Foundation's activities. Additional details on the activities of I&M Foundation undertaken during the year have been provided under the Sustainability Review Section.

The Group has initiated a journey towards developing its sustainability strategy. The framework developed has enabled us to identify the Environmental Social Governance (ESG) initiatives that the Group should focus on.

Accountability, Risk Management and Internal Controls

The Group has an integrated risk management framework in place to identify, assess, manage and report risks as well as risk adjusted returns on a consistent and reliable basis. Further, the Group maintains a keen focus on ensuring that the risk management framework at a Group level is robust enough to safeguard the business processes and products of each entity.

Given that risk taking is core to the Group's innovation capacity and ultimately its entrepreneurial success, the Group's approach to risk management is characterized by strong risk oversight at the Board level and a strong risk management culture at all levels and across all functions. Such an approach supports and facilitates decision making processes across the Group.

The risk management framework is set so that risks identified are adequately considered and mitigated:

- The Board of Directors at the Group and individual entity level assume the ultimate responsibility for the level of risks taken and are responsible for overseeing the effective implementation of the risk strategies;
- The organizational risk structure and the functions, tasks and powers of the committees, staff and departments involved in the risk processes are continuously reviewed to ensure their effectiveness and the clarity of their roles and responsibilities;
- Risk issues are taken into consideration in all business decisions. Measures are in place to develop risk-based performance measures and this is being supplemented by setting risk limits at the company level;
- Risk management has been integrated into various management processes such as strategic planning, annual budgeting and performance measurement;
- Identified risks are reported in a transparent and timely manner.
- Appropriate and effective controls exist for all processes.

Each entity in the Group endeavours to be compliant with 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.

An area of increased focus for the Group is ESG (Environment, Social, Governance) given the growing global emphasis on climate change. The Groups' 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, the guidance on climate-related risk management issued by the Central Bank of Kenya and Nairobi Stock Exchange (NSE) manual guiding listed companies on measuring and reporting ESG matters.

Business Continuity Management

Entities within the Group continued to provided services seamlessly to all our partners focusing on transitioning most service to digital platforms. The Group's strategic investments in technology with the aim of bolstering our capabilities allowed us to not only improve our operations but also to strengthen the relationships we have with our clients, prioritising client centricity and proactively anticipating client needs.

Compliance

The Board ensures that laws, rules and regulations, codes and standards applicable to the Group have been identified, documented and observed. Each of the Banking entities within the Group have independent Compliance functions to continuously monitor the Company and its subsidiaries' compliance with applicable laws, rules and regulations, codes and standards to provide assurance in this respect to the Board on a quarterly basis.

All policies and procedures are tailored to ensure that the Group 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 Company 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 Group's risk management process has been delegated to the Board Audit and Risk Management Committee. Every banking and regulated entity within the Group has established an independent Internal Audit function.

The respective Boards and Management set out the mandate for Internal Audit, defining its purpose, authority and responsibilities. The respective Boards ensure that the in each entity is not responsible for any other function in the entity and functionally reports directly to its Board Audit Committee.

The Internal Audit function provides an independent assurance to its respective Board and Management that the governance, risk management and control processes are adequate and effective to enable the organization meet its objectives.

In addition, the Group has set up the Group Internal Audit function to provide independent assurance to the Company's Board through the Board Audit & Risk Management Committee and to, inter alia:

- Highlight high risk areas as reported by internal audit, External Auditors and Regulators for the respective group entities and action being taken by the respective entity Management and Board Audit Committee;
- Bring to the attention any areas of concern on the adequacy and effectiveness of the respective entity processes for controlling its activities and managing its risks in the areas set forth under the scope of work that may require group direction; and
- Provide quality assurance on the audit activity deployed in the respective entities.

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 15 of the financial statements.

Transparency and Disclosure

Information Technology (IT) Policy

The Group has implemented an appropriate Information Technology policy in its business processes to provide IT enabled solutions to its customers. The Group acknowledges that it is essential for its continued successful operation that the availability, integrity and confidentiality of its information systems and associated data are maintained, in a cost-effective manner and at a level that is appropriate to its business needs. The need for such protection arises because information systems are potentially vulnerable to unwanted events, or threats.

The Group's Information Security Policy is aimed at enhancement of its ability to collect, store, process and transmit Information. Information Systems and Information Processing are vital to the various entities in the Group in pursuit of its business objectives, and it is important that it is managed with regard to:

CONFIDENTIALITY
Ensuring that information is accessible only to those authorised to have access.

EFFECTIVENESS
The capability to produce the desired results especially to ensure thatregulatory, operational and contractual requirement are fulfilled.

INTEGRITY
Safeguarding the accuracy and completeness of information and processing methods.

EFFICIENCY
The extent to which resources are used to achieve the desired results.

AVAILABILITY
Ensuring that authorised users have access to information and associated assets when required.

Procurement Policy

The Group has put in place a Group Procurement policy aimed at guiding the approach to procurement in the areas of systems implementation or significant upgrades of existing systems, acquisition of significant ICT infrastructure, deployment of standardized specifications such as for branding and marketing and for provision of critical services across the Group entities.

The coordinated approach to procurement of major goods and services is designed to deliver benefits in terms of standardized specifications, platforms for delivery of critical business operations and for deriving synergies, competitive pricing arising from economies of scale, a harmonized approach to business continuity in major business and operational matters and more importantly an efficient and reliable financial and management reporting as may be required from time to time by various stakeholders.

The policy is guided by key governance principles to maintain the highest level of integrity and transparency. It is a pre-requisite that no entity shall seek to gain undue advantage over another in pursuance of any one procurement initiative at Group level.

The Procurement policy is also available on the Company's website.

Legal & Compliance Audit

In accordance with the Code, the company undertook an external and independent Legal and Compliance Audit for the Financial year ended 31st December 2022. The Code requires that a comprehensive independent legal audit is carried out at least once every two years by a legal professional in good standing with the Law Society of Kenya. For the financial year ending 31st December 2022, an independent legal audit was carried out by Anjarwalla & Khanna LLP. The outcome of the audit process has confirmed that during the year under review, the company was generally compliant with applicable legislation, regulations, standards and codes. In addition, the company was in general compliance with the Prudential Guidelines on Non-Operating Holding Companies (CBK/PG/24) prescribed by the Central Bank of Kenya which is its primary Regulator.

Capital Markets Authority (CMA) – Corporate Governance Assessment Report for the year ended 31 December 2022

The Capital Markets Authority assessed the status of implementation of the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, by I&M Group Plc for the year ended 31 December 2021. The overall rating awarded to the Company was a Leadership Rating of 88% which represents an incremental improvement from 84% (FY 2019) and 87% (FY 2020). This improvement is a testament to the Board's commitment to sound corporate governance practices.

Governance Audit

The Board is committed to ensuring that the company has sound corporate governance practices and strives for continuous improvement in its governance structures and processes. Section 2.11 of the Code requires that issuers of securities to the public undertake governance audits by an accredited Governance Auditor at least once every two years. The Company subjected itself to an independent external Governance Audit in 2022 conducted by C. S. Catherine Musakali of Dorion Associates who issued an unqualified report noting that the Board has put in place a governance framework that is to a large extent in compliance with the Corporate Governance framework. The Governance Auditor's report is disclosed below:

Statement of Directors' Responsibilities in respect of the Governance Audit

The Kenya Companies Act, 2015("the Act") requires Directors to act in good faith, to promote the success of the Company for the benefit of its stakeholders and to avoid conflict between their personal interests and those of the Company, always acting in the best interest of the Company.

The Code of Corporate Governance for Issuers of Securities to the Public, 2015 ("the Code") requires listed companies to engage the services of an independent and accredited Governance Auditor to establish the extent to which the Board has applied corporate governance principles. The Code further requires that after undergoing the Governance Audit, the Directors should provide an explicit statement on the level of compliance.

As required by the Code therefore, the Directors commissioned a Governance Audit with the aim of ensuring that the Company has complied with the Act, the Code, and adopted best practices in corporate governance in order to deliver long term value to stakeholders.

The Directors are responsible for putting in place governance structures and systems that support the practice of good governance in accordance with best practice, the requirements of the Act, the Code and the Governance Audit Tool developed by the Institute of Certified Secretaries (ICS). The responsibility includes planning, designing and maintaining governance structures that ensure effective leadership and strategic management, transparency and disclosure, compliance with laws and regulations, communication with stakeholders, Board independence and governance, Board systems and procedures, consistent shareholder and stakeholders' value enhancement and corporate social responsibility and investment.

The Directors accept that:

(i) The independent Governance Audit does not relieve them of their responsibilities.

(ii) They are not aware of any material governance issues that may adversely impact the governance and operations of the Company.

The Directors have adopted this Governance Audit report for the year ended 31st December 2022, and which discloses the state of governance within the Company.

Adoption of the Governance Audit Report

The Governance Audit Report was adopted by the Board of Directors on the 22nd day of March 2022.

Mr. Daniel Ndonye
Board Chairman

Mr. Sarit Raja Shah
Group Executive Director

Governance Auditor's Report

Following the coming into force of the Code of Corporate Governance for Issuers of Securities to the Public, 2015 ("the Code"), listed companies are specifically required to engage the services of an independent and accredited Governance Auditor to establish the extent to which the Board has applied Corporate Governance principles.

The annual Governance Audit should be conducted by a competent and recognized professional accredited for that purpose by ICS. I & M Holdings Plc, in compliance with the Act and Code, retained Ms. Catherine Musakali of Dorion Associates ("the Auditor") to conduct a Governance Audit of the governance structures, procedures and processes of the Company in order to assure the Board that its goals, structure and operations are consistent with the law, the Code, as well as the latest developments in Corporate Governance; and that the Company has adopted best practices in Corporate Governance as a means of ensuring sustainability. The Code further requires that after undergoing the Governance Audit, the Board should provide an explicit statement on the level of compliance.

The scope of the Audit is derived from the Code, the Companies Act, 2015 and the Governance Audit Tool developed by the ICS. More specifically, the Audit covers the following broad areas;

1. Leadership and strategic management;
2. Transparency and disclosure;
3. Compliance with laws and regulations;
4. Communication with stakeholders;
5. Board independence and governance;
6. Board systems and procedures;
7. Consistent shareholder and stakeholders' value enhancement; and
8. Corporate social responsibility and investment.

Governance Auditor's Responsibility

Our responsibility is to express an opinion on the existence and effectiveness of governance instruments, policies, structures, systems and practices in the organization in accordance with best governance practices as envisaged within the legal and regulatory framework. We conducted our audit in accordance with ICS Governance Audit Standards and Guidelines, which conform to global Standards. These standards require that we plan and perform the Governance Audit to obtain reasonable assurance on the adequacy and effectiveness of the organization's policies, systems, practices and processes. The Audit involved obtaining audit evidence on a sample basis. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Opinion

In our opinion, the Board has put in place a governance framework that is in compliance with the legal and regulatory corporate governance requirements and in this regard, we issue an unqualified opinion.

22 March 2023

FCS. Catherine Musakali, ICPSK GA. No 006

For Dorion Associates

For more information about this GAR, please contact:

Catherine Musakali – cmusakali@dorion.co.ke

Our Approach to Risk Management

The underlying premise of the Group's Enterprise Risk Management is that every entity exists to provide value for its stakeholders. All subsidiaries face uncertainty, and the challenge for management is to determine how much uncertainty to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value. Enterprise Risk Management (ERM) enables management to effectively deal with uncertainty and associated risks and opportunities and enhance the Group's capacity to build value.

Our approach to ERM is informed by principles outlined by the Committee of Sponsoring Organizations of the Tread Way Commission (COSO) which defines ERM as "the culture, capabilities, and practices, integrated with strategy-setting and performance, that organizations rely on to manage risk in creating, preserving, and realizing value" (COSO, ERM Framework – Integrating with Strategy and Performance, 2017). The ERM framework helps identify potential events that may affect the enterprise, manage the associated risks and opportunities, and provide reasonable assurance that the Group's objectives will be achieved.

In line with global best practices, the Group categorises and defines its risks as follows:

Risk Category	Definition & Management
Credit Risk	Inability or unwillingness of a customer or a counter party to meet contractual financial obligations. Credit risk comprises counterparty risk and concentration risk. The Bank through its approach to prudent lending remained resilient despite the macroeconomic shocks caused by COVID-19.
Market Risk	Arises from adverse changes in market variables, such as interest and foreign exchange rates. Exchange Rate risk arises from a mismatch between the value of assets, liabilities, income and expenditure denominated in foreign currency, whereas Interest Rate risk relates to the sensitivity of a bank's financial performance to changes in interest rates. This risk is closely monitored at Group and Subsidiaries' Assets & Liabilities Committees and Board Risk Committees.
Operational Risk	Relates to the loss resulting from inadequate or failed internal processes, people, and systems or from external events and legal risks. The respective Risk and Compliance Management Committees at Subsidiaries and Group level, meets monthly and quarterly respectively to review key operational risk exposures and give guidance on mitigation strategies. The output of this meeting is reviewed quarterly by the Subsidiaries Board Risk Committees that have the oversight responsibility of all risks in the Group entity.
Liquidity Risk	Inability of the Group to meet its payment and collateral obligations under extreme but plausible liquidity stress scenarios without recourse to extraordinary Central Bank support. Subsidiary level ALCOs, charged with the responsibility of optimizing the entity's balance sheet, meet every month to monitor liquidity risks.
Strategic Risk	This risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.
Compliance Risk	The risk of legal or regulatory sanctions, financial loss, or loss to reputation that a group entity may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice.
Country Risk	The risk that economic, social, and political conditions and events in a foreign country will adversely affect the Group's financial condition.
Transfer Risk	The risk that a government may impose restrictions on the transfer of funds by debtors/corporations (subsidiary) in the country in question to foreign creditors or parent company for financial or other reasons.
ICT Risk	This represents threats to information systems which may result in the compromise of confidentiality, integrity or availability of the information being processed, stored, or transmitted by those systems.
Cyber Security Risk	Any risk associated with financial loss, disruption or damage to the reputation from failure, unauthorized or erroneous use of information systems.
Reputational Risk	This is the potential that negative publicity regarding a Group's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions.
Legal Risk	This is the risk of losses arising from an unintentional or negligent failure to meet a professional (legal) obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product.
Third Party Risk	This is risk that arises from the Group relying on outside parties to perform business services or activities on its behalf.
ESG Risk	This is the consideration of non-financial risks arising from the environment and sustainability, reputation or brand, legal, technological, product or service quality, labor, ethical conduct, compliance, and strategic considerations.
Business Continuity Risk	The capability of the Group and its entities to continue delivery of products or services at acceptable predefined levels following a disruptive incident. It also includes the possibility of financial loss, reputational damage to a group entity as a result of not adequately planning for natural disasters, terrorist incidents, or blackouts etc. that could lead to business disruptions. Through effective BCM, COVID-19 pandemic did not have any major business disruptions on the Group. The Group quickly adopted split operations as well as remote working that ensured seamless provision of baking services to customers under the guidance of Crisis Management Committee that continues to meet weekly to oversee the implementation of the Crisis Management Plan.

Our Approach to Risk Management (Cont'd)

Corporate Culture and Values

A fundamental component of good governance is a corporate culture of reinforcing appropriate norms for responsible and ethical behavior. These norms are especially critical in terms of risk awareness, risk-taking behavior and risk management . The tone from the top at the Board level creates expectations that all business should be conducted in a legal and ethical manner, and that such values are adhered to by all staff. The Senior Management promotes risk awareness and conveys the Board's expectation that it does not support excessive risk-taking and that all staff across all subsidiaries are responsible for ensuring that the Group and each of its entities operate within their respective established risk appetite and risk limits.

Risk Governance

Board Oversight

The Group's ERM management is characterized by strong risk oversight at the Board level and a strong risk management culture at all levels and across all functions. Such an approach supports and facilitates decision making processes across the Group. The Group Board ensures that Senior Management across all subsidiaries and the joint venture maintain a sound system of risk management and internal controls to safeguard stakeholders' interests, the Group's assets and that Senior Management have adequate risk management systems, tools and resources for identifying, measuring, evaluating, monitoring, reporting and controlling or mitigating risks.

In order to discharge the functions above on a daily basis, the BARMC is supported by the Group Chief Risk Officer (GCRO). The GCRO primary responsibility is the ongoing strengthening of staff skills and enhancements to risk management systems, policies, processes, quantitative models and reports as necessary across all subsidiaries.The GCRO is also responsible to ensure that the Group risk management capabilities are aligned and sufficiently robust and effective to fully support its strategic objectives and all of its risk-taking activities.

Subsidiary Risk Governance

The Group acknowledges that subsidiaries and the joint venture are separate entities with independent local Boards and Regulatory authorities. As a result and in order to ensure that uniform standards are implemented across all I&M Group entities, the Board Risk and Audit Committee (BARMC) has established Group Minimum risk standards and policies in line with global best practices. However, each subsidiary is expected to develop and benchmark their policies in line with their specific regulatory requirements subject to being in compliance with the minimum requirements.

Group Risk Management Committee

The Group Risk Management Committee is tasked by the BARMC with the responsibility of ensuring that each entity's Management effectively identify, measure, monitor and control risk exposures in line with the Board approved Group Minimum standards on Enterprise risk Management. The results of this committee's work are reported to, and considered by, the Board.

Group Risk Management Function

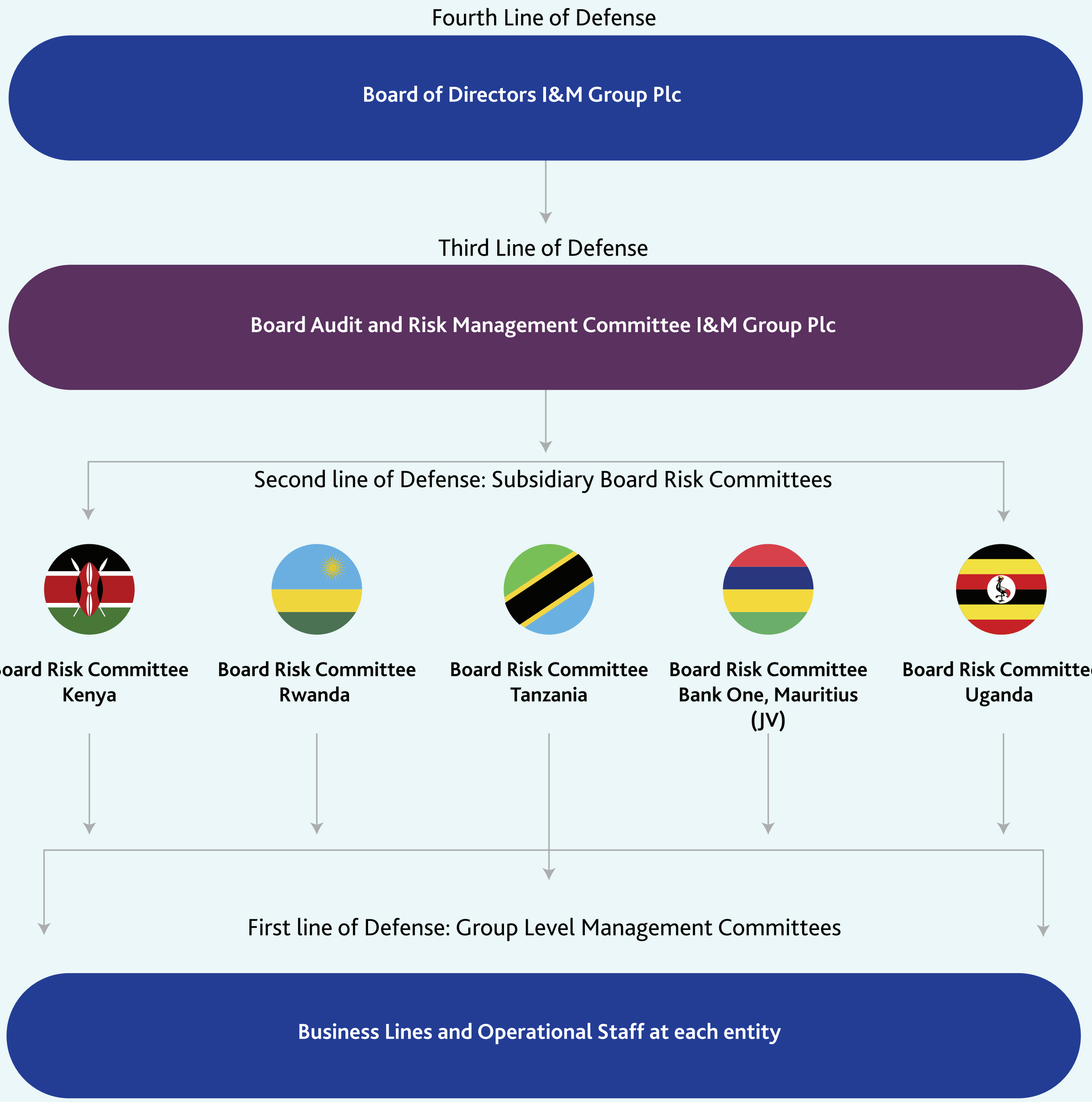
The independent Group Risk Management function is a key component of the Group's second line of defense. This function is responsible for overseeing risk-taking activities across the subsidiaries , development and maintenance of Group minimum standards on risk management framework/policies/ guidelines and procedures for the Group and its subsidiaries. In order to maintain its independence, the Group Risk Management function reports directly to the BARMC.

Internal Control

All I&M Group subsidiaries have adopted 'The Three Lines of Defense Approach', to support accountability in risk management. Each of these three lines has an important role to play. The business line - the first line of defense - has "ownership" of risk, whereby it acknowledges and manages the risk that it incurs in conducting its activities. The risk management function is responsible for further identifying, measuring, monitoring and reporting risk on an enterprise-wide basis as part of the second line of defense, independently from the first line of defense. The compliance function is also deemed part of the second line of defense. The internal audit function is charged with the third line of defense, conducting risk-based and general audits and reviews to provide assurance to the board that the overall governance framework, including the risk governance framework, is effective and that policies and processes are in place and consistently applied.

The detailed risk governance structure is articulated below:

Our Approach to Risk Management (Cont'd)



Our Approach to Risk Management (Cont'd)

Group Risk Appetite

The Group integrates enterprise risk management, strategy, and objective-setting in the strategic planning process. The risk appetite (or tolerance) is aligned to the strategy and objectives, and this serves as a basis for continuous identification, assessment and proactive management of risk. The risk appetite expresses the level of risk that the Group is willing to assume in order to achieve its strategic objectives. It includes a set of minimum quantitative metrics and qualitative standards adopted by all subsidiaries in the achievement of their specific country objectives.

QUALITATIVE RISK APPETITE

- Managed risk appetite that aligns with our vision by:
- Living the risk philosophy that 'sustainability of the Group's business and enhancement of our stakeholder's value will always inform our business decisions'.
- Implementation of the three lines of defense approach to strengthen and embed risk culture where everyone within the Group assumes responsibility for risk and control.

QUANTITATIVE RISK APPETITE

- Return on Equity (ROE) above Cost of Equity (COE).
- Aggregate operational loss not to exceed the pre-defined threshold.
- Ensuring the Group's Capital Adequacy ratio exceeds the minimum required by the regulator and the pre-specified buffer at all times; and
- Ensuring the ratio of non-performing assets to total assets does not exceed the pre-defined threshold.

The GCRO, together with Senior Management, is actively engaged in monitoring performance relative to risk-taking and risk limit adherence in line with the Board approved risk appetite, corresponding capital or liquidity needs as well as developing risk measurement and modelling techniques to support in quantitative risk analysis and stress testing to assess impact on capital .

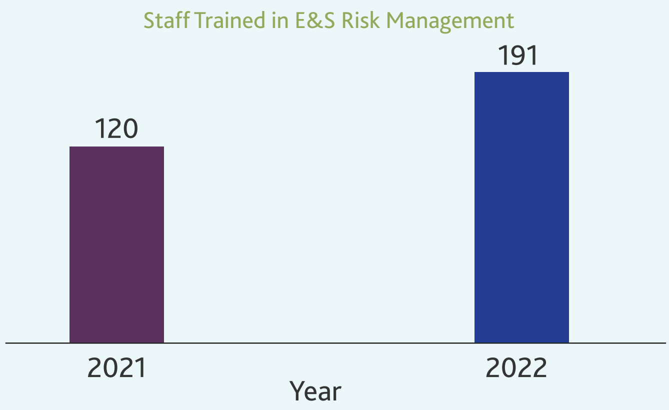
I&M Group's ESG Principles

Adoption of ESG principles in our business model and the day-to-day operations affirms the Group's 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 and ensure that we go beyond basic financial solutions to journeying with all ourstakeholders towards sustainable business growth.

The Group's 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 CEO 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.

The Group further seeks to consistently elevate the capacities of its stakeholders on environment and social issues within the various business lines and in liaison with our development partners, we delivered E&S Risk Management Training to a total of 191 Business staff members in Kenya in 2022 compared to 120 trained in 2021 as represented in the graph below.



We Are On Your Side

Black is BOLD
So is One Mastercard
with 3 major currencies

The I&M Mastercard Platinum Multicurrency Prepaid Card
A virtual wallet for the frequent traveller

Visit any I&M Bank Branch to get your card

Mastercard

Tel: +254 (020) 322 1000
www.imbankgroup.com

I&M Bank is regulated by Central Bank of Kenya

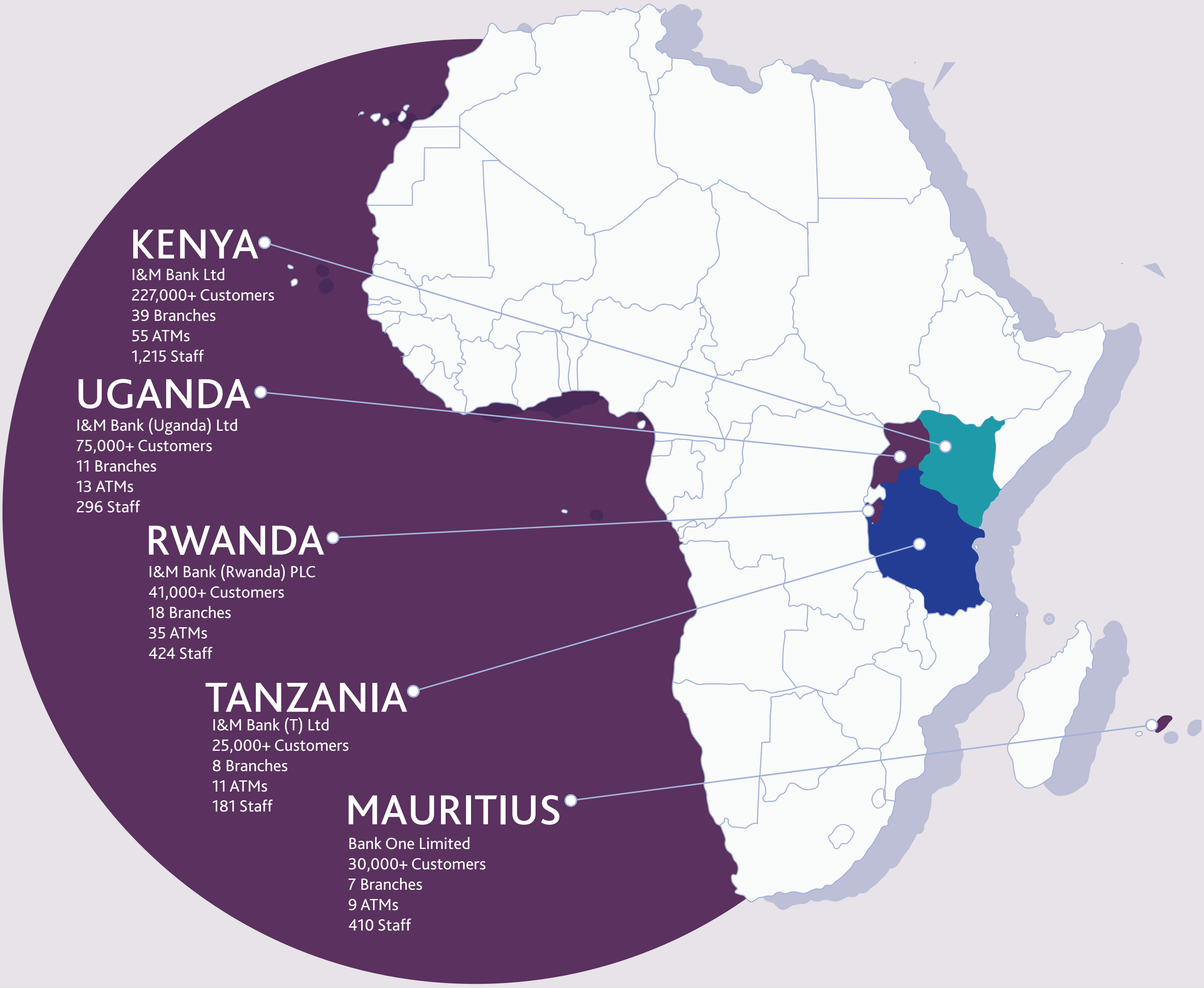
OUR BUSINESS

“Money never starts an idea; it is the idea that starts the money.”"

William J. Cameron

Where we operate

Banking Subsidiaries outside Kenya contribute 28% to the Group's total Assets.



83 BRANCHES

125 ATMs

OVER 350,000 CUSTOMERS

OVER 2,500 STAFF

OVER 4,000 SHAREHOLDERS

What We Offer

- Commercial Banking Services (Retail, SME, Corporate & Institutional)
- Bancassurance
- Custody and Investment Services
- Financial Advisory Services
- Wealth Management Services
- Real Estate Investments

Commercial banking represents the largest portion of the Group's assets with presence throughout the East Africa region. The products and services are segmented to meet the needs of each customer base and which in turn stems from our strategic goals of being the best bank for our customers. This now includes increased convenience through the digitisation of our services.

Who We Serve

Although I&M Bank is traditionally known for its large customer base of high-net-worth customers and large corporate clients, the Bank has also been recognised for its services to small and medium-sized enterprises including many that have grown with the Bank.

PERSONAL BANKING

Delivering the highest level of personal financial services

PREMIUM BANKING

Offering top notch services to high networth individuals

BUSINESS BANKING

Providing financial solutions across medium, small and micro businesses

CORPORATE BANKING

Providing an array of financial solutions for large corporates

Group Executive Director's Statement

Looking back on the year under review, I&M Group delivered solid results during its second year of the Group's 3-year strategy 'iMara 2.0' as we repositioned ourselves to be Eastern Africa's Leading Financial Partner for Growth.

2022 was characterized by significant macroeconomic headwinds across the region. In addition to market imperfections which led to foreign exchange shortages, there was a sharp increase in food and fuel prices due to supply-side shocks resulting from the persistent drought and global geopolitical events. Despite this, the Group remained committed to delivering unmatched customer experience and enhancing stakeholder trust in our brand. We also believe that these challenges are likely to persist for some time and we will therefore continue to monitor closely the developments and their impact on our stakeholders as we work towards achieving our goals.

We remain on track to achieving our aspiration articulated in the iMara 2.0 strategy as we made steady progress on improving operational efficiencies with investments in the latest technologies and new business products. We forged ahead with our cultural transformation program aimed at effecting a mindset and tangible behavior change.

Financial Performance and Operations

I am pleased to report that the business responded resiliently to the challenges in the operating environment as reflected by profitability, growth in the loan book as well as asset quality. For FY 2022, the Group recorded a 21% growth in Profit Before Tax to close at KShs 15 billion.

Total Assets grew by 5% year-on-year, supported by a 13% growth in net advances to KShs 239 billion on the back of renewed focus on priority segments under iMara 2.0. We continued to witness healthy momentum on liabilities, especially from medium and small enterprises. While the Group's total deposits grew by 5% to KShs 312Bn, CASA deposits increased by 20% year-on-year, with its share of total deposits rising to 42% at the end of FY22 and were driven by the revamped customer value propositions.

Overall, the Group's balance sheet remains well capitalised with healthy capital adequacy ratios across all banking entities.

The Group's non-banking subsidiaries, I&M Bancassurance Intermediary Ltd, I&M Realty (the Group's real estate Holding Company), I&M Capital Ltd (wealth management business), and I&M Burbidge Capital Limited (financial advisory) continued to add value to our business contributing 5% i.e. KShs 780Mn of the Profit Before Tax. All non-banking entities recorded year-on-year growth in revenues.

Strategic Milestones

2022 marked the second year of the 3-year Strategy – iMara 2.0. The Group continued leveraging its corporate business strength and redefined its new focus areas to Agriculture, Oil & Gas, and Public sectors. This focus resulted in the Group doubling its income from the corporate and institutional banking segment since embarking on the iMara strategy and maintaining leadership in trade finance.

On the retail banking front, Kenya launched new customer value propositions (CVPs) aimed at deepening penetration into the retail and MSME segments by providing tailor-made solutions. The new CVPs have seen the Bank in Kenya segment its customers into different personas (Legacy Builder, Dream Chaser, Industry Shaper, and Game Changer, based on their different stages in life and financial requirements. The Bank also launched the new I&M Mastercard cards to complement the new CVPs.

New initiatives are continuously being considered to support the newly launched CVPs. Such initiatives include Workplace Banking products and services aimed at serving the personal banking space by facilitating the acquisition of liabilities, loans, credit cards, mortgages, and bancassurance. While Unsecured Lending offering enables access to the product via the I&M-On-The-Go platform for retail clients. All these initiatives have seen significant growth in the customer base of the Personal and Business Banking segment which increased by c. 32,000.

Focusing on the Group's strategic theme to drive business growth, the Group has invested in strategic partnerships within the Business banking segment to leverage its ecosystem with offerings such as supply chain, stock, and farmers' financing. This ambitious initiative focuses on growth through diversification. We are still in the early stages and are hopeful of the projected results.

Furthermore, the Group has continued to invest in digital platforms to diversify revenue streams and scale up business opportunities. The investments in the year included redesigning the mobile App and web platforms, rolling out the new card management system, as well as completing the future state enterprise infrastructure and digital lending solutions. The cost-to-income ratio improved to 45% down from 46% in the previous year. Notwithstanding, these investments have supported our performance and growth journey leading to improved efficiency evident from 76% digital transactions and stable system uptime of 99%.

Group Executive Director's Statement (Cont'd)

As part of growing and leveraging the synergies amongst its regional subsidiaries, I&M Group relaunched BRISK, a service that enables its customers to transact seamlessly in Kenya, Rwanda, and Tanzania through a single account thus improving interdependencies between the subsidiaries. Plans are underway to extend the product to Uganda and Mauritius.

Our People

The Group acknowledges that our people are critical enablers in achieving the iMara 2.0 strategy. 2022 saw the rollout of our cultural transformation program PAMOJA "Together We Shine". Over 2000 staff across 5 countries completed the Culture Change Cascade workshops focused on learning and understanding the I&M Way behaviors and values. The program is on track and has been phased out with defined milestones to ensure that we strengthen our 'employer brand' and 'employee value proposition' that differentiates us in the industry.

Our human resources remain a key priority area and we continued our investments in employee learning and development initiatives to reskill and upskill our teams to align with the Group's strategic aspirations. Notable amongst these are the High Potential and Manager Excellence Programs alongside a leadership development program.

Subsidiary Performance

Kenya

The Kenyan subsidiary continued on a recovery path, notwithstanding the challenging macroeconomic environment. The financial performance represents resilience in achieving most targets set under our Strategy. Profit before tax in the year increased by 16% to KShs 12 billion, reflecting a significant increase in operating income supported by the focus on driving retail and business banking. The Balance sheet closed at KShs 315 billion on the back of growth in loans and advances.

The Bank remains focused on building inroads into MSME and retail banking by offering innovative solutions that support the growth of our partners. Recently the Bank responded to the market by eliminating all Bank to mobile charges. This initiative was well received, with the Bank experiencing exponential growth in its number of new customers month on month since the launch.

Tanzania

The Tanzanian economy experienced some recovery boosted by accommodative monetary policy measures. However, like most other economies worldwide, the business environment faced increased inflation curtailed the recovery impact.

I&M Bank in Tanzania reported an increase of 14% in operating income but was impacted by significant loan loss provisions and reported a Loss Before Tax of KShs 688.7 million. Total assets grew by 10% to close at KShs 31.6 billion as of December 2022 up from KShs 28.8 billion the previous year.

The Bank remains focused on driving business growth targeting the expansion of its retail reach through improved customer value propositions in its alternate banking channels. Other initiatives launched during the year to support the projected growth include custodial services and bancassurance.

Rwanda

The strong foundation laid in the first year of implementing the iMara 2.0 strategy, specifically in digitisation supported the delivery of the 2022 performance. I&M Bank in Rwanda reported a Profit before tax for the year of RWF 11 billion (KShs 1.2 billion), a 22% increase compared to the performance in 2021. The balance sheet grew by 12%, with Total assets closing at Rwf 491 billion (KShs 57 billion). This growth was driven by net loans and advances of 8% and increased investments in government securities.

Going forward, the Bank is focusing on diversifying into new businesses such as enhancement of bancassurance, digital lending, and revamping the customer value propositions.

Uganda

2022 saw I&M Bank in Uganda being successfully integrated into the Group. During the year, the Bank focused on brand building and solidifying its presence within the Ugandan market. Our Ugandan subsidiary turned around with a significant improvement as Profit before tax increased by 151% to KShs 0.7 billion on the back of a significant increase in operating income supported by improved asset quality and cost containment measures. The Balance sheet closed at KShs 26 billion, 16% higher than the previous year.

The Bank's focus is on rolling out digital initiatives and enhancements while leveraging Group synergies to provide seamless service to our regional customers.

Bank One

The economic indicators presented a mixed picture of the Mauritian economy, which recovered from the pandemic through the reopening of the borders but was impacted by the supply chain disruptions and high inflation rates experienced across the world.

Despite these uncertainties, the Bank recorded a Profit after tax growth of 21% year on year driven by a reduction in loan loss provisions, recoveries, and Net Interest income growth of 22%.

The Bank will continue building a diversified pool of customers, enhancing trade services, and growing domestic business.

Non-Banking Subsidiaries

Our non-banking subsidiaries – I&M Burbidge Capital, I&M Capital, and I&M Bancassurance Intermediaries Ltd all ended the year 2022 on a high note, significantly increasing their revenues and profitability as compared to the previous year.

Outlook

The East African economies are expected to recover with improved activities, albeit the immediate macroeconomic challenges worldwide may impede this growth with rising inflation rates and currency depreciation.

Other concerns for 2023 include the risks posed by the 'grey listing' of South Africa and a few other countries by the Financial Action Task Force. This is likely to adversely impact the economic and trade outlook for the continent. Further, possible barriers in the digital space, such as cloud computing, created by some African jurisdictions' stance on how best to preserve their financial sovereignty could also impede the pace of inclusion and development.

Notwithstanding this, we remain confident that our strategic objectives will help us remain resilient and deliver on our growth aspiration to be Eastern Africa's leading financial partner for growth. We are well poised to support our customers by creating an enabling environment for them to reach their desired financial goals efficiently through improved customer journeys as we diversify our business for new revenue lines and grow our regional reach.

We continuously strive to create value for our shareholders and hope to deliver improved performance going forward.

Lastly, to all our stakeholders, I want to say Thank You. We appreciate your support and look forward to continuing to be your trusted financial partner.

Mr. Sarit Raja Shah
Group Executive Director

Group Leadership Team

Mr.Sarit S Raja Shah
Group Executive Director

Kihara Maina
Regional, Chief Executive Officer

Appointed 1 March 2023

A. Christopher (Chris) M. Low
Regional Director

Retired 28 February 2023

Mr.Gul Khan
Chief Executive Officer
I&M Bank Ltd, Kenya

Zahid Mustafa
Chief Executive Officer
I&M Bank (T) Ltd, Tanzania

Robin Bairstow
Chief Executive Officer
I&M Bank (Rwanda) Plc

Sam Ntulume
Act. Chief Executive Officer
I&M Bank (Uganda) Ltd

Mark Watkinson
Chief Executive Officer
Bank One, Mauritius Ltd

Mr. Edward Burbidge
Chief Executive Officer,
I&M Burbidge Capital Ltd

Mr. Silas Mutuku
Chief Executive Officer,
I&M Capital Ltd

Group Management Team

Bhartesh Shah
Group Chief Operations Officer

Amit Budhdev
Group Chief Finance Officer

Gauri Gupta
Group GM, Corporate Advisory

Sandeep Sinha
Group GM, Credit

Ruma Shah
Group Chief Audit Executive

Harish Thyagarajan
Group GM, Treasury

Josephine Mwaniki
Group GM, Human Resources

Rohit Gupta
Group Chief Information Officer

Kennedy Makale
Group GM, Shared Services

Zipporah Gitau
Group Chief Risk Officer

Suprio Sen Gupta
Group GM, Marketing

Our Material Matters

I&M Group undertakes an annual review of matters that substantively impact its commercial viability, social relevance, and quality of stakeholder relationships. The review is undertaken as part of the stakeholder engagement process that is aimed at advising the prioritization of our strategic objectives and action plans.

To establish our material matters the Group invited cross functional staff and Directors to participate in a materiality assessment. The output from the engagement was considered in order of relevance and potential impact through collaborative effort. These were then approved by the Group Executive Committee before endorsement by the Group Board.

The summary of the categorization is represented below:

Material Matters	Strategic Response	How we measure the effectiveness of our responses
Business Values, Transparency and Ethics The Group considers upholding compliance to rules and regulations in all our countries of operation and promoting the highest levels of business and ethical values utmost priority.	The Group has instituted strong policies around anti-bribery and corruption, created a whistle blowing policy and training has been provided to all staff and Board.	The Group has created proper monitoring and reporting structures. No material breaches were incurred during the period under review. However, there were several penalties incurred across the subsidiaries amounting to KShs 25 million. The Group is addressing these to ensure they are not incurred in the future.
Customer Protection - Data privacy and cybersecurity Innovations in technology, and the increased usage of digital products, services and channels leave customers vulnerable to cyber threats and privacy issues.	I&M Group has been investing significantly in systems, processes and people to keep its IT systems up to date and which in turn enable the Group to serve its customers efficiently. The Group also respects client data privacy and consistently strives to prevent cyber-attacks and data breaches.	We consistently monitor cyber related incidents. In 2022, the Group recorded cyber security maturity score of 89% up from 82% in 2021 We continue to enhance our cyber maturity by setting annual key performance indicators on the following components: - Management & Oversight. - Cyber security controls. - External dependencies. - Incident management & resilience. - Threat intelligence.
Talent Development & Retention To achieve its strategic objectives and positively impact the wider society, I&M Group understands the need to have a highly effective, performance based human capital through training, recruiting, acquiring, retention.	The Group embarked on the Pamoja Culture transformation program as part of this to help create a high impact culture. Further, training programs have been developed to scale up high potential talent into management roles.	To ensure we create the right culture the Group monitors the culture index and employee engagement score. In 2022, the Group employee engagement score was 73% (2021: 73%).
Macro-economic environment and Business Performance Macro-economic environment continues to have a significant impact on the Group's ability to create value and our response remains key to ensuring that we continue to do so.	Our sound risk management policies are focused on achieving growth in viable economic sectors alongside, expansion strategies to create a well-diversified business. These remain key to the Group remaining resilient to macro-economic challenges.	We continuously monitor our ability to manage macro-economic challenges through profit before tax and return on equity The Group strives to deliver consistent, positive, long term financial performance. For FY 2022, I&M posted an average return on equity of 15.6%(2021:12.7%) and profit growth of 39% (2021:2.5%).
Shared Values The Group remains cognizant of the wider impact it has on the community and society at large. It acknowledges the dependence on preserving our environment and therefore supporting a broad range of activities that create a positive impact on the society at large in the long term.	The Group has taken several initiatives to manage climate related risks and opportunities that impact on this. - Adoption of the ESG policy framework to guide the Group's sustainability initiatives. - Increase Green Energy Fund commitments to positively support clients vulnerable to climate change. - Sustainable waste management which includes e-waste management. - Efficiency of use of resources within the business. - Sustainable procurement practices.	The Group is tracking and monitoring its targets on shared values through: - Measuring the uptake of the various green lending products which was at 42% in 2022. - 10% annual reduction in water, energy and paper usage. - Contribution of KShs 212 Mn for FY 2022 to I&M Foundation.

Our Relationships - Stakeholder Engagement

Mode And Purpose Of Our Stakeholder Engagement

We are guided by our Stakeholder Engagement Policy which has been developed to ensure the policy is applied consistently across all Group operations. We engage both formally and informally throughout the year to:

- Develop and promote a firm understanding of stakeholder needs, interests and expectations;
- Provide guidance on how the Group should engage with its stakeholders to strengthen and maintain relationships with them;
- Identify the opportunities and threats arising from stakeholders' material issues; and
- Assist with strategic and sustainable decision-making.

Stakeholder engagement is decentralised within I&M. All I&M Group employees are accountable for managing relationships and meeting the expectations of stakeholders within their areas of responsibility. Should a stakeholder not be satisfied with the service or assistance they receive, several channels ensure they can voice their concerns. These include our client call center, social media pages, or bank email addresses. All available channels are indicated on the "Contact us" page available on the Group's corporate website. Stakeholder concerns are monitored annually for compliance by the Group Risk and Compliance Team and by the Board Audit and Risk Management Committee. I&M has identified the following stakeholders and methods of engagement, including the various channels and means of communications reliant on each specific stakeholder group.

Shareholder	Purpose of engagement	Methods of engagement
Customers	• To understand their aspirations, businesses and financial-services needs better • To provide appropriate advice, proactive financial solutions, and value-adding services • To ensure the Group maintains high service levels that they expect and deserve • To inform product development and prioritisation • To develop products that embody customer-centric innovation• To ensure accuracy of customers' personal and/or business information	Interactions through sales agents, branch outlets, relationship managers, regional heads, senior management, call centers, and other alternate banking channels • Customer events, face-to-face meetings, and other surveys, as well as marketing and advertising activities Formal written correspondence, emailers and newsletters and messages disseminated through social media
Employees	• To provide staff with strategic direction and keep them informed about group activities • To ensure that we remain an employer of choice that provides a safe, positive, and inspiring working environment • To understand and respond to the needs and concerns of staff members	• Regular, direct communication between managers, teams and individuals • Robust combination of face-to-face, written, digital and broadcast communications, culture and engagement surveys that include emails and intranet communications • CEO's monthly newsletter, town hall meetings, cluster and group recognition functions
Regulators	• To maintain open, honest, and transparent relationships and ensure compliance with all legal and regulatory requirements • To retain our various operating licenses and minimise operational risk	• Various industry and regulatory forums, meetings between regulators and our board and management • This includes one-on-one discussions with various executive officials at prudential meetings as well as onsite meetings
Shareholders	• To provide current and future shareholders with relevant and timely information • To manage shareholder expectations and reputational risk • To maintain strong relationships and keep abreast of market developments • To ensure good governance and deepen the trust placed in us and our brand • To get feedback that informs our strategy, business operations and how we govern	Annual General Meetings, Extraordinary General Meetings as and when called for • Investor briefings for year-end and /or interim results announcements and roadshows • Various investor group meetings • Individual meetings with media,shareholders and analysts
Government agencies, local authorities and industry forums	To build and strengthen relationships with the various governments, both as partners in the development of the country and as key clients • To provide input into legislative development processes that will affect the economy and our activities and operations • To participate visibly in and be a partner to the transformation of the local economy • To continue learning through interaction with the industry and cross-sectoral organisations • To use business associations as a forum through which we can promote our viewpoints on key industry issues • To influence and/or promote common agendas	• Various engagements with national and county officials, participation in consultative industry and sector forums
Media	• To leverage the reach and influence of media channels to share our business and value creation story with stakeholders • To empower their audiences to make informed financial decisions	• To leverage the reach and influence of media channels to share our business and value creation story with stakeholders • To empower their audiences to make informed financial decisions
Service providers and suppliers	As required or dictated by performance contracts and/or agreements • To obtain products or services required for conducting Group business • To maintain an ideal and timely supply of goods and services for operations • To encourage responsible practices across our supply chain, local procurement, supplier conduct and environmental considerations • To include critical suppliers in cross-functional teams to contribute expertise and advice before specifications are developed for products or services	• One-on-one negotiations and meetings for finalisation follow up and after sales service
Others - Community and public at large, environment	To create partnerships that serve to facilitate our integrated sustainability activities • To obtain input from environmental experts, communities and non-governmental organisations regarding key focus areas • To create awareness of our "shared growth" commitment and initiatives	• Group's website, annual report, Group's social media handles, press releases and media statements

Our Capitals

CAPITALS	OUR MATERIAL MATTERS	RISKS AFFECTING AVAILABILITY OF CAPITAL
Financial Capital The Group has diverse sources of funding including both debt and equity that support its value creation process and regulatory requirements. The funds are utilized in business growth strategies including extension of credit, facilitating payments and transactions and rewarding shareholders for the capital invested.	Macro-economic Environment	• Business Risk • Capital Risk • Credit Risk
Human Capital Our people and our culture drive the delivery of the strategy through skills and collaboration in developing solutions that create value for our stakeholders.	Talent Development & Retention	• Operational Risk • People Risk • Strategic Execution Risk
Intellectual Capital Brand health, stakeholder engagements, capacity to innovate and skills and experience support the Group's strategy by providing confidence to the stakeholders on the value of its intangible assets.	Customer Protection - Data Privacy and Cybersecurity	• IT Risk • People Risk • Strategic Execution Risk
Social and Relationship Capital The Group's sustainable value creation process is highly dependent on our longstanding relationships with our stakeholders. The Group remains cognisant of the role it plays in contributing towards a sustainable society.	Shared Values	• Business Risk • ESG
Natural Capital The Group is committed to the conservation of the natural resources. The Group is aware of the direct use and impact it has on natural resources through its operations, including energy, water and climate, and our influence through our business activities.	Shared Values Macro-economic Environment	• ESG

How We Create Value

OUR PURPOSE
Empowering your Prosperity

GROUP STRATEGY GOALS

Driving Business Growth	Building a resilient organization	Optimising the Operating model

STRATEGIC ASPIRATION
Eastern Africa's Leading Financial Partner for Growth

INPUT Capital	OUTPUT Value Created	OUTCOMES Value Shared
FINANCIAL	10% growth in shareholder equity Kshs 239Bn net loans and advances 15.6% return on average equity	Dividends to shareholder in 2022 Kshs 3.7Bn
SOCIAL & RELATIONSHIP	350,000+ customers Investment in I&M Foundation Kshs 211.7 Mn	Net Promoter Score - 62%
NATURAL	Solar power generated 78.3Mw 42% increase in uptake of green products	No. of Households supported 500 No. of scholarship provided 133
HUMAN & INTELLECTUAL	14.2 Mn per staff Male: Female Ratio 52%:48% Digitally Active Customers - 70%	Staff Engagement score 74% Transactions executed digitally 76%

CORE VALUES

INTEGRITY

TRUST

RESPECT

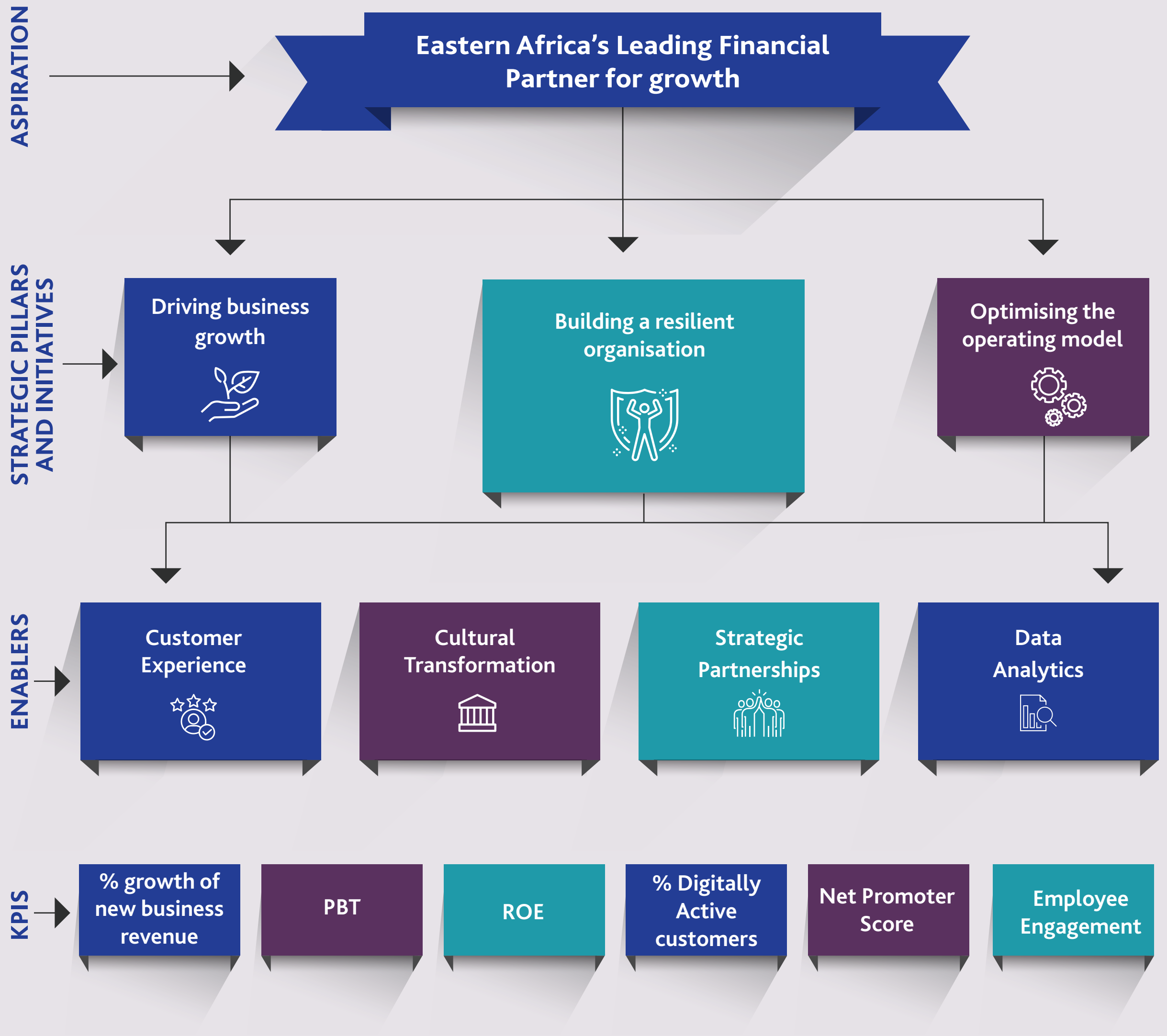
INNOVATION

COURAGE

A Review of Our Strategy

Despite the challenges in our operating environment in 2022 arising from geopolitical tensions, high inflationary pressures, slowdown in overall growth, supply chain disruptions, and volatile financial markets, we continue to deliver against the iMara 2.0 strategy. Indeed, our continued success is a testament to our resilience as a Group, anchored on our strong customer-centricity and revenue diversification efforts. We believe that our strategy still holds true and that it remains fit for purpose.

The iMara 2.0 Strategy is summarized into 3 strategic pillars and four enablers to guide us toward becoming Eastern Africa's Leading Financial Partner for Growth.



We identified 6 Key Performance Indicators (KPIs) that provide us with a measure of our execution excellence. These are a mix of both financial and non-financial metrics. Our performance as of December 2022 is as below.

KPI	2021 Actual	2022 Actual
Return on Equity after Tax	12%	15%
Profit Before Tax (KShs Mn)	11,864	14,330
Net Promoter Score*	74%	62%
% Revenue from New Business	7%	9%
% Digitally Active Customers	48%	70%
Employee Engagement Score	74%	74%

*This includes the first time inclusion of Uganda in 2022, which pulled down the overall score

A Review of Our Strategy (Cont'd)

Strategic Deliverables

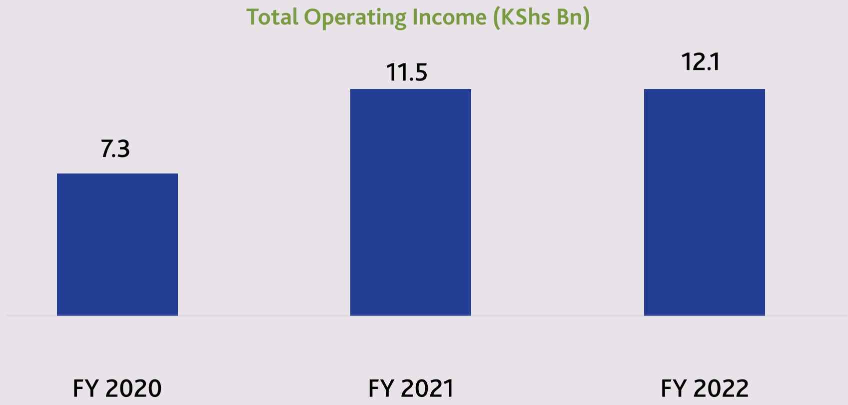
Pillar 1: Driving Business Growth

As the Group continues its strategic journey, driving business growth remains a key focus area. While the corporate business remains key to the business, the focus is on expanding the customer base to cater to the growing retail segment while leveraging on opportunities across the East Africa region.

a) Growth by strengthening our Corporate & Institutional Banking leadership

- The traditional corporate and institutional banking (CIB) stronghold, continues to report competitive growth across revenue and profitability. Excluding the impact of COVID-19, the CIB operating income has seen an acceleration by a CAGR of 32% under iMara 2.0. This is largely attributable to the efforts undertaken to enhance the share of wallet amongst the corporate customers through improving the value proposition.
- The Group aims to strengthen its leadership in Trade Finance by adding Oil and Gas to the list of priority sectors. This will allow matching high LC volumes to the trade income.

At the onset of the iMara strategy, the NPS amongst our Corporate customers stood at 41% and has since improved to 62% by the end of 2022, driven by an improvement in the value propositions and the quality of relationship management.



Corporate and Institutional Banking Operating Income

	2020	2022
Net Promoter Score	41%	62%
Customer Satisfaction	81%	83%

CIB CSAT and NPS inforgraphic

b) Delivering Industry Leading Growth in Personal and Business Banking

- The Group is keen on participating in the untapped revenue pools. Personal and Business Banking allows it to diversify the business to better deal with shifts in macroeconomic conditions while also contributing favorably to the economy's growth. iMara emphasizes the need to grow in this space by delivering compelling value propositions for the affluent mass customers and the business subsegments.
- This diversification has led to significant Personal and Business Banking revenue growth since 2020. In 2022, the segment experienced an industry leading revenue growth of 21%, largely attributable to customer-driven value propositions. The Personal and Business Banking segment contributed 43% to the overall operating income, proving the tremendous efforts in effectively managing the cost to serve.
- To better serve the financing needs of the retail customers, a Digital Unsecured Lending solution was launched with the highest limit in the market (up to KShs 10 Mn). The Kenyan subsidiary has also established partnerships to provide stock financing solutions to key anchor corporate clients and their ecosystems.
- Despite being early days in the MSME proposition development, proposition across the Group resulted in KShs 510 Mn in revenues in 2022, a 73% improvement from 2021.

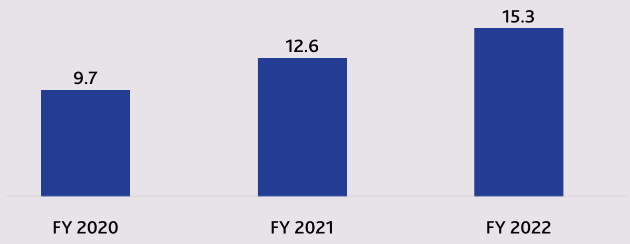
A Review of Our Strategy (Cont'd)

Strategic Deliverables

Pillar 1: Driving Business Growth(Continued)

b) Delivering Industry Leading Growth in Personal and Business Banking (Continued)

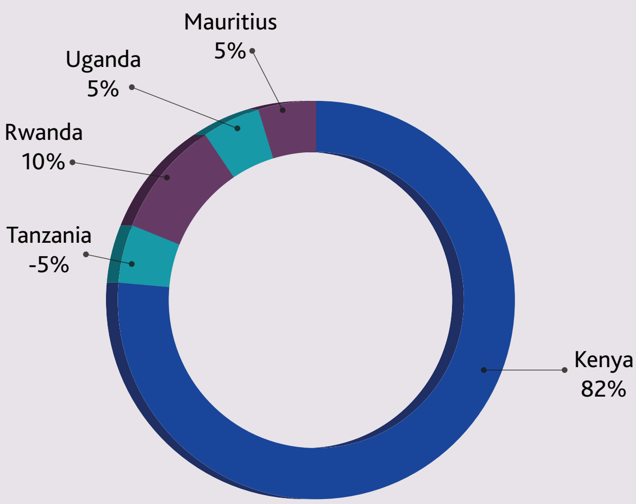
Personal and Business Banking Operating Income (KShs Bn)



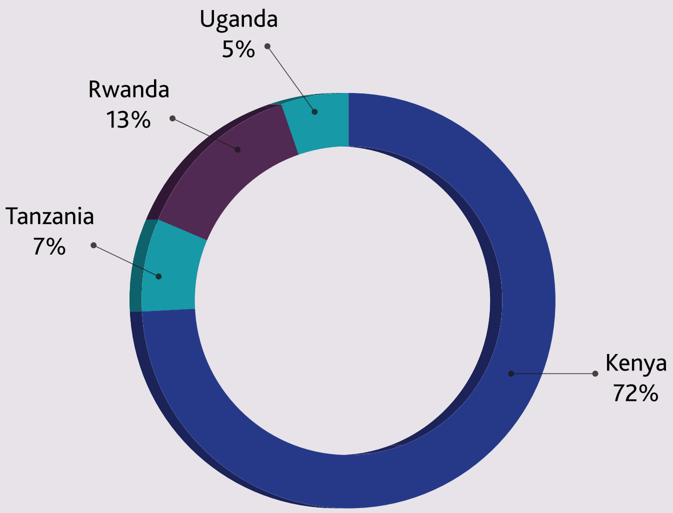
c) Growth by Geographic Diversification and Extraction of Value from Group Synergies

- The regional diversification strategy is an ongoing journey as the Group focuses on enhancing the subsidiaries. Through the Group Business Development Forum, circa US $3.5Mn in revenue was mobilised from previously untapped regional customers.
- Despite the strong performance from the Kenyan subsidiary, the contribution of Kenya to overall group assets declined from 80% in 2020 to 72% in 2022, proof that the diversification efforts are bearing fruits. However, given the expansion of the Kenyan business, profit contribution from Kenya continues to dominate overall profitability at 82%. As the subsidiaries continues to leverage opportunities in respective countries and cross-border initiatives, the intention is to increase their profit contribution to similar levels to the asset mix.
- To facilitate seamless payments by the customers across the region, an Intercountry Banking Product (BRISK) has been launched, allowing for real-time settlement of transactions.

PBT Contribution (Banking subs)



Asset Mix (Banking Subs)



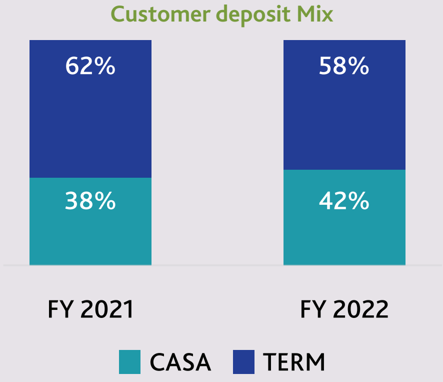
A Review of Our Strategy (Cont'd)

Pillar 2: Build a Resilient Bank

The transformation journey calls for developing efficient, productive, and sustainable systems to build a resilient organization.

a) Funding and Liquidity Management

The Group remains conscious of ensuring the capital base remains strong and continues to manage the funding and liquidity prudently while at the same time reducing reliance on wholesale, more expensive deposits. This has resulted in a progressive shift in the mix of the customer deposits over the last two years.



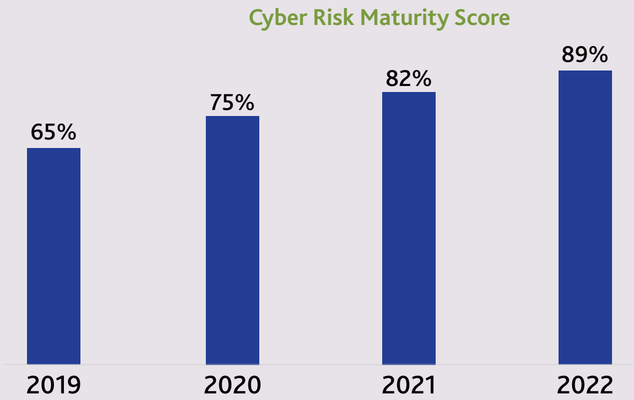
As part of improving the funding and liquidity management the immediate focus on lowering the cost of funds. The Ni Sare Campaign launched in February 2023 is expected to be key in CASA mobilization. The Group is also reevaluating its distribution model, intending to open new regional branches over the next 3 years. This will enable it to enhance access to the SME and personal banking segment and drive CASA growth.

So far, all banking entities show strong, consistent liquidity with an overall ratio of **46%**

b) Embedding Cyber Security

Digitization plays a key role in strengthening the value proposition and creating resilience within the business. The Group is privy to the fact that a digitization journey is not without risk, especially cyber risk emanating from automation and online user access to banking services such as Internet banking, mobile banking, and digital cards.

Considering this, the Group has embarked on an information and cyber security awareness journey for its customers, ensuring value creation by safeguarding our customer's online transactions.



Embedding Environmental, Social and Governance Responsibility

As discussed in the section on sustainability, Environmental, Social, and Governance responsibility is at the core of the Group's operations and customer engagements. The headquarters in Kenya and Rwanda are state-of-the-art green buildings, and the Group has also embarked on green financing initiatives focusing on solar and recycling environmental waste. In 2022, the business lent up to US$25M under this initiative and expected to grow this to US$50M in the medium term.

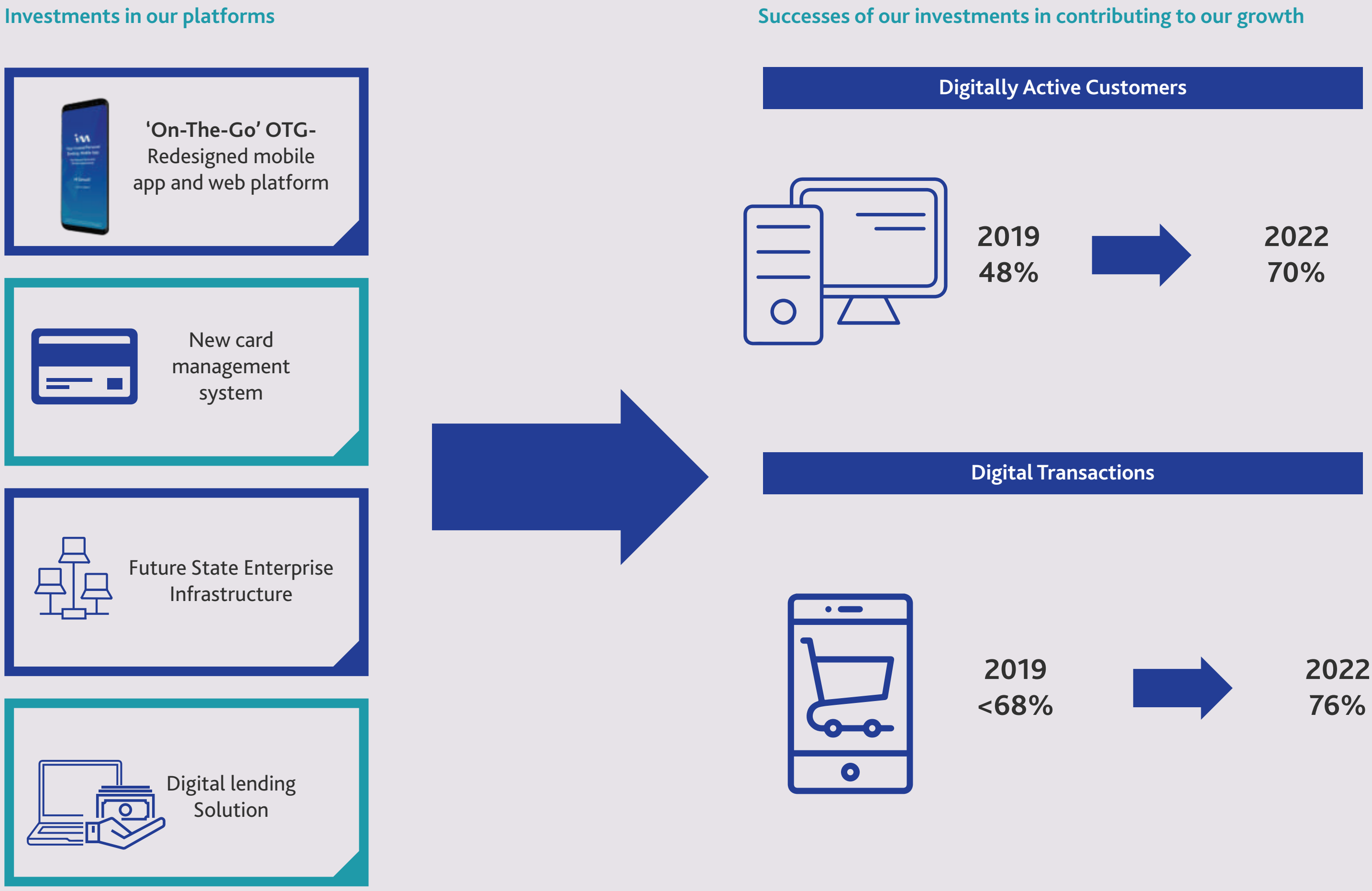
Additionally, I&M Bank Kenya rolled out debit and credit cards made of 85% recycled plastic from the oceans, which will go a long way in reducing first-time use of polyvinyl chloride materials (PVC).

A Review of Our Strategy (Cont'd)

Pillar 3: Optimising the Operating Model

The pandemic accelerated digital adoption in an already fast-growing market. Accordingly, I&M embarked on the journey to improve the proportion of non-branch transactions and ensure that more customers were actively transacting through the digital platforms. This has also allowed I&M to explore new income streams and opportunities for growth by leveraging the digital capabilities and emerging technology trends.

Trends in Digitally Active Customers and Digital Transactions



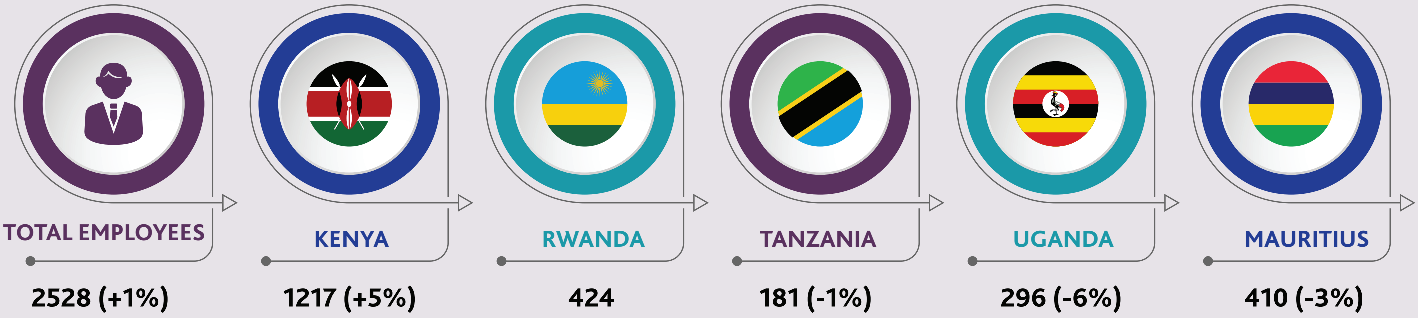
- The Group also strengthened its technology resiliency by implementing the Future State Enterprise Infrastructure and the Microsoft Technology refresh initiatives. This resulted in an improved uptime of 99%, up from 94% at the onset of iMara 2.0.
- The digital transformation journey has enabled the Group to engage our customers and deliver on their expectations of a seamless customer experience regardless of channel or location. The initiatives undertaken under this Pillar have led to improved customer experience and digital uptake. **NPS 62%, up from 41% at the start of iMara 2.0.**
- The heavy investments led to our cost-to-income ratio rising from 42% in 2020 to 45% in 2022. The focus is now on unlocking the full value of our investments through strategic partnerships and profitable customer acquisitions.

While the operating model is closely aligned to harnessing advantages from the digital transformation, the Group remain cognizant of ensuring it has the adequate human skill set to complement this. As discussed in the section on human capital, cultural transformation remains a key enabler to optimizing the operating model fully.

Our People

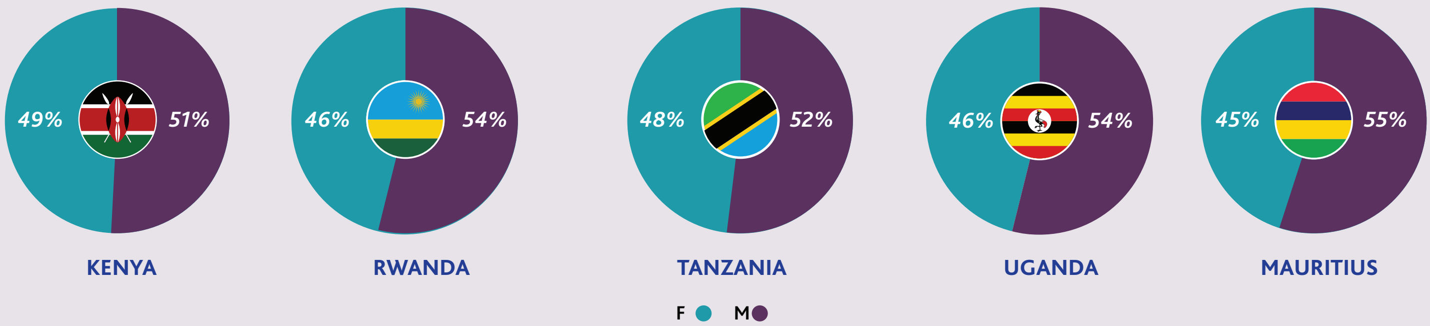
In 2022, the human capital of the Group increased by 1% to reach 2528. In the last two years, the Group has substantially increased its talent pool as it furthered its digital strategy and invested in information technology infrastructure requiring new skills and capabilities. In 2022, this growth normalized.

I&M Human Capital Strength

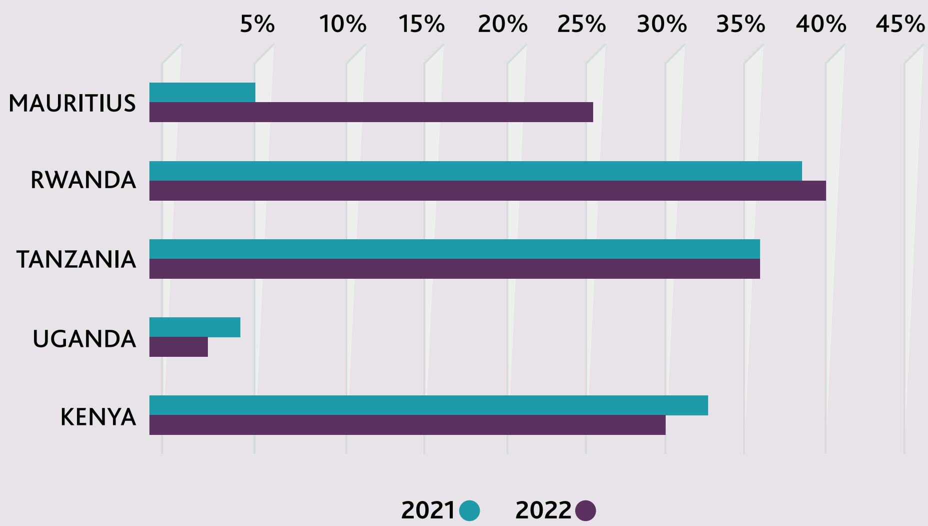


Gender diversity remains key and the Group is continuously working to create the right balance. The gender ratio has a minimum gap amongst male and female across the various subsidiaries. The overall ratio remained at 52%:48% male to female in 2022, similar to 2021.

Gender Diversity 2022



Women in Senior Roles



Our People (Cont'd)

Employee Engagement

Employee engagement continues to be a key enabler to the delivery of the iMara 2.0. and our strategic positioning as an Employer of Choice. For the year 2022, overall Group Engagement score has continued to be above 70% with the exception of Tanzania. Action planning was carried out in the first quarter of the year, and several initiatives have been put in place in response to employee feedback received during the previous engagement survey. A key focus has been safeguarding employee welfare, wellness, and mental health; ensuring a robust career planning and development framework; providing learning and development opportunities and the roll-out of the culture transformation program.

2022	2021
74	75
78	77
68	76
70	67
70	71

Talent management

A key highlight of 2022 was the launch of our top talent programs. Through a rigorous talent review process a final list of potential talent was selected to establish the Top talent programs. Two cohorts have emerged at below manager level and the Manager- Senior Manager level. The Officer High Potential program consists of 22 employees across the Group and the Manager-Senior Manager level consists of a group of 50 Managers and Senior Managers. The team set out to participate in delivering key strategic initiatives and projects as part of their development and career growth. These experiences and initiatives are aimed to ensure a strong pipeline of talent for succession for critical roles and talent readiness for the Bank of the future.

Learning and development

The Bank has continued to take various initiatives to drive learning and development activities to ensure that employees have the required knowledge and skills to support strategic business objectives. Employees are still encouraged to make use of the E-learning platform to enhance their skills. During the year the Bank facilitated over learning courses.

A key focus has been on upskilling and re-skilling our team in digital business, cyber security, leadership, change management, forensic risk, compliance management, information systems, sales, and business development. In addition, we have been leveraging n the Group synergies such as career growth transfers and learning visits across borders which motivates talent and assists in retention as well as improving performance.

Over 200 classroom based and 18,000 technical and non - technical courses were completed during the year broken down by country as follows:

KENYA	RWANDA	TANZANIA	UGANDA	MAURITIUS
16,000	66	1962	48	84
Online courses completed	Technical based courses	48 Classroom and 1,914 e-learning courses	30 Classroom courses and 18 virtual learning sessions	Courses completed

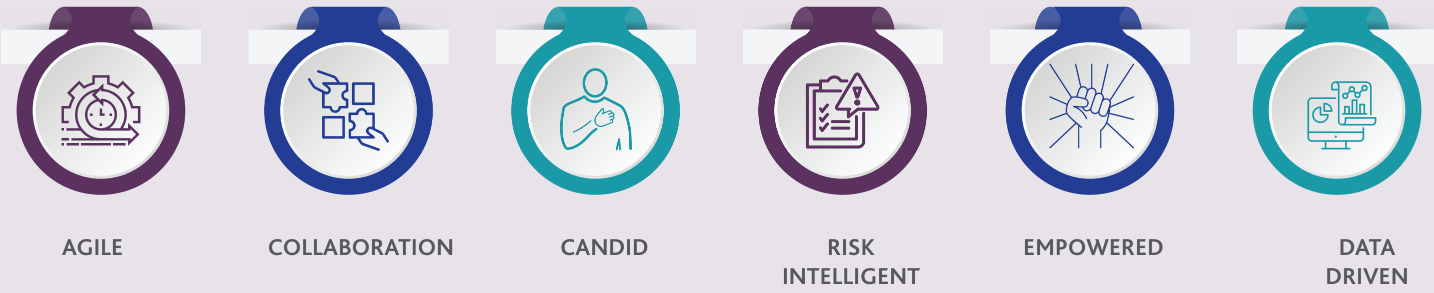
A key focus has been on upskilling and re-skilling our team in digital business, cyber security, leadership, change management, forensic risk, compliance management, information systems, sales and business development.

Our People (Cont'd)

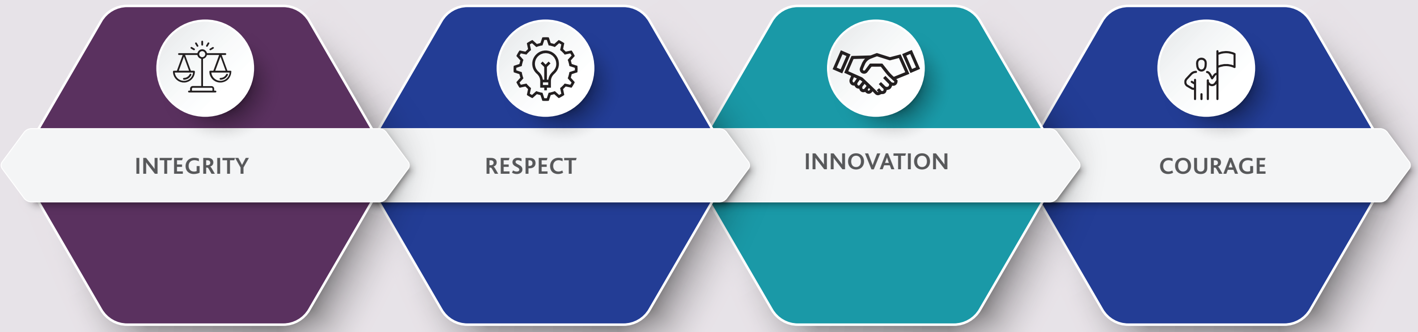
Pamoja Culture Transformation - Pamoja We shine!

In 2022, there were various initiatives towards driving the Culture Change program launched in 2021 dubbed PAMOJA. This included cascading of the Pamoja program to all teams through several engagement sessions that were championed by the Change Makers. A network of 128 Changemakers went through a training and facilitation certification program that focused on gaining skills in change management and delivering on the I&M Culture mantra – **PAMOJA** Together we shine. Over 2,000 staff completed the Culture Change Cascade workshops and Project Steering Committees were set up to drive the culture change in each business entity. Post completion of the Culture transformation workshops the Culture Behaviours were defined and communicated to staff and a PAMOJA Calendar of initiatives was developed and rolled out that was focused on one behaviour a month. Also, the engagements were rolled out in line with the defined Pamoja calendar that informed the monthly Pamoja themes to ensure alignment and understanding in driving desired behaviors and values.

The I&M Way



I&M Values



2023 Outlook

Our People strategy for 2023 will focus on leadership and managerial development, upskilling and re-skilling staff to align to our growth strategy, staff welfare and a continued focus on our culture transformation journey, to ensure a consistent employee value proposition and a continued great place to work.

Our Shared Values

As part of our sustainability journey the Group has embarked on several initiatives both under corporate activities and the I&M Foundation.

Corporate Sustainability Actions

Management of Climate-related risks

I&M Group acknowledges the potential impacts of climate change on the various business lines. The Group is deliberate in adopting risk intelligence and agility in developing a climate resilient financial institution. As such, the Group aligns to the 2015, Paris Climate Commitments to pursue efforts to limit the temperature increase to 1.5oc compared to per-industrial levels.

The Green Energy Fund (GEF)

The Group's Green Banking agenda is pegged on innovative and cost-efficient financing structures across the across the entire value chain of renewable energy businesses. The Group is further cognizant to the shifting market demand for sustainable products and on the back of this launched the Green Energy Fund (GEF) in 2019. In 2022 we recorded a 42% increase uptake of the US $25Mn GEF scheme among our micro, small and medium enterprises (MSMEs) customers. Over these three years this has led to an upwards of 30MW solar capacity related financing affirming our commitment to the net-zero targets.

This is expected to grow to US $50mn in the medium term that will not only see continued support to the ongoing renewable energy financing projects, but also expand our niche to help industries replace energy-inefficient equipment with green energy-based transport, home, and agriculture solutions in Kenya and across the region.

Promoting Sustainable Financing through ESMS

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. The Group also explicitly seeks to improve the Environmental and Social (E&S) conditions of the communities and ecosystems where it operates and via the Enterprise Risk management (ERM) process is ensuring that screening is applied to all activities considered to present E&S risks for proper identification and mitigation.

The Environmental and Social Risk Screening applies to all loans with a duration of equal to or more than 36 months and amounts over US$ 1 Mn, or any lending whose actions may generate negative impacts regardless of amount or duration. An E&S Risk Classification is adopted for each of the loans:

The Group's E&S lending distribution as at 31st December 2022 highlights a relative low risk portfolio with Category A at 6%.

Category A	Category B	Category C
HIGH	MEDIUM	LOW
DESCRIPTION	DESCRIPTION	DESCRIPTION
Lending which presents environmental and/or social risks which are considered of high significance and is irreversible.	Lending which presents risks of medium probability of occurrence and/or severity of impact.	Lending which presents minimal or no adverse risks/ impacts to society or the environment.
6%	33%	61%

Our Shared Values (Cont'd)

Resource Use and Management

Energy efficiency

As part of the sustainability commitment towards Scope 1, 2 & 3 carbon emissions tracking, the Group has a conscious focus towards adopting Energy efficiency mechanisms. This includes employee sensitization on conservation practices, development of energy management system, and adoption of low-emission energy technology and equipment. The Group has initiated tracking its energy consumption, in its I&M Kenya subsidiary, with a 2022 baseline of 838,013KWh energy use. We intend to continue leveraging on data-driven energy use to advise our energy management strategy.

Waste & Paper Management

In 2022, paper usage was reduced by 15.3% in comparison to 2021, as we deepen the use of technology.

The Group further recognizes the quality, type, and quantity of wastes produced in its operations and along the value chain affects the natural environment. Through the E-waste policy we embrace industrial symbiosis, capacity building and awareness as well as E-waste take back programs. At selected I&M premises we have onsite waste collection and segregation bins for effective solid waste management. In 2023, we intend to track our solid waste output and explore business opportunities around waste recycling and management.

Water consumption

Water availability and its distribution is becoming a challenge and scarce resource, and as such we have adopted conservation measures and technologies that encourages sustainable water utilization and management. In our newer buildings (Kenya, Rwanda) we have installed sensor taps to manage water usage. Both buildings have also adopted water harvesting technologies to augment water supply. The Group is currently working towards conducting water audits, and keen on ensuring that all our leased premises meet our sustainability standards on water usage.

Recyclable cards

The Group has migrated its credit and debit cards to be produced from at least 85% recycled plastic material which reduces dependency on first-use PVC as part of our dedication to an annual 5% reduction in waste and material use and demand practices across our value chain.

In line with local and international conventions on E-Waste disposal, I&M Bank is going to be a collection centre through its partnership with an accredited E-Waste Management company, WEEE Center.

In line with local and international conventions on E-Waste disposal, I&M Bank is going to be a collection centre through its partnership with an accredited E-Waste Management company, WEEE Center.

Our Shared Values (Cont'd)

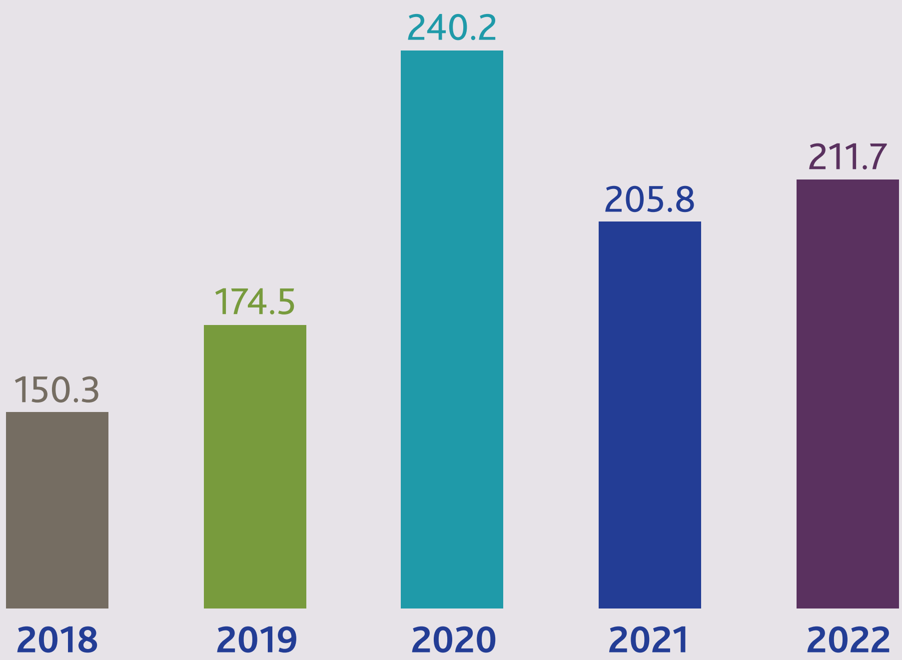
I&M Foundation

The Group remains committed to mitigating social and environmental impacts, and to create positive value in the Society. We understand that our success is intricately linked to the communities we operate around. Through I&M Foundation, we continue to spearhead our shared value agenda delivering impact under our 4 strategic pillars.

What We See As Success

Our ability to consistently grow our economic value allows to continuously contribute towards activities that produce value to the Society and contribute to our ecosystem's sustainability. I&M Bank in Kenya continues to support the Foundation's activities through its financial contribution. In 2022, the bank contributed KShs 212 Mn (2% of PBT) to the Foundation.

I&M Bank's Annual Contribution to the Foundation



Our Shared Values (Cont'd)

I&M Foundation (Cont'd)

1) Environmental Conservation (SDG Pillar – 7, 13, 15)

07 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

15 LIFE ON LAND

"Where we preserve, protect, and restore the environment and promote sustainable use of ecosystems"

Through our partnership with KCDF, we continue to inculcate a culture of environmental conservation and sustainable management of resources. The Foundation is currently working with 4 community partners in two Counties (Kilifi and Narok) as discussed below.

KCDF people, giving and working together | Nkoilale Community Development Foundation | nguzo africa | KENYA A ROCHA Conservation and Hope | meda-f

Our Impact

Through our partnership with KCDF, we continue to inculcate a culture of environmental conservation and sustainable management of resources

Our Local Partners

- Nkoilale Community Development Organisation (NCDO
- Nguzo Africa
- A Roche Kenya Malindi Education and Development Foundation

How we are achieving impact

Mobilizing community members to provide land to grow trees together with fodder leading to enhanced survival rates of the trees.

Engaging learning institutions to fence the areas where the trees were planted

Continually engaged the young learners to nurture and water the tree seedlings

Mobilizing communities to embrace "Adopt a tree" concept

Georeferencing

2022 Achievements

Completed data collection for georeferencing of 16 learning institutions in Narok and 40 in Kilifi

Set up tree nurseries with 25,000 tree seedlings in Narok, 50,000 in Kilifi and 26,000 in Malindi

Successful campaign dubbed " Grow 10 trees" adopted by community members, schools

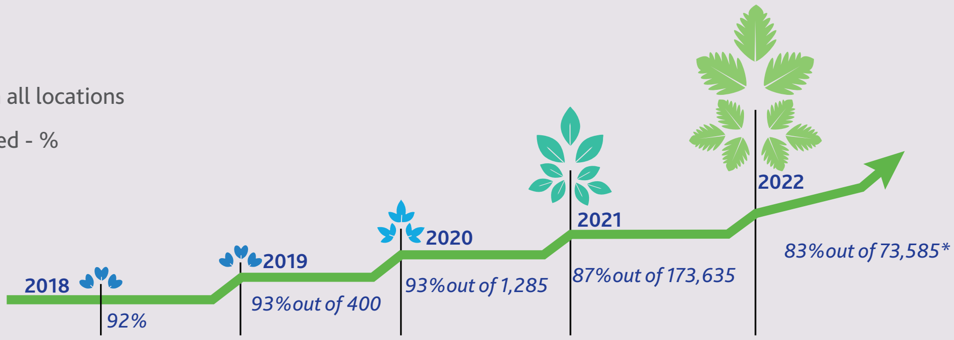
I&M Foundation Team on a field visit to assess NCDO work

I&M Foundation Team visit to A Rocha Kenya

KPI

Number of trees planted in all locations

Survival rate of trees planted - %



**To mitigate the drought crises, partners adopted tree nurturing approach including constructing waterpans, mulching and the students, in targeted institutions, watering their trees regularly.

Our Shared Values (Cont'd)

I&M Foundation (Cont'd)

2) Education and skills development (SDG Pillar – 4)

04 QUALITY EDUCATION

"Where we enhance education outcomes and value-addition life skills that ensures inclusive and equitable quality education"

Our Impact

Through our partnership with various education institutions to support the education of bright, deserving students who have challenges.

Our Local Partners

- St Ann's Suresh Raja High School
- Strathmore University
- Palmhouse Foundation

How we are achieving impact

Providing scholarship to students

I&M Staff facilitating mentorship to students

Introducing sustainable energy solutions and environmental conservation in the learning institutions

Training students to pay forward

2022 Achievements

133 students on scholarships in 2022 (both secondary & tertiary level)

Installation of Solar Water heating solution at St Ann's

Provision of school bus at St Ann's

Strathmore scholars engaged in community projects including a clean energy project & software app development project

86% of Palmhouse Foundation Alumni have qualified for University placements in Kenya

Community project presentation by a Strathmore University scholarship beneficiary

Our Shared Values (Cont'd)

I&M Foundation (Cont'd)

3) Economic Empowerment (SDG Pillar – 1, 8)

01 NO POVERTY

08 DECENT WORK AND ECONOMIC GROWTH

"Where we promote sustainable economic growth and transform livelihoods"

THE MAA TRUST

Our Impact

Promoting sustainable economic empowerment to communities to transform livelihoods

Our Local Partners

- MAA Trust

How we are achieving impact

Supporting the empowerment of Maasai women through the Maa Beadwork Social Enterprise

2022 Achievements

Impact on 579 women in the Maasai Mara region

Total funding of KShs 10 Mn pooled into the second phase of the project

Capacity building on report writing skills, order management and photography skills

A section of the Maa Trust beadwork display shop

Our Shared Values (Cont'd)

I&M Foundation (Cont'd)

4) Enabling Giving (SDG Pillar – 1, 2, 17)

01 NO POVERTY

02 ZERO HUNGER

17 PARTNERSHIPS FORTHE GOALS

"Where we strengthen partnership for sustainable community development"

NYUMBANI Village | GREVY'S ZEBRA TRUST

Our Impact

Championing community philanthropy and catalyzing a culture of local giving that promotes sustainability

Our Local Partners

- Nyumbani Village
- Grevy's Zebra Trust

How we are achieving impact

Partnering with David Shirtliff to create sustainable village

Providing support in disaster relief situations

2022 Achievements

Installation of the solar pump to provide energy, reliable water supply and increase crop production for nutritional needs

Impact on 100 families in the village (922 children and 94 senior citizens)

80% reduction in diesel consumption & fossil fuel creating a direct positive impact on the environment and health of the residents

KES 5mn provided towards food relief packages to support humanitarian cause in Northern Kenya impacting 500 households (5000 beneficiaries)

The Solar pump system installed by I&M Foundation

Happy faces captured on the beneficiary after receiving the food donations in Wamba Region

Subsidiaries' Overview 2022

Kenya Overview

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

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

Stella Gacharia Kariuki
Company Secretary

Subsidiaries' Overview 2022 (Cont'd)

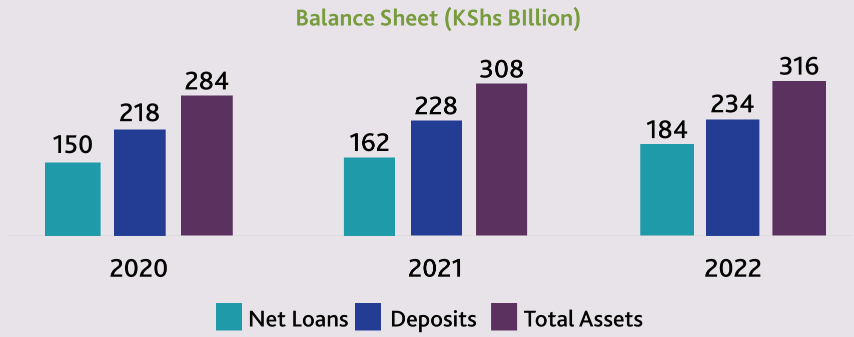
Kenya (Cont'd)

Kenya continued on its recovery path from the pandemic. However, recovery was partly pulled back by the breakout of the Russia-Ukraine conflict in February 2022, which led to global commodities supply shortages, the long regional drought, and the political uncertainty leading up to the general elections in August 2022. The peaceful conclusion of the election and transition of power led to improved business confidence in the second half of the year.

The rise in global prices for oil and other commodities, domestic food shortages, and the depreciating Kenya shilling saw the inflation rate stand at 9.1% year on year in December 2022. The increasing inflation in 2022 led to the Central Bank of Kenya increasing the monetary policy rate by 375 basis points to 8.75% in 2022 from 5%. Despite the fact that the move towards a tighter monetary policy, private sector credit growth reached 12.5% year on year growth in December 2022.

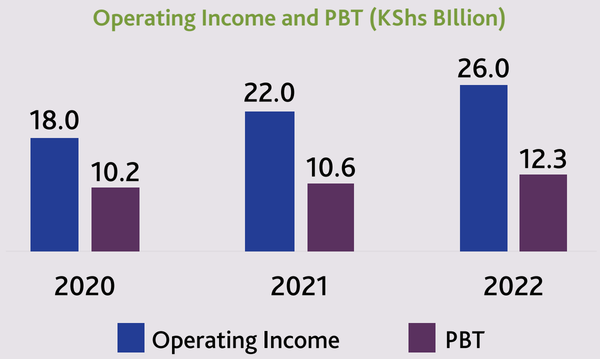
Financial Performance

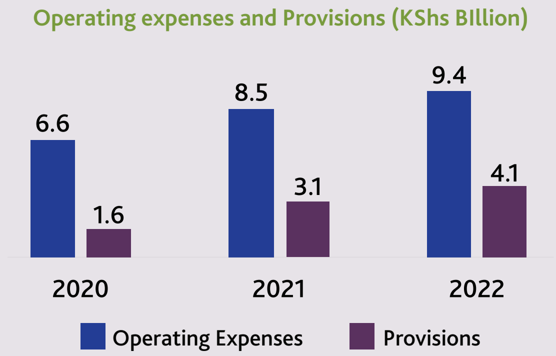
Total Assets grew by 2.6% in 2022 to KShs 315 billion, driven by a 13.6% increase in the net lending portfolio from KShs 162 billion to KShs 184 billion. Customer deposits increased by 2.6% to KShs 234 billion as the bank focused on improving the CASA deposits, which increased from 31% to 34% as a proportion of the total deposit base.



During the year, the Bank revamped the Customer Value Propositions (CVPs) in line with customer demand. It further entrenched the retail banking arm through the introduction of Workplace Banking and made inroads into the MSME space through its digital lending platform, supply chain, and stock financing offerings while continuing to serve its corporate base.

This growth led to a profit before tax growth of KShs 12 billion, an 16% increase on the previous year, driven by a 16% increase in the operating income to KShs 26 billion from KShs 22 billion in the prior year.





Ratios	2020	2021	2022
Gross NPL	12.5%	11.4%	10.8%
Net NPL	4.2%	2.9%	2.6%
Loan to Deposit Ratio	68.8%	71.1%	78.6%
Cost to Income Ratio	36.7%	38.6%	36.2%
ROE	16.6%	13.5%	18.3%
ROA	3.0%	2.4%	3.1%

Outlook

Based on the World Bank economic update, Kenya is projected to grow at above pre-pandemic average levels in the medium term, with 2023-24 growth at 5.2%, driven by positive sentiment following the peaceful conclusion of the elections. Notwithstanding, we remain cognizant of the domestic risks emanating from a prolonged drought leading to continued inflationary pressures, tightening monetary policy, and consolidation in the fiscal position. The bank will continue pursuing its iMara 2.0 strategy to grow its customer base and balance sheet while ensuring the above factors are carefully monitored over the course of the year.

Subsidiaries' Overview 2022 (Cont'd)

Kenya Overview (Cont'd)

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

Subsidiaries' Overview 2022 (Cont'd)

Kenya Overview (Cont'd)

Senior Management (Cont'd)

Josephine Mwaniki
Group GM, Human Resources

Bhartesh Shah
Group Chief Operations Officer

LA Sivaramakrishan
Divisional Head, Business Development

Winnie Hunja
GM, Corporate Banking

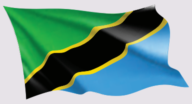
Joseph Njomo
GM, Business Support

Michael Mwangi
GM, Digital Business

Harish Thyagarajan
Group GM, Treasury

Subsidiaries' Overview 2022 (Cont'd)

Tanzania Overview



Board of Directors

Mr.Sarit S Raja Shah
Chairman

Mr. Pratul H. D. Shah
Independent Director

Mr. Alan Mchaki
Independent Director

Emmanuel Johannes
Independent Director

Paresh Manek
Independent Director

Hon. Ambassador Amina Ali
Independent Director

Raeesha Fakir
Non-Executive Director

Mr. Michael N. Shirima
Non-Executive Director

Mr. Shameer Patel
Non-Executive Director

Hamida Sheikh
Company Secretary

Subsidiaries' Overview 2022 (Cont'd)

Tanzania Overview (Cont'd)

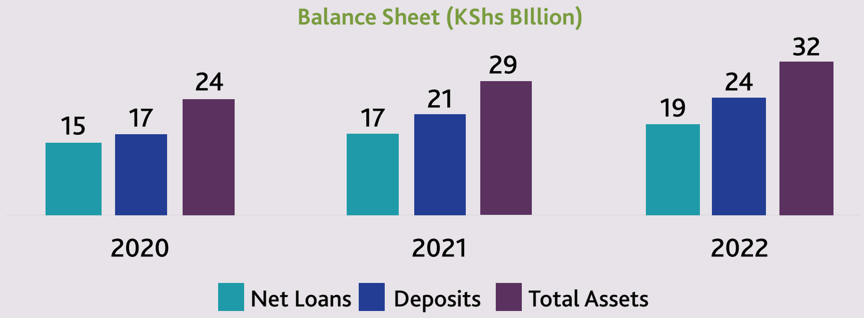
Macro-economic Environment

Measures put in place in 2021 (such as direct cash transfers, VAT refunds, and accommodative monetary policy) continued to boost recovery in Tanzania in 2022. The GDP growth rate in 2022 averaged at 5% compared to 4.2% in 2021. However, like the rest of the world, the country experienced an increase in inflation due to higher food and fuel prices, at just below 5% and below East African peers.

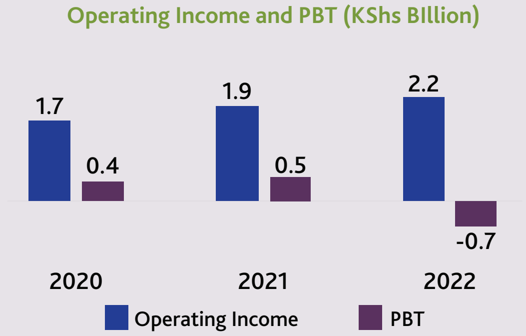
The Bank of Tanzania implemented a less accommodative monetary policy in 2022 to maintain the inflationary pressures. However, through the adequate supply of liquidity, credit to the private sector remained robust at 22%. The quality of assets continued to improve, with the non-performing loans at 5.8% as at December 2022.

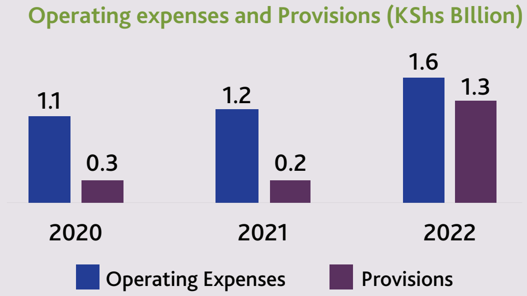
Financial Performance

The total assets increased by 10% in 2022, driven by an 11% growth in the net loan portfolio. This was largely funded by a commensurate growth in the deposit book of 14%.



During the year, the operating income increased by 14%, on the back of strong growth in non-funded income of 23%. Although the general operating environment improved in Tanzania, the business environment is yet to show robust recovery. As a result, the bank chose to remain prudent, leading to provisions increasing from KShs 204 million to KShs 1,288 million. While opex costs were well maintained during the period, the bank made a loss before tax of KShs 689 million in 2022.





Ratios	2020	2021	2022
Gross NPL	16.1%	9.2%	17.6%
Net NPL	4.0%	5.7%	11.0%
Loan to Deposit Ratio	88.8%	82.9%	80.6%
Cost to Income Ratio	62.6%	64.2%	73.0%
ROE	8.0%	7.7%	-10.9%
ROA	1.3%	1.3%	-1.7%

Outlook

Tanzania is expected to continue growing as it recovers from the shock of the pandemic with growth projected to increase to 5.3% in 2023. This is on the back of increasing investments, improving business climate supported by Government policies. I&M Tanzania is expected to perform well on the back of the improvement in the business climate and will continue driving business in line with the I Mara 2.0.

Subsidiaries' Overview 2022 (Cont'd)

Tanzania Overview (Cont'd)

Senior Management

Baseer Mohammed
Chief Executive Officer

Resigned August 2022

Zahid Mustafa
Chief Executive Officer

Appointed September 2022

Donald Aswani Mate
Chief Operating Officer

Patrick Richard Kapella
Head of Treasury

Lilian Kidee Mtali
Head of Retail Banking

Veronica Pascal Magongo
Head of Finance

Aimtonga Adolph
Head of Internal Audit

Alan Mbangula
Head of ICT

Krishnan Ramachandran
Head of Corporate Banking

Abbas Kermalli
Head of Credit

Erica William Mboya
Head of HR

Emmanuel Wilson Mosha
Head of Risk & Compliance

Subsidiaries' Overview 2022 (Cont'd)

Uganda Overview

Board of Directors

Suleiman Kiggundu
Independent Chairman

Kumaran Pather
Chief Executive Officer

Upto 31 December 2022

Joram Kahenano
Independent Director

Francis Magambe Byaruhangan
Independent Director

Ketan Morjaria
Non-Executive Director

Chris Low
Non-Executive Director

Bhartesh Shah
Non Executive Director

Sam Ntulume
Ag. Managing Director & CEO

Wef 1 Jan 2023

Nicholas Ecimu
Company Secretary

Subsidiaries' Overview 2022 (Cont'd)

Uganda Overview (Cont'd)

Macro-economic Environment

Like the other East African countries, Uganda saw the economy rebound from the effects of the pandemic, with growth coming in at an estimated 4.7%, supported by performance in the services and industrial sectors, robust private consumption, and an increase in investments. However, inflation remained a concern, driven by supply chain disruptions, global increases in commodity prices, and the depreciation of the Uganda shilling. Uganda also faced unique challenges in 2022, with the Ebola virus outbreak in September 2022 and political instability in Eastern Congo.

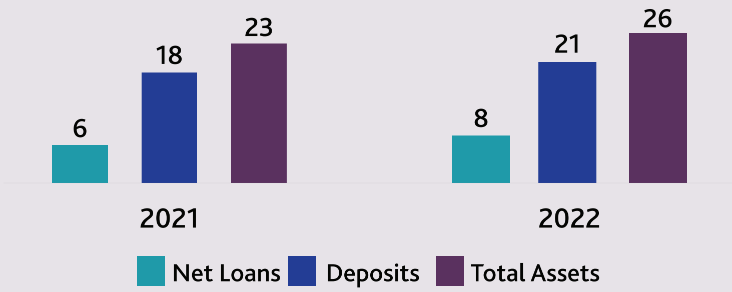
The Bank of Uganda had raised its policy rate to 10% by October 2022 (from 6.5% in May 2022) to contain the inflationary pressures. Despite this, credit growth increased from 6.5% in 2021 to 8.9% in 2022, with demand from the manufacturing, business services, and transport sectors.

Financial Performance

In 2022, the Ugandan entity focused on entrenching and consolidating the I&M brand into the market. The bank revamped its products and solutions to create sustainable value for its stakeholders. During the year, a Select Banking suite was opened at the Kampala branch for premium and corporate banking customers. The Bank's integration project into the Group was completed during the year.

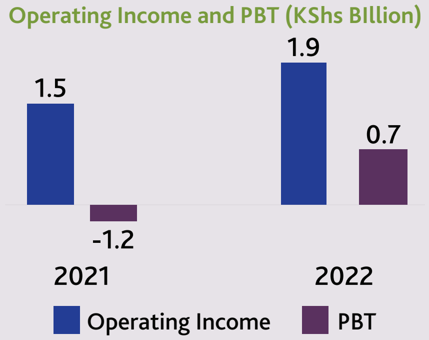
I&M Uganda's financial performance improved significantly during the year, with the total assets increasing by 16% year on year to KShs 26 billion, net loan book increased by 26% over 2021 from KShs 6 billion to 8 billion, and customer deposits increasing by 13% to KShs 21 billion.

Balance Sheet (KShs BIllion)

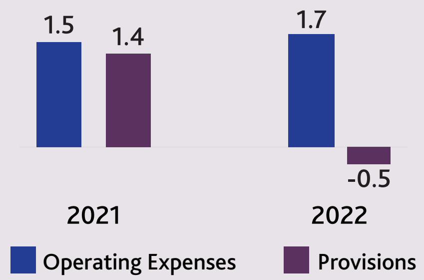


The operating income stood at KShs 1.9 billion in 2022 from KShs 1.5 billion, an increase of 22%, driven by growth in the balance sheet and revenue diversification initiatives. Following the rationalization process in 2021, the bank contained its operating expenses to KShs 1.7 billion (a 10% increase over 2021). The growth in the operating income, ongoing cost containment, and strong recovery efforts saw the profit before tax increase by 156% to KShs 0.7 billion for the year.

Operating Income and PBT (KShs BIllion)



Operating expenses and Provisions (KShs BIllion)



Ratios	2021	2022
Gross NPL	1.8%	19.9%
Net NPL	1.1%	8.6%
Loan to Deposit Ratio	34.4%	38.2%
Cost to Income Ratio	100.0%	89.9%
ROE		7.3%
ROA		1.2%

Outlook

Uganda is expected to grow above 5% over the medium term, driven by the development of its oil & gas sector and a general boost in the investment and business climate from the fiscal spending directed towards easing constraints on growth. However, the threats from the outbreak of Ebola, the insecurity in neighboring Congo, and international events remain key risks to Uganda's outlook. I&M Uganda intends to continue growing in line with our iMara 2.0 strategy as we consolidate our position in Uganda and leverage the Group synergies to serve our customers seamlessly.

Subsidiaries' Overview 2022 (Cont'd)

Uganda Overview

Senior Management

Kumaran Pather
Chief Executive Officer

Upto 31 December 2022

Sam Ntulume
Act. Chief Executive Officer

Edward G.Nangono
Chief Business Officer

Joseph Fetaa
Head of Products & Channelsr

Duncan G. Karugaba
Head of Operations

Charles Kiirya
Head of Credit

Srinallapa Kumar
Head of IT

Denis Damba
Head of Treasury

Kironde Erina Natalie
Head of Legal and Compliance

Hope L. Nakhayenze
Head of Risk

Oscar Karamagi
Head of Internal Audit

Subsidiaries' Overview 2022 (Cont'd)

Rwanda Overview

Board of Directors

Bonaventure Niyibizi
Independent Chairman

Robin Bairstow
Chief Executive Officer

Paul S Morris
Independent Director

Crystal Rugege
Independent Director

Nikhil Hira
Independent Director

Alice Nkulikiyinka
Independent Director

Alan Dodd
Independent Director

Chris Low
Non-Executive Director

Retired 28 February 2023

Kihara Maina
Non-Executive Director

Wef 1 March 2023

Julius Tichelaar
Non-Executive Director

Iddy Rugamba
Company Secretary

Subsidiaries' Overview 2022 (Cont'd)

Rwanda Overview (Cont'd)

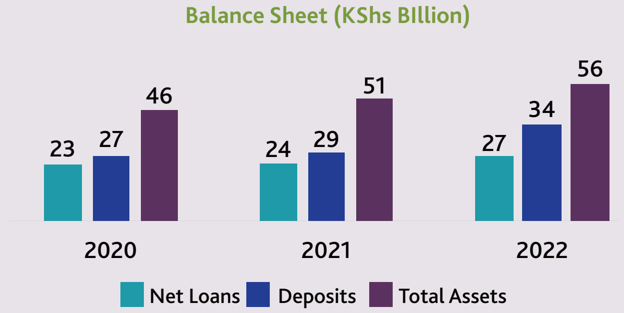
Macro-Economic Environment

Rwanda continued to grow strongly in 2022, estimated to have increased by c. 8%, driven by the revival of tourism and continued growth in services. However, growth was also hampered by a decline in construction, poor weather, and the rising price of fertilizers. This also led to higher inflation, which reached 21.6% by December 2022.

To curb the effects of the high inflation, the National Bank of Rwanda tightened the monetary policy in 2022 to 6.5% (from 4.5% in the year before). Despite this, the banking sector remained strong, with growth in credit in the private sector around 13%.

Financial Performance

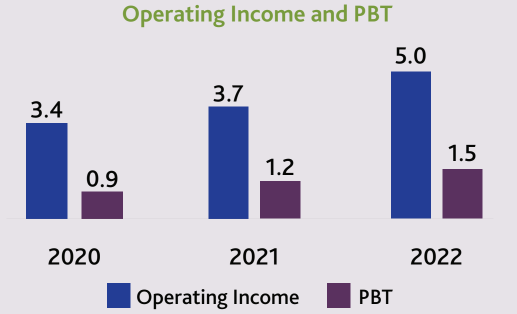
I&M Rwanda continued to perform well, with total assets growing by 10% year on year to KShs 56 billion. This was supported by net loan growth of 9% and an increase in Government securities. Initiatives by I&M Rwanda to grow its customer deposit base led to a strong growth of 16% during the year. As a result, loan to deposit ratio dropped from 84% to 79%.

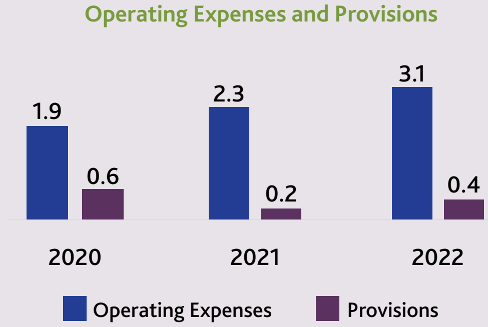


The strong balance sheet growth led to a 36% increase in the operating income to KShs 5.0 billion in 2022, mainly driven by the growth in the business banking segment and increased market penetration in the MSME space.

Operating expenses grew by 36% due to the continued investment in the digital space and general business growth. Remaining prudent, following the strong growth in the retail book, provisions increased by 120% during the year to KShs 0.4 billion and cost of risk of 1.7%.

The strong business growth led to a profit before tax growth of 25% from KShs 1.2 billion to KShs 1.5 billion.





Ratios	2020	2021	2022
Gross NPL	3.6%	4.4%	5.7%
Net NPL	0.0%	1.1%	1.6%
Loan to Deposit Ratio	82.6%	83.7%	78.5%
Cost to Income Ratio	57.1%	62.3%	60.4%
ROE	11.3%	15.6%	13.4%
ROA	1.5%	2.1%	1.9%

Outlook

Rwanda's economic growth is expected to moderate in 2023 due to the continued headwinds from geopolitical events, high commodity prices, and global macro headwinds. Rwanda also remains vulnerable to weather and climate shocks. Despite the headwinds, I&M Rwanda is expected to continue making strides in the retail and MSME space, which continues to be digitally advanced to provide the platform for this growth.

Subsidiaries' Overview 2022 (Cont'd)

Rwanda Overview (Cont'd)

Senior Management

Robin Bairstow
Chief Executive Officer

Paul Sagnia
Chief Operating Officer

Dederi Wimana
Chief Finance Officer

Lise Mugisha
Chief Risk Officer

Olivier Gakuba
Director - Business Development

Norbert Mwanangu
General Manager - Retail and Digital Experience

Nicolas Uwimana
Head of Legal

Yvon Abane
Head of Treasury

Cynthia Rwamamara
Head of Internal Control and Compliance

Subsidiaries' Overview 2022 (Cont'd)

Mauritius Overview

Board of Directors

Roselyne Renel
Independent Chairperson

Mark Watkinson
Chief Executive Officer

Leonard C Mususa
Independent Director

Ignasi Serrahima Arbestain
Independent Director

Nikhil TreeBhoohun
Independent Director

Resigned 31 March 2022

Marc Israel
Independent Director

Lakshman Beheenick
Non-Executive Director

A. Christopher (Chris) M. Low
Non-Executive Director

Gauri A. Gupta
Non-Executive Director

Jērôme de Chasteauneuf
Non-Executive Director

Kareen Ng
Company Secretary

Subsidiaries' Overview 2022 (Cont'd)

Mauritius Overview (Cont'd)

Macro-economic Environment

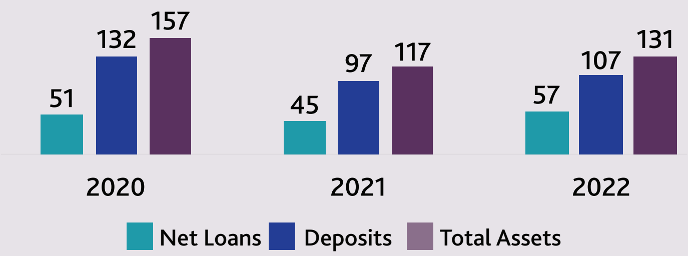
With the relaxation of the COVID-19 protocols and reopening of the borders, 2022 was a recovery year for Mauritius, leading to the economy growing by around 6% (2021: 3.7%). This was despite challenges relating to supply chain disruptions, freight costs, a strong dollar, and rising commodity prices. The total tourist arrivals reached 997,290 in 2022, with all other key sectors, including manufacturing, financial services, construction, and the wholesale and retail sector, continuing to maintain good momentum. Inflation was, however, pronounced in 2022, reaching 10.2% as a result of both international and domestic factors.

Mauritius maintained an accommodative monetary policy throughout the pandemic. However, with the headwinds, persistent inflation and the need to protect the exchange rate, the MPC increased the rate by 265 basis points in 2022 from 1.85% as at January 2022 to 4.5% in December 2022.

Financial Performance

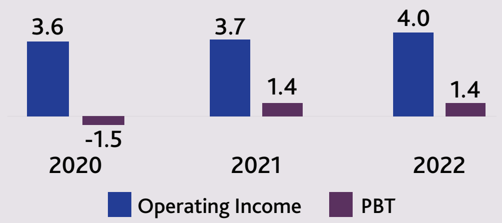
The Bank maintained its positive growth trajectory in 2022. After a period of repositioning and de-risking the balance sheet, total assets grew by 12% in 2022. Gross loans and advances grew by 20% in the year with asset growth driven by advances to financial institutions and central banks in Sub-Saharan Africa. Following the completion of a right-sizing exercise and sustained focus on low-cost deposits, the deposit base grew by 10%.

Balance Sheet (KShs BIllion)

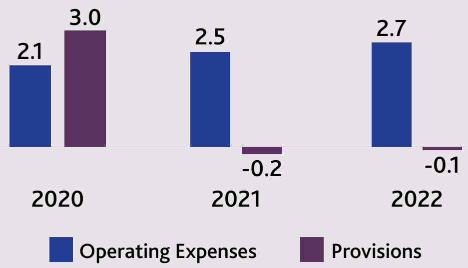


Operating income grew by 8% to KShs 4.0 billion, driven by net interest and non-interest income growth. 37.5% of the operating income was attributable to Sub Saharan Africa). Operating expenses grew by 9% to KShs 2.7 billion on the back of continued investment in the bank's digital transformation. Over the last three years, there has been a strong focus on recoveries of the loan book, leading to a 53% decrease in provisions. The steady performance led to a 3% increase in profit before tax to KShs 1.4 billion.

Operating Income and PBT



Operating Expenses and Provisions



Ratios	2020	2021	2022
Gross NPL	8.7%	3.2%	3.1%
Net NPL	2.1%	0.6%	0.3%
Loan to Deposit Ratio	38.8%	46.1%	52.8%
Cost to Income Ratio	59.6%	66.4%	66.9%
ROE	-14.0%	11.4%	13.6%
ROA	1.2%	0.8%	1.1%

Outlook

The outlook for Mauritius remains positive on the back of continued growth in key sectors. GDP is expected to grow by over 4% in 2023. The bank will continue focusing on leveraging its shareholders' presence in 6 SSA markets targeting structured finance, trade, cash management and treasury opportunities.

Subsidiaries' Overview 2022 (Cont'd)

Mauritius Overview

Senior Management

Mark Watkinson
Chief Executive Officer

Eric Hautefeuille
Chief Operation Officer

Ranjeevesingh Gowreesunkur
Chief Financial Officer

Ranjit Prakash
Interim Chief Risk Officer

Fareed Soobadar
Head of Corporate Banking

Guillaume Passebecq
Head of Private Banking & Wealth Management

Bhavya Shah
Head of Personal Financial Services

Rishyraj Lutchman
Head of Treasury

Carl S Chirwa
Head of International Banking
Resigned March 2023

John Alfred (Kenny) Morton
Head of Regulatory Affairs

Valerie Duval
Head of Legal

Priscilla Mutty
Head of Human Resources

Subsidiaries' Overview 2022 (Cont'd)

I&M Burbidge Capital Ltd, Kenya

Board Directors

Mr. Pratul H. D. Shah
Independent Chairman
Wef 1 December 2022

Michael Tuner
Independent Chairman
Resigned 30 November 2022

Naval Sood
Independent Director
Wef 1 November 2022

Mr. Edward Burbidge
Chief Executive Officer

Gauri A. Gupta
Non-Executive Director

Arun S Mathur
Non-Executive Director

I&M Burbidge Capital (Uganda) Ltd

Board of Directors

William Kalema
Chairman

Mr. Edward Burbidge
Non Executive Director

Kumaran Pather
Non Executive Director

Jharna Kamdar
Non Executive Director

Subsidiaries' Overview 2022 (Cont'd)

I&M Bancassurance Intermediary Limited

Board of Directors

Kihara Maina
Chairman

L A Sivaramakrishnan
Non Executive Director

Bhartesh Shah
Non Executive Director

I&M Capital Limited

Board of Directors

Daniel Ndonye
Independent Chairman

Mr. Silas Mutuku
Chief Executive Officer

Peter Anderson
Independent Director

Arun S Mathur
Non Executive Director

Gauri A. Gupta
Non-Executive Director

L A Sivaramakrishnan
Non-Executive Director

Subsidiaries' Overview 2022 (Cont'd)

I&M Realty Limited

Board of Directors

Arun S Mathur
Chairman

Mr. Shameer Patel
Non Exec. Director

Giro Limited

Board of Directors

Sarit S Raja Shah
Chairman

Kihara Maina
Non-Executive Director

Investment & Mortgages Nominees Limited

Board of Directors

Suresh B R Shah, MBS
Chairman

Sarit S Raja Shah
Non-Executive Director

Sachit S Raja Shah
Non-Executive Director

Subsidiaries' Overview 2022 (Cont'd)

I&M Foundation

Board of Trustees

Eric Kimani
Independent Chairman

Suresh B R Shah, MBS
Trustee

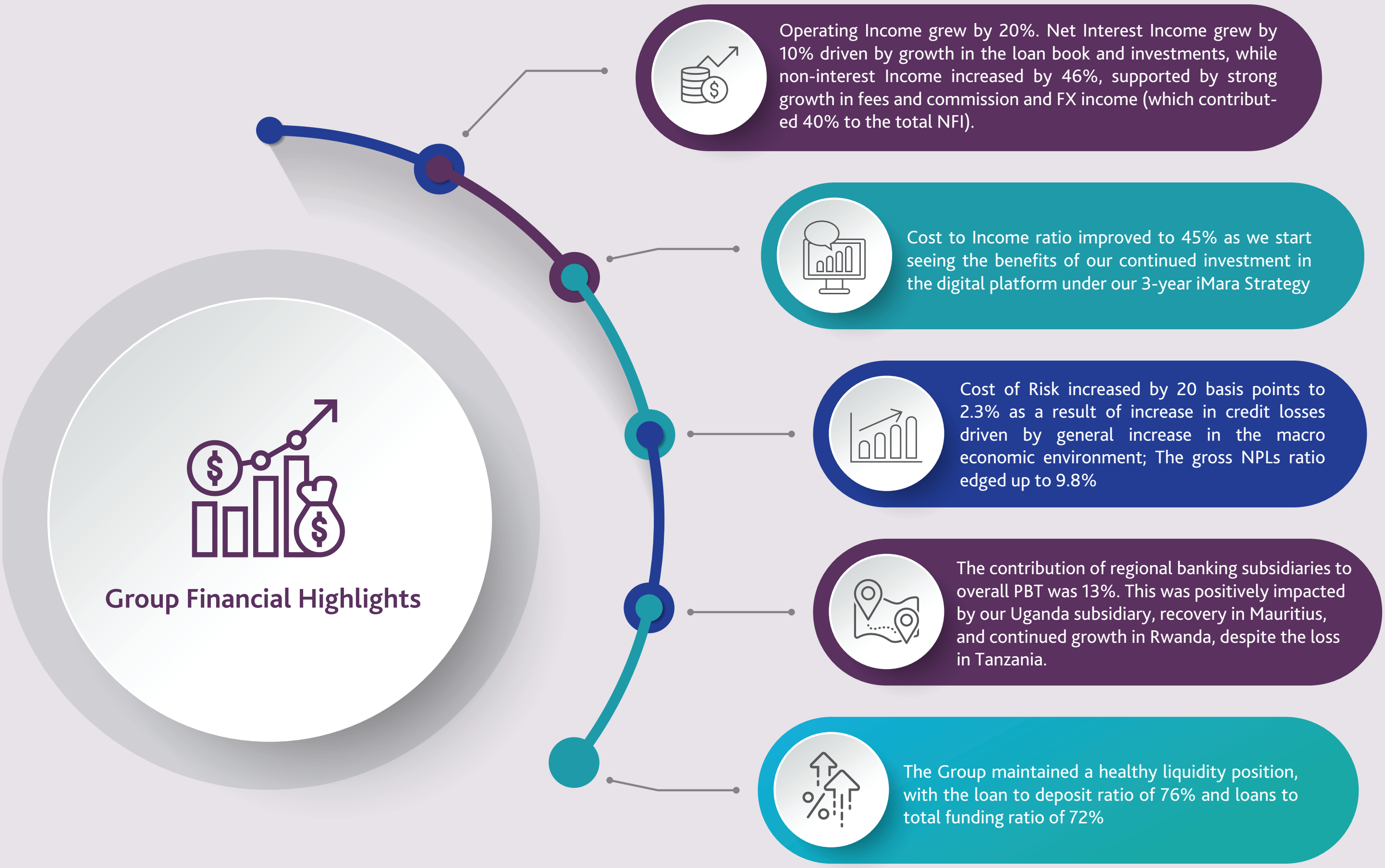
Sarit S Raja Shah
Trustee

Kihara Maina
Trustee

Janet Mawiyoo
Trustee

Overview of Results

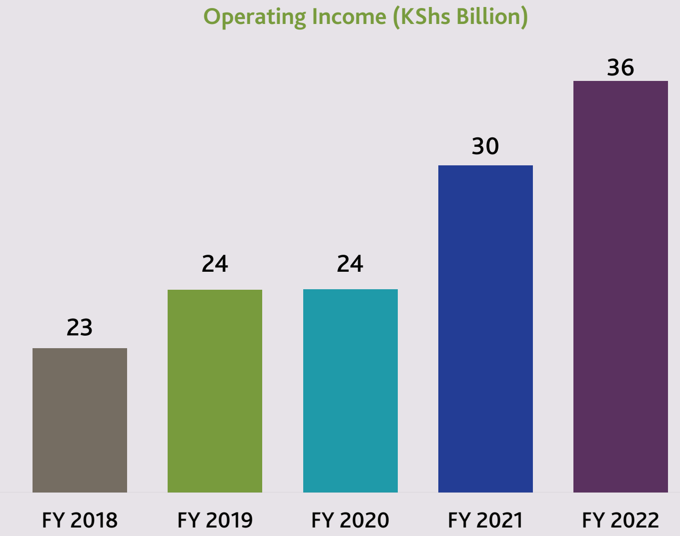
Group Financial Highlights

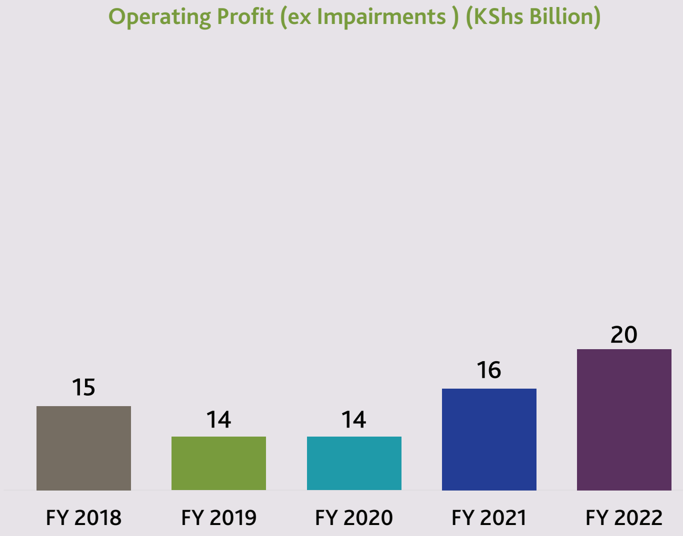


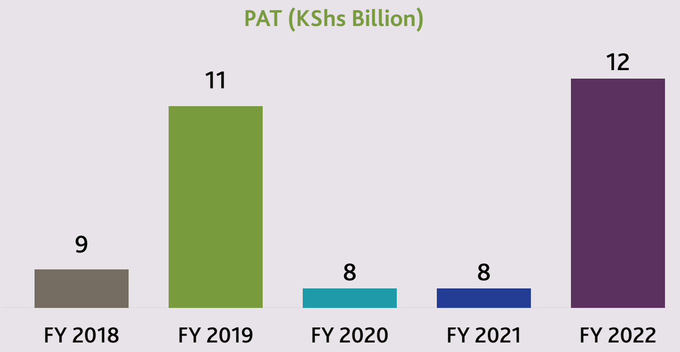
Key Figures	
Profit for the year	KShs 11.2 billion (2021: KShs 8.1 billion)
Profit before tax	KShs 15.0 billion (2021: KShs 12.4 billion)
Operating Income	KShs 35.7 billion (2021: KShs 29.6 billion)
Impairment Charges	KShs 5.2 billion (2021: KShs 4.2 billion)
ROE	15% (2021: 12%)
Liquidity Ratio	46% (2021: 52%)

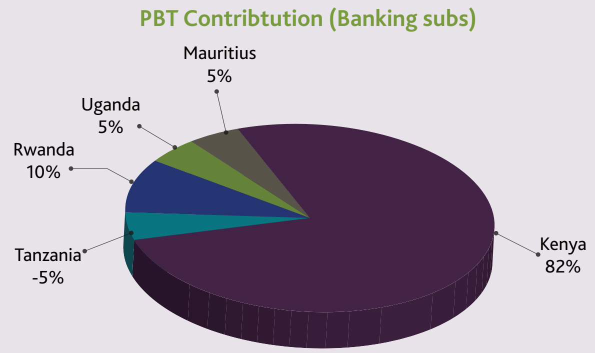
Overview of Results (Cont'd)

Profitability Graphs









Overview of Results (Cont'd)

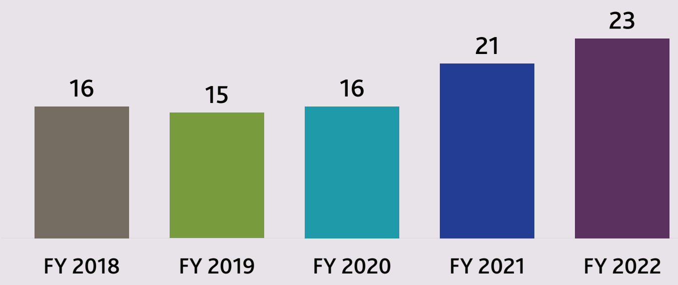
Income Statement Analysis

Net Interest Income	Net Interest Margin	
	FY 2022	FY 2021
KShs 22 Billion	6.1%	6.1%
(+ 2.1 Billion)		

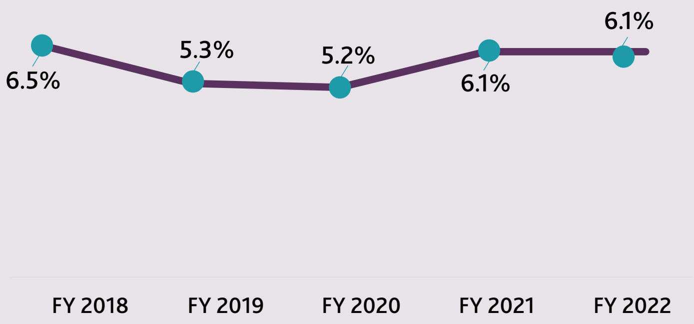
Non-Interest Income	As a % of operating income	
	FY 2022	FY 2021
KShs12.6 Billion	35.7%	29.5%
(+ 3.9 Billion)		

- A growth of 10% was recorded in Net Interest Income following:
  - An Increase of 13% in the interest income to KShs 37.4 billion supported by an expansion of 13% in the loan portfolio and increase in yields from Government securities as well as placements of deposits.
  - A rise in the interest expense to KShs 14.4 billion impacted by the increase in yields which was partly mitigated by our strategic effort to improve our deposit mix towards low-cost deposits.
- Notwithstanding the losses in the mark to market instruments as a result of increase in yields and market volatility, non-interest income went up by 46% on the back of:
  - A growth of 21% in net fees and commission income to KShs 5.9 billion, driven by higher revenues from card business and our trade finance business
  - An increase in revenue from foreign exchange income during the year to KShs 5.0 billion from KShs 1.7 billion in 2021

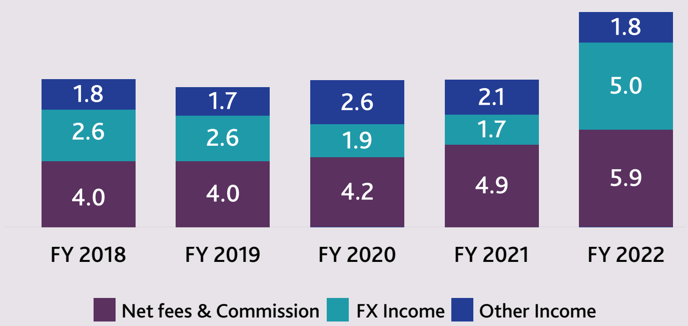
Net Interest Income (KShs Billion)



Net Interest MarginTrend



Breakdown of Non-Interest Income (KShs Billion)



Overview of Results (Cont'd)

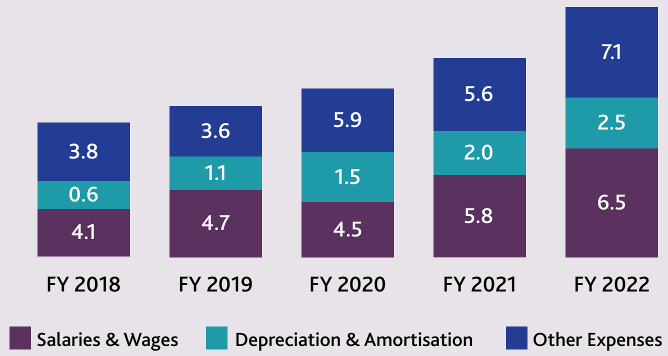
Income Statement Analysis

Operating Expenses	Cost to income ratio	
	FY 2022	FY 2021
KShs 16.1 Billion	45%	46%
(+ 2 Billion)		

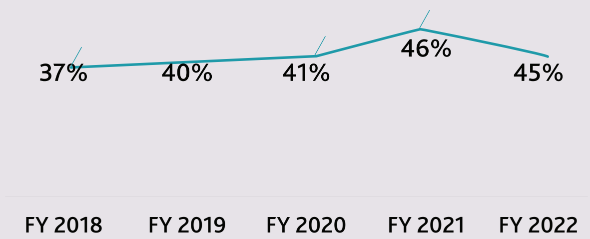
Impairment Charges	As a % of Gross Loans & Advances	
	FY 2022	FY 2021
KShs 5.2 Billion	2.0%	2.2%

- Operating expenses posted an increase of 19% driven by
  - An increase in staff costs of 10% which represents 40% of the total cost base, on the back of increase in staff numbers as we strengthen our staff base with the right skill set to continue strategically growing our business.
  - An increase of 18% in our amortization and depreciation costs due to continued investment in technology as a part of our strategy to digitally transform the business
  - An 27% increase in other operating expenses driven by a general increase in costs as we scale up the business, and invest in employee learning and development initiatives.

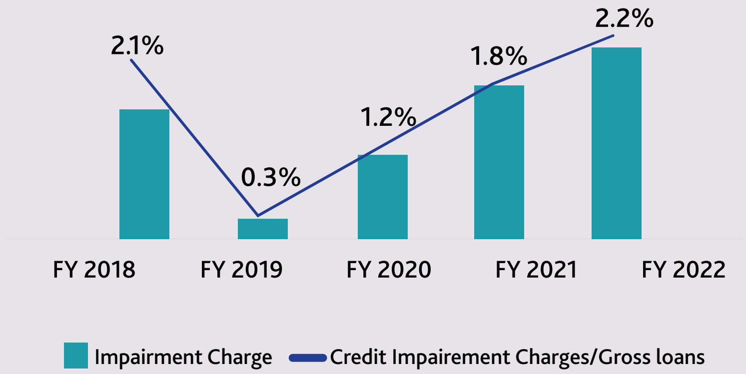
Breakdown of Operating Expenses (KShs Billion)



Cost to Income Ratio



Credit Impairment Charges



Overview of Results (Cont'd)

Financial Position Statement Analysis

Gross Loans	Gross NPL Ratio	
	FY 2022	FY 2021
KShs 256 Billion	9.8%	9.6%
(+ 32 Billion)		

Funding Base	Net Loans to Funding Base Ratio	
	FY 2022	FY 2021
KShs 329 Billion	72%	67%
(+ 13 Billion)		

Gross loans for the Group registered a year on year growth of 14% to reach KShs 256 billion. Loan book growth was supported by a recovery in the economy during the year, and specifically by demand in whole and retail trade, manufacturing, business services and finance & insurance sectors.

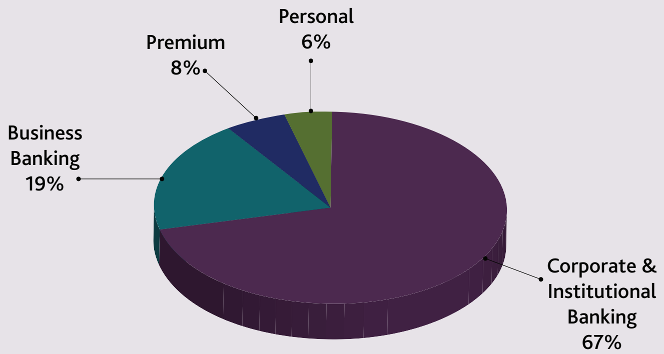
Towards the end of 2021 and in 2022, the Group introduced digital lending, mobile lending and MSME lending in its various subsidiaries which further positively impacted loan growth, albeit quantum still being small.

Corporate Banking still remains a significant contributor to the total loan portfolio but continues to trend down as other segments pick up.

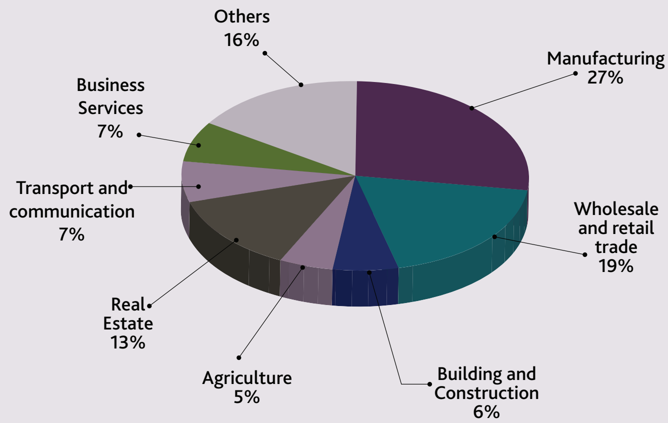
The asset quality saw gross NPL ratio increase slightly to 9.8%, as the Group remained prudent on its lending book.

Total Deposits increased by 5% to reach KShs 312 billion driven by Group initiatives to drive low-cost deposits. The split between CASA and Term Deposits was 42%: 58% in 2022 (2021: 38%:62%). Other borrowed funds declined by 14% during the year as repayments were made.

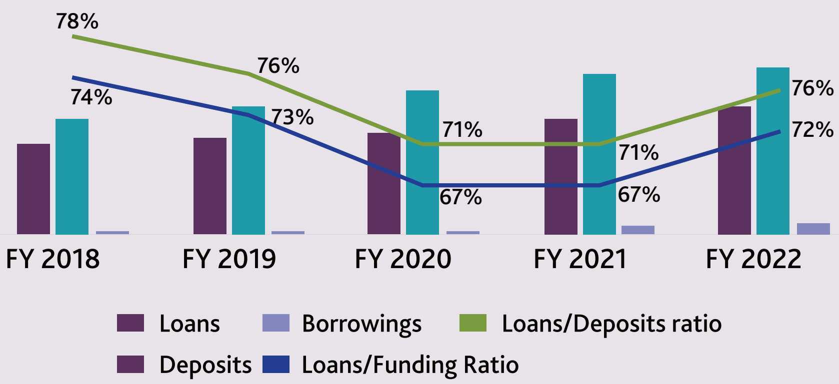
Net Loans Segmental Breakdown



Sectoral Breakdown



Loans and Funding Base



Overview of Results (Cont'd)

Financial Position Statement Analysis (Cont'd)

Investment Securities+ Cash & Cash Equivalents	Liquid Assets / Total Assets		Shareholder Funds	Return on Average Equity	
	FY 2022	FY 2021		FY 2022	FY 2021
KShs 118.3 Billion	27%	32%	KShs 77 Billion	15%	12%
(+ 3 Billion)			(+ 7 Billion)		

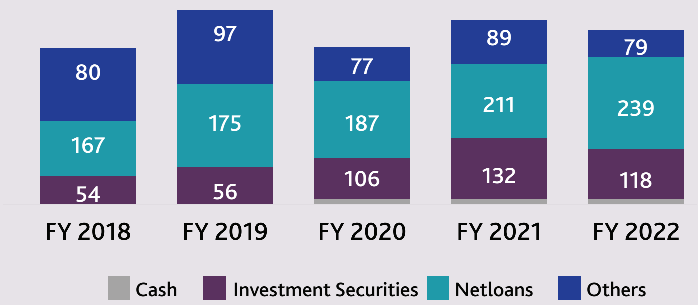
The total cash and cash equivalents stood at KShs 118.4 billion during the year, due to the cash from I&M Uganda (as we deploy towards higher yielding assets following the integration into the Group). The total liquid assets declined marginally during the year.

Overall, the liquid assets as a % of the funding base stood at 27% (2021: 32%). The total liquidity position of the bank stood at 46% well above the regulatory requirement of 20%.

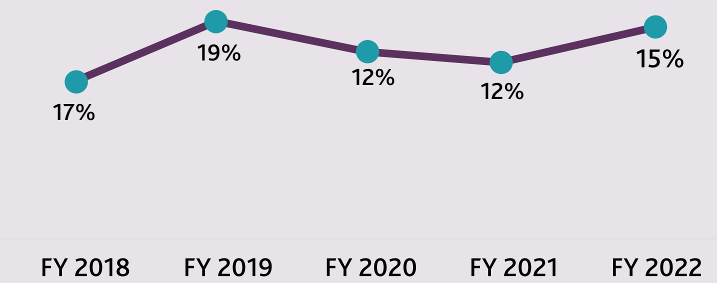
The core capital to total deposits ratio remains at a healthy buffer over the regulatory requirements.

Shareholder funds grew by 10% to reach KShs 77 billion on the back of KShs 10 billion increase in the retained earnings, during the year. The Board recommended KShs 3.7 billion dividends for the year 2022, a 48% increase for 2021, leading to 33% dividend payout ratio.

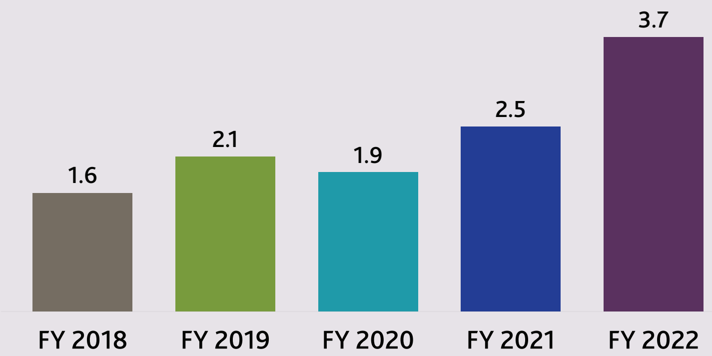
Assets Mix



Return On Average Equity (%)



Total Dividents Paid (KShs Billion)



I&M Service Guarantee

The BANK bold enough to give you a Service Guarantee for Local (RTGS) and International Transfers done via I&M On the Go. Should we fail to execute, we will compensate you. #StayWinning

Terms and Conditions Apply

We Are On Your Side

OUR FINANCIALS

“Money never starts an idea; it is the idea that starts the money.”"

William J. Cameron

Abbreviations

In this document we have used the following abbreviations;

AGM	Annual General Meeting
BNRGC	Board Nomination, Remuneration and Governance Committee
CBK	Central Bank of Kenya
CMA	Capital Markets Authority
CRMC	Credit Risk Management Committee
EAD	Exposure at default
ECL	Expected credit losses
ESG	Environmental, Social and Governance
ESOP	Employee Share Ownership Plan
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
Group	I&M Group PLC together with its subsidiary undertakings and joint venture
HRC	Human Resource Committee
IAS	International Accounting Standards
IFC	International Finance Corporation
IFRSs	International Financial Reporting Standards
IMGP	I&M Group PLC
GDP	Gross Domestic Product
GPO	General Post Office
LGD	Loss given default
ITSC	IT steering Committee
KShs	Kenya Shillings
MPC	Management Procurement committee
NCI	Non-controlling interest
NSE	Nairobi Securities Exchange
OCI	Other comprehensive income
PBT	Profit before tax
PPE	Property and Equipment
PD	Probability of default
RISKO	Risk and Compliance Management committee
SICR	Significant increase in credit risk
SPPI	Solely payments of principal and interest
YIB	Youjays Insurance Brokers Limited
TO STeerCO	Transformation Office Steering committee

Corporate Information

Board of Directors

Daniel Ndonye	**Chairman**
Suresh B R Shah, MBS	
Sarit S Raja Shah	
Michael Turner*	
Sachit S. Raja Shah	
Dr A Nyambura Koigi	
Suleiman Kiggundu Jr. **	
Rose Wanjiru Kinuthia	
Risper Genga Ohaga	Appointed on 7 February 2023
Kihara Maina	Appointed as Regional CEO on 1 March 2023 (Subject to regulatory approval)
Allan Christopher Michael Low*	Resigned as Regional Director on 28 February 2023

* ***British***

** ***Ugandan***

Company Secretary

Bilha Wanjiru Mwangi (CS Kenya)

12th Floor, One Padmore Place

PO Box 51922, 00100 GPO

Nairobi

Auditor

KPMG Kenya

Certified Public Accountants

8th Floor, ABC Towers

Waiyaki Way

PO Box 40612, 00100 GPO

Nairobi

Registered Office

1 Park Avenue

1st Parklands Avenue

PO Box 30238, 00100 GPO

Nairobi

Bankers

I&M Bank LIMITED

PO Box 30238, 00100 GPO

Nairobi

Company Registrars

CDSC Registrars Limited

1st Floor, Occidental Plaza

Muthithi Road

P.O Box 6341 – 00100 GPO

Nairobi, Kenya

Corporate Information (Cont'd)

Banking Entities Registered Offices

I&M Bank LIMITED

1 Park Avenue

1st Parklands Avenue

PO Box 30238 – 00100 GPO

Nairobi, Kenya

I&M Bank (T) Limited

Maktaba Square

Maktaba Street

PO Box 1509

Dar es Salaam, Tanzania

I&M Bank (Rwanda) Plc

11, Boulevard de la Revolution

PO BOX 354

Kigali, Rwanda

I&M Bank (Uganda) Limited

Plot 6/6a, Kampala Road

P.O BOX 3072

Kampala, Uganda

Bank One Limited

16 Sir William Newton Street

Port Louis, Mauritius

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 of I&M Group PLC ("the Company"), its subsidiaries and its joint venture (together "the Group") for the year ended 31 December 2022, which shows the state of affairs of the Group and of the Company.

1. Principal activities

The Group provides an extensive range of insurance agency, banking, financial and related services through its banking subsidiaries in Kenya, Tanzania, Rwanda, Uganda and a joint venture in Mauritius. The Companies that make up the Group are contained in Note 1 to the financial statements. The Company is listed on the Nairobi Securities Exchange and is regulated by the Capital Markets Authority and the Central Bank of Kenya as a non-operational holding company.

2. Acquisition of I&M Bank (Uganda) Limited

On 17 July 2020 I&M Group PLC entered into a Share Purchase Agreement with the shareholders of I&M Bank (Uganda) Limited (Formerly Orient Bank Limited (OBL)), to acquire 90% shareholding in OBL.

On 30 April 2021, I&M Group PLC acquired the 90% issued share capital of I&M Bank (Uganda) Limited following the receipt of all regulatory approvals and being satisfied that all conditions precedent stipulated in the Share Purchase Agreement were met. The results of I&M Bank (Uganda) Limited from the date of acquisition are consolidated in these financials.

3. Results/business review

The consolidated results for the year are as follows:

	2022 KShs'000	2021 KShs'000
Profit before income tax	14,992,332	12,412,906
Income tax expense	(3,408,634)	(3,788,970)
Profit for the year	**11,583,698**	**8,623,936**

Profit after tax closed at KShs 11.6 billion, an increase of 34% compared to prior year. Net trading income increased by 76% whilst loan provisions grew by 25% to cater for increased credit risk. Operating expenses were up by 19%. The Directors and employees re-affirm their commitment to achieving the laid down strategies and consequently delivering key value to shareholders.

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

4. Dividends

The Directors recommend payment of a first and final dividend of KShs. 2.25 per share amounting to KShs. 3,720,648,321 for the year ended 31 December 2022. A dividend of KShs. 1.50 per share amounting to KShs. 2,480,432,214 in respect of the year ended 31 December 2021 was paid on 26 May 2022.

The dividend will be payable to shareholders registered on the Company's Register at the close of business on Thursday 20 April 2023 and will be paid on or around Thursday, 25 May 2023. The Register of Members will be closed from Friday, 21 April 2023 to Monday, 24 April 2023 (both days inclusive) for the purpose of processing the dividend.

5. Directors

The Directors who served during the year and up to the date of this report are set out on page 97.

6. 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.

7. Auditor

To note that Messrs KPMG Kenya continue in office as the Auditor by virtue of section 721 of the Companies Act, 2015 and subject to section 24(1) of the Banking Act (Cap. 488) and to authorise the Directors to fix the Auditor's remuneration for the ensuing financial year.

8. Approval of financial statements

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

BY ORDER OF THE BOARD

Secretary

Date: **28 March 2023.**

Statement of Directors' Responsibilities

The Directors are responsible for the preparation and presentation of the consolidated and separate financial statements of I&M Group PLC (the "Group" or "Company") set out on pages 109 to 206 which comprise the consolidated and company statements of financial position 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 the notes to the consolidated and separate financial statements including a summary of significant accounting policies and other explanatory information, in conformity with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Kenyan Companies Act, 2015.

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 IFRS 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 which 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 period. It also requires the Directors to ensure the Group and Company, its subsidiaries and joint venture keep proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and its profit or loss.

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

The Directors have made an assessment of the Group and Company's ability to continue as a going concern and have no reason to believe the Group and/or the 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.

Daniel Ndonye
Chairman

Dr. Rose Wanjiru Kinuthia
Director

Sarit S Raja Shah
Director

Date: **28 March 2023.**

Directors' Remuneration Report

The Board Nomination and Remuneration Committee (BNRC) of I&M Group PLC is pleased to present the Directors' remuneration report for the year ended 31 December 2022. This report is in compliance with I&M Group PLC's Board Charter on Director's reward and remuneration, the Code of Corporate Governance Guidelines issued by the Capital Markets Authority on Directors' remuneration and the new Companies Act, 2015, enacted in September 2015, which became operational in June 2016. In the course of executing these policies, the Board's desire is to align rewards with a clear and measurable linkage to business performance.

I&M Group PLC is regulated by the Capital Markets Authority and the Central Bank of Kenya as a non-operational holding company. I&M Group PLC's Board is therefore comprised of Non-Executive directors as detailed out on corporate information page.

Board Remuneration

At I&M Group PLC, Directors' remuneration is paid in the form of (i) Directors' Sitting Fees and (ii) Annual Retainer fees. The fees available to be paid to Directors will be subject to shareholder ratification/approval as appropriate and in accordance with the provisions of the Companies Act, 2015 and the CMA Regulations and Guidelines on Corporate Governance.

The BNRC is tasked with ensuring that Directors remuneration levels are reviewed with sufficient regularity and are subject to external benchmarking to ensure that I&M Group PLC continuously offers competitive reward packages for its Directors. The remuneration to Directors is comprised of the following:

1. Fixed Annual Retainer Fees

These fees are determined taking into account market rates of pay. Fees are reviewed with sufficient regularity to align to prevailing market movements. Any increases are determined in accordance with the business' ability to fund the increase. Retainer Fees are paid quarterly in arrears.

2. Sitting or Attendance Fees

All Directors are paid sitting or attendance fee in recognition of the time spent attending Board or Committee meetings. The level of fees paid are also benchmarked to market rates and trends.

During the year, the BRNC carried out a review of fees paid to directors and adopted the following:

Particulars	Annual retainer fees 2022	Annual retainer fees 2021
	KShs	KShs
Chairman	1,071,200	1,040,000
Director	798,250 - 865,000	598,000 - 832,000

Non-Executive Directors are not entitled to any pension, bonus or long term incentive plans. There will be no changes to these policies in the next financial year.

Directors' Contract of service:

Directors who serve on the Board of I&M Group PLC are elected to office during the AGM, and offer themselves up for re-election as mandated in the Companies Act, 2015. The tenure of the Directors is for a period of three years, upon which the Directors can elect to offer themselves for re-election, in accordance with Article No. 112 of the Company's Articles of Association. A Director's appointment ceases immediately upon termination by resignation or a resolution by the shareholders, and no further remuneration accrues to the Director thereafter. The tenures of the Directors in office at the end of the last financial year are tabulated below:

Director	Board membership	Appointment date	Last re-election date	Notice period
Daniel Ndonye	Non-Executive	14-June-13	26-May-22	3 months
Suresh Bhagwanji Raja Shah, MBS	Non-Executive	14-June-13	26-May-22	3 months
Sarit S Raja Shah	Executive	14-June-13	20-May-21	3 months
Michael Turner	Non-Executive, Independent	1-August-14	26-May-22	3 months
Sachit S Raja Shah	Non-Executive	10-July-15	20-May-21	3 months
Nyambura Koigi	Non-Executive, Independent	28-October-15	26-May-22	3 months
Suleiman Kiggundu	Non-Executive, Independent	5-June-18	20-May-21	3 months
Rose Kinuthia	Non-Executive, Independent	3-March-20	26-May-22	3 months
Allan Christopher Michael Low	Executive	15-January-21	20-May-21	3 months

Allan Christopher Michael Low, Regional Director, resigned from the Board of I&M Group PLC effective 28 February 2023.

Directors' Remuneration Report(Cont'd)

Directors Shareholding:

Directors' direct and indirect interests as at 31 December 2022 are tabulated below.

Name of Director	Number of Shares	% Shareholding
Mr. SBR Shah, MBS	174,947,573	10.58%
Mr. Sarit S. Raja-Shah	37,595,103	2.27%
Mr. Sachit S. Raja-Shah	37,152,231	2.25%

The other members of the Board do not hold shares in their personal capacity in the Company.

Share Options and long term incentive schemes

Directors are not entitled to any share option arrangement or long term share incentive schemes.

Non-Executive Directors:

Non-Executive Directors receive fees and other emoluments in recognition of their contribution to the Company for Board and Committee meetings. The attendance fees is payable after the occurrence of the meetings. The Non-Executive Directors do not receive any performance-based remuneration.

Directors’ Remuneration Report(Cont’d)

Information subject to audit (Auditable part)

Information subject to audit comprise the amounts of each Directors’ compensation in each of the relevant years.

The remuneration paid to Directors in the year under review, and comparative figures for 2021, are summarised below:

	2022				2021			
Director	Annual retainer subsidiaries KShs	Attendance fees KShs	Fees earned in KShs	Total KShs	Annual retainer KShs	Attendance fees KShs	Fees earned in subsidiaries KShs	Total KShs
Daniel Ndonye	1,071,200	831,700	1,080,000	2,982,900	1,040,000	670,800	360,000	2,070,800
Suresh Bhagwanji Raja Shah, MBS	798,250	408,800	-	1,207,050	598,000	286,000	1,560,094	2,444,094
Sarit S Raja Shah	798,250	668,500	1,312,275	2,779,025	598,000	880,400	403,858	1,882,258
Michael Turner	856,750	1,128,000	1,302,425	3,287,175	832,000	806,000	1,453,600	3,091,600
Sachit S Raja Shah	798,250	408,800	2,891,125	4,098,175	598,000	286,000	3,027,625	3,911,625
Oliver Fowler	-	-	-	-	175,518	57,200	1,271,358	1,504,076
Nyambura Koigi	798,250	866,000	1,664,250	3,328,500	598,000	514,800	3,070,940	4,183,740
Suleiman Kiggundu	856,750	1,088,500	3,453,800	5,399,050	832,000	1,000,400	1,082,239	2,914,639
Rose Kinuthia	856,750	1,184,400	-	2,041,150	832,000	754,000	-	1,586,000
	6,834,450	6,584,700	11,703,875	25,123,025	6,103,518	5,255,600	12,229,714	23,588,832

Directors' Remuneration Report(Cont'd)

Information subject to audit (Auditable part) (Continued)

Mr. Sarit S Raja Shah also received the following remuneration from I&M Bank LIMITED, a wholly owned subsidiary of I&M Group PLC:

Details	2022 KShs	2021 KShs
Salary	33,449,033	31,941,935
Bonus	5,746,011	4,925,152
Pension	3,167,303	3,003,296
Insurance	4,274,622	4,076,235
Total	**46,636,939**	**43,946,618**

Mr. Allan Christopher Low received the following remuneration from I&M Bank LIMITED, a wholly owned subsidiary of I&M Group PLC:

Details	2022 KShs	2021 KShs
Salary	39,000,000	48,639,845
Bonus	3,333,333	-
Pension	2,400	2,400
Insurance	226,062	240,549
Total	**42,561,795**	**48,882,794**

In the AGM held on 26 May 2022, the Directors' remuneration was approved unanimously.

Information on aggregate amount of emoluments and fees paid to directors are disclosed in Note 15 of the financial statements.

Other Key Policies Influencing Directors Remuneration

Discretions retained by the BNRGC

The Company does not operate any long-term incentive plan such as a Share Option Plan or a Share Performance Plan. There are, therefore, no areas of discretion to disclose.

Insurance Cover

The Company provides professional indemnity for all the Directors in line with best practice in the market.

Approval of the directors' remuneration report

The Directors confirm that this report has been prepared in accordance with the Kenyan Companies Act, 2015, Capital Markets Authority (CMA) Code and listing rules.

For Michael Turner

Chairman, Board Nomination and Remuneration Committee

Date: 28 March 2023.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF I&M GROUP PLC

KPMG

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of I&M Group PLC (the "Group" and "Company") set out on pages 109 to 206, 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, the information subject to audit in the director's remuneration report 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 Group PLC 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 IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required 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 Company in accordance with the *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 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements for the year ended 31 December 2022. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit losses on loans and advances to customers in the consolidated financial statements
The disclosure associated with credit risk is set out in the financial statements in the following notes: • Note 3(f)(iii) – Significant accounting policies, Impairment on financial assets (page 122 – 125) • Note 5(a) – Financial risk management, Credit risk (page 133 – 152) • Note 21(b) – Impairment loss on loans and advances and other financial assets at amortised costs (page 179)

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF I&M GROUP PLC

KPMG

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

Key audit matters (continued)

Expected credit losses on loans and advances at amortised cost in the consolidated financial statements (Continued)	
The key audit matter	**How the matter was addressed in our audit**
We identified the audit of expected credit losses (ECL) on loans and advances to customers as a key audit matter which required significant audit effort due to the following: • Forward looking Information – IFRS 9 requires the Group to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in determining the macroeconomic information used and the probability weightings. • Significant increase in credit risk ("SICR") – the criteria selected to identify a significant increase in credit risk is a key area of judgement within the Group's ECL calculation as these criteria determine whether a 12 month or lifetime provision is recorded. • Model estimations – inherently judgemental modelling is used to estimate ECL which involves determining probabilities of default ("PD"), loss given default ("LGD"), and exposures at default ("EAD"). The PD model is a key driver of complexity in the Group's ECL modelling approach. The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers to be a key audit matter due to the high degree of estimation uncertainty and significant judgement applied by management in determination of ECL.	Our procedures in this area included, among others: • Performing process walk-throughs to identify the key systems, applications and controls used in the ECL processes. We tested the relevant general IT and applications controls over key systems used in the ECL process. This included testing the design and operating effectiveness of the key controls over the staging criteria and completeness and accuracy of the key inputs and assumptions into the IFRS 9 impairment models. Evaluating key aspects of the ECL model by: • For a sample of key data inputs and assumptions applied in the determination of ECL, assessing for accuracy of economic forecasts and challenging PD assumptions applied by involving our specialists in the inspection of forward looking information on the probability of default and PD calculations; • Evaluating the appropriateness of the Group's assessment of the SICR criteria used by assessing the qualitative and quantitative factors applied in the classification of the loans into stage 1, 2 and 3; • Assessing the appropriateness of parameters used in the impairment models in regards to the probability PDs, LGDs, and EADs by considering the local economic conditions; and • Evaluating management's basis for establishing Stage 3 impairment amounts. This includes challenging reasonability of management assumptions on cashflow projections and time to realization for a sample of facilities. Involving our internal financial risk modelling specialists to: • Assess the Group's methodology for determining the macro-economic scenarios used in the forward looking information by analysing the correctness of the direction of adjustment of the macroeconomic variables in baseline, optimistic and pessimistic scenario. • Assess the key economic variables used, including agreeing samples of economic variables to external sources, as well as the overall reasonableness of the economic forecasts by comparing the Group's forecasts to our own modelled forecasts. We evaluated whether the credit risk disclosures are consistent with the ECL information tested which include the ECL data, models, estimates, management adjustments and macroeconomic forecasts which we found to be appropriate.
The disclosure on goodwill is set out in the financial statements in the following notes: • Note 3(j) (ii) – Significant accounting policies, Goodwill (page 127) • Note 26(a) – Intangible assets – Goodwill (page 189 – 192)	
Impairment of goodwill is considered a key audit matter because: • The sectors in which the Group operates are highly regulated and continues to experience competitive market conditions with uncertainty of forecast cash flows used in the valuation models. • A significant level of judgment is applied on key inputs such as forecast cash flows, discount rates applied, forecast growth rates and terminal growth rates when considering management's assessment of impairment. The preparation of the estimate of the carrying value and value in use ('VIU') involves subjective judgement and uncertainties and hence was considered as a key audit matter.	Our audit procedures in this area included, among others: • Evaluated the forecasting process undertaken by the Group by assessing the precision of prior year forecast cash flows by comparing with actual outcomes. • Inspected the mathematical accuracy of the goodwill workings. • Involving our valuation specialists in challenging the Group's valuation methodology, discount rates and growth rates by comparing the Group's input to external data such as economic growth projections and interest rates. • Assessing the adequacy of the financial statements disclosures, including disclosures of key assumptions and judgements in accordance with IAS 36.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF I&M GROUP PLC

KPMG

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

Other information

The Directors are responsible for the other information. The other information comprises the Corporate information, Report of the directors, Statement on corporate governance, Statement of Directors' responsibilities and directors' remuneration report, but does not include the consolidated and separate financial statements, and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the additional other information to be included in the Annual Integrated Report and Financial Statements for the year ended 31 December 2022, which is expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, other than that prescribed by the Kenyan Company 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 identified above 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 on the information subject to audit in the director's remuneration report that we obtained prior to the date of this auditor's report, 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.

Directors' responsibilities for the consolidated and separate financial statements

The Directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with IFRS 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 the 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, 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 Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the consolidated and separate financial reporting process

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 International Standards on Auditing (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 skepticism 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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.
- 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 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 Company to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF I&M GROUP PLC

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)

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015 we report to you, solely based on our audit of the financial statements, that in our opinion:

(i) The information given in the Report of the Directors on pages 99 is consistent with the consolidated and separate financial statements; and

(ii) The auditable part of the Directors' remuneration report on pages 103 to 104 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

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
PO Box 40612 – 00100
Nairobi
Date: 29 March 2023.

OUR FINANCIALS (Continued)
Consolidated and company statements of profit or loss and other comprehensive income
For the year ended 31 December 2022

	Note	Group		Company	
		2022 KShs '000	2021 KShs '000	2022 KShs '000	2021 KShs '000
Interest income	9	37,351,197	33,081,468	119,396	36,991
Interest expense	10	(14,406,676)	(12,204,574)	-	-
Net interest income		**22,944,521**	**20,876,894**	**119,396**	**36,991**
Fee and commission income	11	5,886,471	4,876,226	-	-
Fee and commission expense	11	(594,470)	(466,026)	-	-
Net fee and commission income	**11**	**5,292,001**	**4,410,200**	**-**	**-**
Revenue		**28,236,522**	**25,287,094**	**119,396**	**36,991**
Net trading income	12	5,909,485	3,367,095	10,768	-
Other operating income	13	927,595	492,299	6,073,676	6,781,344
Net operating income before change in expected credit losses and other credit impairment charges		**35,073,602**	**29,146,488**	**6,203,840**	**6,818,335**
Change in expected credit losses and other credit impairment charges	21(b)	(5,245,020)	(4,199,601)	-	-
Net operating income		**29,828,582**	**24,946,887**	**6,203,840**	**6,818,335**
Staff costs	14	(6,587,195)	(6,001,913)	-	-
Premises and equipment costs	14	(716,283)	(568,098)	-	-
Other expenses	14	(5,723,896)	(4,489,890)	(54,121)	(114,249)
Depreciation and amortisation expenses	14	(2,471,026)	(2,022,970)	-	-
Operating expenses		**(15,498,400)**	**(13,082,871)**	**(54,121)**	**(114,249)**
Operating profit		**14,330,182**	**11,864,016**	**6,149,719**	**6,704,086**
Share of profit of joint venture	24(a)	662,150	548,890	-	-
Profit before income tax	**15**	**14,992,332**	**12,412,906**	**6,149,719**	**6,704,086**
Income tax expense	16(a)	(3,408,634)	(3,788,970)	(7,075)	(8,118)
Profit for the year		**11,583,698**	**8,623,936**	**6,142,644**	**6,695,968**

(Continued Page 110)

The notes set out on pages 116 to 206 form an integral part of these consolidated and separate financial statements.

OUR FINANCIALS (Continued)
Consolidated and company statements of profit or loss and other comprehensive income (continued)
For the year ended 31 December 2022

	Note	Group 2022 KShs '000	Group 2021 KShs '000	Company 2022 KShs '000	Company 2021 KShs '000
Other Comprehensive Income					
Items that will not be reclassified to profit or loss:					
Actuarial gains/(losses) on re-measurement of defined benefit scheme net of deferred tax	34(g)	(20,526)	35,022	-	-
Revaluation surplus on property and equipment net of deferred tax charge		120,230	111,898	-	-
Movement in fair value reserve for FVOCI - Equity Instruments	22	48,863	(9,334)	-	-
Items that may be classified to profit or loss:					
Movement in fair value reserve for FVOCI debt instruments		(3,055,876)	(742,847)	(41,101)	(1,275)
Foreign operations-foreign currency translation differences		1,365,147	(515,333)	-	-
Total other comprehensive income for the year		**(1,542,162)**	**(1,120,594)**	**(41,101)**	**(1,275)**
Total comprehensive income for the year		**10,041,536**	**7,503,342**	**6,101,543**	**6,694,693**
Profit attributable to:					
Equity holders of the Company		11,193,489	8,130,742	6,142,644	6,695,968
Non-controlling interest		390,209	493,194	-	-
		11,583,698	**8,623,936**	**6,142,644**	**6,695,968**
Total comprehensive income attributable to:					
Equity holders of the Company		9,406,664	7,011,452	6,101,543	6,694,693
Non-controlling interest		634,872	491,890	-	-
		10,041,536	**7,503,342**	**6,101,543**	**6,694,693**
Basic and diluted earnings per share - (KShs)	17	**6.77**	**4.92**	**3.71**	**4.05**

The notes set out on pages 116 to 206 form an integral part of these consolidated and separate financial statements.

OUR FINANCIALS (Continued)
Consolidated and company statements of financial position
As at 31 December 2022

	Note	Group 2022 KShs '000	Group 2021 KShs '000	Company 2022 KShs '000	Company 2021 KShs '000
ASSETS					
Cash and balances with central banks	18	22,818,302	27,546,591	-	-
Items in the course of collection	19	446,526	668,114	-	-
Loans and advances to banks	20	21,467,182	15,517,824	-	-
Loans and advances to customers	21(a)	238,590,143	210,619,661	-	-
Financial assets at fair value through profit or loss (FVTPL)	22(a)	16,402,892	16,368,165	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	22(b)	52,991,148	64,010,272	925,055	27,019
Other financial assets at amortised cost	22(c)	43,718,321	45,156,710	-	-
Held for sale assets	23	751,728	1,014,651	-	-
Investment in Joint Venture	24(a)	5,570,240	5,226,107	2,515,591	2,515,591
Investment in subsidiaries	24(b)	-	-	31,336,158	30,435,895
Property and equipment	25	12,514,594	12,883,629	-	-
Intangible assets - Goodwill	26(a)	3,986,814	3,894,190	-	-
Intangible assets - Software	26(b)	2,898,730	2,684,869	-	-
Tax recoverable	16(b)	445,655	459,760	7,695	3,463
Deferred tax asset	27	8,678,146	6,104,185	-	-
Due from group companies	38(b)(iii)	-	-	864,255	834,431
Other assets	28	5,528,057	3,025,949	80,927	229,786
TOTAL ASSETS		**436,808,478**	**415,180,677**	**35,729,681**	**34,046,185**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Deposit from banks	29	18,153,329	19,114,307	-	-
Items in course of collection	19	614,020	95,530	-	-
Deposits from customers	30	312,335,932	296,746,509	-	-
Tax payable	16(b)	208,832	29,310	-	-
Due to group companies	38(b)(iv)	-	-	-	1,931,640
Other liabilities	31	7,052,064	5,600,871	91,448	97,423
Long term debt	32	5,763,128	9,516,698	-	-
Subordinated debt	33	11,031,585	10,029,375	-	-
		355,158,890	**341,132,600**	**91,448**	**2,029,063**
Shareholders' equity (pages 112 - 114)					
Share capital	34(a)	1,653,621	1,653,621	1,653,621	1,653,621
Share premium	34(a)/(b)	17,561,629	17,561,629	17,561,629	17,561,629
Retained earnings		53,674,183	43,903,009	16,464,597	12,802,385
Revaluation reserve	34(c)	1,154,325	1,036,048	-	-
Fair value reserve	34(d)	(3,749,563)	(752,545)	(41,614)	(513)
Translation reserve	34(e)	(645,903)	(1,756,759)	-	-
Statutory credit risk reserve	34(f)	6,993,268	8,051,567	-	-
Defined benefit reserve	34(g)	(124,065)	(103,539)	-	-
Equity attributable to Owners of the Company		**76,517,495**	**69,593,031**	**35,638,233**	**32,017,122**
Non-controlling interest	24	5,132,093	4,455,046	-	-
TOTAL SHAREHOLDERS' EQUITY		**81,649,588**	**74,048,077**	**35,638,233**	**32,017,122**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**436,808,478**	**415,180,677**	**35,729,681**	**34,046,185**

The consolidated and separate financial statements set out on pages 109 to 206 were approved and authorised for issue by the Board of Directors on 28 March 2023. and were signed on its behalf by:

Daniel Ndonye Director	Rose Wanjiru Kinuthia Director	Sarit S Raja Shah Director	Bilha Wanjiru Mwangi Secretary

The notes set out on pages 116 to 206 form an integral part of these consolidated and separate financial statements.

OUR FINANCIALS (Continued)
Consolidated statement of changes in equity
For the year ended 31 December 2022

	Share capital KShs'000	Share premium KShs'000	Retained earnings KShs'000	Defined benefit reserve KShs'000	Statutory credit risk reserve KShs'000	Revaluation 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	**1,653,621**	**17,561,629**	**43,903,009**	**(103,539)**	**8,051,567**	**1,036,048**	**(752,545)**	**(1,756,759)**	**69,593,031**	**4,455,046**	**74,048,077**
Comprehensive income for the year											
Net profit after tax	-	-	11,193,489	-	-	-	-	-	11,193,489	390,209	11,583,698
	-	**-**	**11,193,489**	**-**	**-**	**-**	**-**	**-**	**11,193,489**	**390,209**	**11,583,698**
Other comprehensive income											
Translation reserve	-	-	-	-	-	-	-	1,110,856	1,110,856	254,291	1,365,147
Fair value reserve (Note 22)	-	-	-	-	-	-	(4,267,269)	-	(4,267,269)	(14,431)	(4,281,700)
Deferred tax charge - fair value reserve	-	-	-	-	-	-	1,270,251	-	1,270,251	4,436	1,274,687
Revaluation reserve	-	-	1,586	-	-	147,054	-	-	148,640	(31)	148,609
Deferred tax charge - revaluation reserve	-	-	-	-	-	(28,777)	-	-	(28,777)	398	(28,379)
Defined benefit plan	-	-	-	(20,526)	-	-	-	-	(20,526)	-	(20,526)
Statutory credit risk	-	-	1,058,299	-	(1,058,299)	-	-	-	-	-	-
Total other comprehensive income	**-**	**-**	**1,059,885**	**(20,526)**	**(1,058,299)**	**118,277**	**(2,997,018)**	**1,110,856**	**(1,786,825)**	**244,663**	**(1,542,162)**
Total comprehensive income	**-**	**-**	**12,253,374**	**(20,526)**	**(1,058,299)**	**118,277**	**(2,997,018)**	**1,110,856**	**9,406,664**	**634,872**	**10,041,536**
Transactions with owners											
Non-controlling interest buyout - I&M Burbidge Capital Limited	-	-	(1,768)	-	-	-	-	-	(1,768)	(25,232)	(27,000)
Issue of shares - I&M Bank (Uganda) Limited	-	-	-	-	-	-	-	-	-	59,876	59,876
Issue of preference shares - I&M Bank (Uganda) Limited	-	-	-	-	-	-	-	-	-	31,375	31,375
Dividends paid - 2021	-	-	(2,480,432)	-	-	-	-	-	(2,480,432)	(23,844)	(2,504,276)
Total transactions with owners for the year	**-**	**-**	**(2,482,200)**	**-**	**-**	**-**	**-**	**-**	**(2,482,200)**	**42,175**	**(2,440,025)**
At 31 December 2022	**1,653,621**	**17,561,629**	**53,674,183**	**(124,065)**	**6,993,268**	**1,154,325**	**(3,749,563)**	**(645,903)**	**76,517,495**	**5,132,093**	**81,649,588**

The notes set out on page 116 to 206 form an integral part of these consolidated and separate financial statements.

OUR FINANCIALS (Continued)
Consolidated statement of changes in equity
For the year ended 31 December 2022

	Share capital KShs'000	Share premium KShs'000	Retained earnings KShs'000	Defined benefit reserve KShs'000	Statutory credit risk reserve KShs'000	Revaluation 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	**826,811**	**18,390,507**	**39,610,553**	**(138,561)**	**5,867,908**	**929,217**	**(36,599)**	**(1,260,493)**	**64,189,343**	**3,873,796**	**68,063,139**
Correction of prior year reversal											
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	**826,811**	**18,390,507**	**39,561,622**	**(138,561)**	**5,867,908**	**929,217**	**12,332**	**(1,260,493)**	**64,189,343**	**3,873,796**	**68,063,139**
Comprehensive income for the year											
Net profit after tax	-	-	8,130,742	-	-	-	-	-	8,130,742	493,194	8,623,936
	-	**-**	**8,130,742**	**-**	**-**	**-**	**-**	**-**	**8,130,742**	**493,194**	**8,623,936**
Other comprehensive income											
Translation reserve	-	-	-	-	-	-	-	(496,266)	**(496,266)**	(19,067)	**(515,333)**
Fair value reserve (Note 22)	-	-	-	-	-	-	(1,010,931)	-	**(1,010,931)**	18,177	**(992,754)**
Deferred tax charge - fair value reserve	-	-	-	-	-	-	246,054	-	**246,054**	(5,481)	**240,573**
Revaluation reserve	-	-	-	-	-	152,635	-	-	**152,635**	7,254	**159,889**
Deferred tax charge - revaluation reserve	-	-	-	-	-	(45,804)	-	-	**(45,804)**	(2,187)	**(47,991)**
Defined benefit plan	-	-	-	35,022	-	-	-	-	**35,022**	-	**35,022**
Statutory credit risk	-	-	(2,118,258)	-	2,118,258	-	-	-	-	-	-
Total other comprehensive income	**-**	**-**	**(2,118,258)**	**35,022**	**2,118,258**	**106,831**	**(764,877)**	**(496,266)**	**(1,119,290)**	**(1,304)**	**(1,120,594)**
Total comprehensive income	**-**	**-**	**6,012,484**	**35,022**	**2,118,258**	**106,831**	**(764,877)**	**(496,266)**	**7,011,452**	**491,890**	**7,503,342**
Transactions with owners											
Acquisition of I&M Bank (Uganda) Limited	-	-	-	-	-	-	-	-	-	398,842	398,842
Issue of shares - I&M Bank (T) Limited	-	-	189,227	-	65,401	-	-	-	**254,628**	(219,589)	35,039
Issue of bonus shares	826,810	(826,810)	-	-	-	-	-	-	-	-	-
Acquisition and bonus issue related cost	-	(2,068)	-	-	-	-	-	-	**(2,068)**	-	(2,068)
Dividends paid - 2020	-	-	(1,860,324)	-	-	-	-	-	**(1,860,324)**	(89,893)	(1,950,217)
Total transactions with owners for the year	**826,810**	**(828,878)**	**(1,671,097)**	**-**	**65,401**	**-**	**-**	**-**	**(1,607,764)**	**89,360**	**(1,518,404)**
At 31 December 2021	**1,653,621**	**17,561,629**	**43,903,009**	**(103,539)**	**8,051,567**	**1,036,048**	**(752,545)**	**(1,756,759)**	**69,593,031**	**4,455,046**	**74,048,077**

The notes set out on page 116 to 206 form an integral part of these consolidated and separate 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	Fair value reserve KShs '000	Total KShs '000
At 1 January 2022	1,653,621	17,561,629	12,802,385	(513)	32,017,122
Comprehensive income for the year					
Profit for the year	-	-	6,142,644	-	6,142,644
	-	-	6,142,644	-	6,142,644
Other comprehensive income					
Fair value reserve (Note 22)	-	-	-	(41,101)	(41,101)
Total other comprehensive income	-	-	-	(41,101)	(41,101)
Total comprehensive income for the year	-	-	6,142,644	(41,101)	6,101,543
Transactions with owners recorded directly in equity					
Dividends paid - 2021	-	-	(2,480,432)	-	(2,480,432)
Total transactions with owners for the year	-	-	(2,480,432)	-	(2,480,432)
At 31 December 2022	1,653,621	17,561,629	16,464,597	(41,614)	35,638,233
2021:					
At 1 January 2021	826,811	18,390,507	7,966,741	762	27,184,821
Comprehensive income for the year					
Profit for the year	-	-	6,695,968	-	6,695,968
	-	-	6,695,968	-	6,695,968
Total transactions with owners for the year					
Fair value reserve (Note 22)	-	-	-	(1,275)	(1,275)
	-	-	-	(1,275)	(1,275)
Total comprehensive income for the year	-	-	6,695,968	(1,275)	6,694,693
Transactions with owners recorded directly in equity					
Issue of bonus shares	826,810	(826,810)	-	-	-
Issue related costs	-	(2,068)	-	-	(2,068)
Dividends paid - 2020	-	-	(1,860,324)	-	(1,860,324)
Total transactions with owners for the year	826,810	(828,878)	(1,860,324)	-	(1,862,392)
At 31 December 2021	1,653,621	17,561,629	12,802,385	(513)	32,017,122

The notes set out on page 116 to 206 form an integral part of these consolidated and separate financial statements.

OUR FINANCIALS (Continued)
Consolidated and company statements of cash flows
For the year ended 31 December 2022

	Note	Group 2022 KShs '000	Group 2021 KShs '000	Company 2022 KShs '000	Company 2021 KShs '000
Net cash flows generated from/ (utilised in) operating activities	35(a)	1,910,183	(15,065,762)	3,410,519	6,534,777
Cash flows used in investing activities					
Purchase of property and equipment (excluding right of use assets)	25	(861,459)	(1,327,815)	-	-
Purchase of intangible assets	26(b)	(1,019,142)	(873,623)	-	-
Investment in subsidiaries	24(b)	-	-	(900,263)	(4,284,013)
Acquisition of I&M Bank (Uganda) Limited net of cash and cash equivalent	35(c)	-	2,300,643	-	-
Proceeds from disposal of property and equipment		65,648	39,779	-	-
Net cash used in investing activities		(1,814,953)	138,984	(900,263)	(4,284,013)
Cash flows used in financing activities					
Net outflows from term subordinated debt		1,002,210	5,763,666	-	-
Dividend paid to shareholders of the company		(2,480,432)	(1,860,324)	(2,480,432)	(1,860,324)
Dividend paid to non-controlling interests		(23,844)	(89,893)	-	-
Non-controlling interest buyout - I&M Burbidge Capital Limited		(27,000)	-	-	-
Issue of shares - I&M Bank (Uganda) Limited		59,876	-	-	-
Issue of preference shares - I&M Bank (Uganda) Limited		31,375	-	-	-
Rights issue -I&M Bank (T) Limited		-	65,401	-	-
Payment of lease liabilities	31	(162,229)	(419,977)	-	-
Capital restructuring costs		-	(2,068)	-	(2,068)
Net cash used in financing activities		(1,600,044)	3,456,805	(2,480,432)	(1,862,392)
Net increase/(decrease) in cash and cash equivalents		(1,504,814)	(11,469,973)	29,824	388,372
Cash and cash equivalents at start of the year		10,661,714	21,472,404	834,431	446,059
Effect of exchange rate fluctuations on cash and cash equivalents held		1,033,644	659,283	-	-
Cash and cash equivalents at end of the year	35(b)	10,190,544	10,661,714	864,255	834,431

The notes set out on pages 116 to 206 form an integral part of these consolidated and separate financial statements.

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

1. REPORTING ENTITY

I&M Group PLC (the "Company"), is a non-operating holding company licensed by the Central Bank of Kenya (CBK) under the Kenyan Banking Act (Chapter 488). The Company is incorporated in Kenya under the Kenyan Companies Act,2015 and comprises banking subsidiaries in Kenya, Tanzania, Rwanda, Uganda and a joint venture in Mauritius and non banking Subsidiaries in Kenya, Mauritius and Uganda. The consolidated financial statements as at and for the year ended 31 December 2021 comprise of entities in Kenya – I&M Bank LIMITED, I&M Capital Limited, I&M Realty Limited, I&M Burbidge Capital Limited, Giro Limited, I&M Bancassurance Intermediary Limited, and Youjays Insurance Brokers Limited; Tanzania - I&M Bank (T) Limited; Rwanda - I&M Bank (Rwanda) Plc, Mauritius - BCR Investment Company Limited and a joint venture - Bank One Limited; and Uganda – I&M Bank (Uganda) Limited and I&M Burbidge Capital (U) Limited (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 Company owns the following entities directly:

(i) Bank One Limited – 50% interest in Bank One Limited, a joint venture in a bank licensed in Mauritius;
(ii) I&M Bank LIMITED – 100% shareholding;
(iii) I&M Capital Limited – 100% Shareholding;
(iv) I&M Realty Limited – 100% Shareholding;
(v) BCR Investment Company Limited – 100% Shareholding;
(vi) I&M Burbidge Capital Limited – 100% (2021 – 65%) Shareholding;
(vii) Giro Limited – 100% Shareholding, and;
(viii) I&M Bank (Uganda) Limited – 90% Shareholding

Through I&M Bank LIMITED, the Company has:

(i) 77.8% shareholding in I&M Bank (T) Limited;
(ii) 100% shareholding in I&M Bancassurance Intermediary Limited (incorporated on 23 July 2014),
(iii) 100% shareholding in Youjays Insurance Brokers Limited (effective 31 March 2018) through I&M Bancassurance Intermediary Limited.

Through BCR Investment Company Limited, the Company has 54.47% effective shareholding in I&M Bank (Rwanda) Plc as BCR Investment Company Limited (Mauritius) owns 54.47% shareholding in I&M Bank (Rwanda) Plc;

Through I&M Burbidge Capital Limited, the Company has 100% effective shareholding in I&M Burbidge Capital (U) Limited as the Company is 100% owned by I&M Burbidge Capital Limited.

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 IFRS Standards and in a 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) and buildings which are measured at fair value.

(c) Functional and presentation currency

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

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

2. BASIS OF PREPARATION (Continued)

(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) Business combination

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(ii) 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.

(iii) 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.

(iv) Interest in equity-accounted investees

Investments in joint ventures are accounted for using the equity method of accounting in the Consolidated/Group financial statements. These are undertakings in which the Group has between 20% and 50% of the voting rights and over which the Group exercises significant influence but which it does not control. Under the equity method, the Group's share of its joint ventures' post-acquisition profits or losses is recognised in profit or loss and its share of other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition total comprehensive income or loss (including dividends received from the associate) is adjusted against the carrying amount of the investment.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation(Continued)

(iv) Interest in equity-accounted investees (continued)

Losses of a joint venture in excess of the Group's interest in that joint venture are recognised only to the extent that the Group has incurred legal or constructive obligations to make payments on behalf of the associate.

Unrealized gains arising from transaction with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Investments in joint ventures are accounted at cost less impairment loss in the separate financial statements of the Company. They are initially recognised at cost which includes transaction costs.

(v) 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.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. 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 Consolidated Statement of profit or loss and other 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 and 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.

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)

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.

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 include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest on debt instruments measured at Fair Value Through Other Comprehensive Income (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 Fair Value Through Profit or Loss (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 – is recognised as the related services are performed.

Corporate advisory fees receivable in the normal course of business, are recognised on the basis of terms and conditions stipulated in the client engagement contract, and are recognised over time as the service is provided. The amounts to be collected from customers at period end are recognised as trade receivables. Variable commission are recognised when it is probable that the fee is payable.

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 expensed as the services are received.

(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.

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) 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.

(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;
- leverage features;
- 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 expected credit losses (ECL) in the statement of financial position.

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).

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 (continued)

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 Consolidated 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 ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Consolidated 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income. The accumulated allowance recognised in OCI is recycled to the Consolidated 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) Whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the Consolidated Statement of Financial Position, with transaction costs recognized immediately in the Consolidated 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 Consolidated 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 Group 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 Consolidated Statement of Financial Position at fair value. Changes in fair value are recognized in Non-interest income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Equity instruments

The Group has elected at initial recognition to irrevocably designate an equity investment, held for purposes other than trading, at FVOCI. The fair value changes, including any associated foreign exchange gains or losses, are recognized in OCI and are not subsequently reclassified in the Consolidated 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 profit or loss.

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.

Financial liabilities

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

(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 that are debt instruments (amortised cost and FVOCI) including loans and advances, trade receivables from Bancassurance and Advisory, and other financial assets measured at amortised cost.
- lease receivables (rental income collected from Investment properties);
- financial guarantee contracts issued; and
- loan commitments issued.

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)

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 has not increased significantly since their initial recognition i.e. stage 1 (see Note 5(a)).

Loss allowances for lease receivables (on investment property), and trade receivables (on advisory and 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 to determine 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 uses below criteria for determining whether there has been a significant increase in credit risk:

- a quantitative test based on movement in PD;
- qualitative indicators; and
- the Group considers that a significant increase in credit risk occurs when assets is 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.

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;

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 (Continued)

- *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 Note 5a(v) 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; or
- 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 is credit-impaired, the Group considers the following factors;

(i) The market's assessment of creditworthiness as reflected in bond yields.
(ii) The rating agencies assessments of creditworthiness.
(iii) The country's ability to access the capital markets for new debt issuance.
(iv) The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

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.

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)

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.

The Group securitises various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitisation vehicles and in the Group transferring substantially all of the risks and rewards of ownership. The securitisation vehicles in turn issue securities to investors. Interests in the securitised financial assets are generally retained in the form of senior or subordinated tranches, interest-only strips or other residual interests (retained interests). Retained interests are recognised as investment securities and carried at FVOCI. Gains or losses on securitisation are recorded in other revenue.

Financial liabilities

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

(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) and Note 5a(v).

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 (continued)

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.

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.

(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 or valuation(buildings) less accumulated depreciation and accumulated impairment losses. 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property and equipment (Continued)

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:

Buildings	2% or over the period of lease if shorter than 50 years
Leasehold improvements	10-12½% or over the period of lease if shorter than 8 years
Right of use assets	2% or over the period of lease if shorter than 50 years
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.

Goodwill is reviewed annually to determine whether there is any indication of impairment. The task involves comparing the carrying value of a cash generating unit (CGU) including cashflows, discounted at a rate of interest that reflects inherent risk of the CGU to which the goodwill relates to. The CGU discounted cashflows are compared with the net carrying amount plus goodwill to test for impairment triggers. Impairment is required whenever the cashflows are materially lower than carrying value.

(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.

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.

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 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.

Group acting as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

(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.

(m) Derivative financial instruments

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 each 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.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Employee benefits (Continued)

(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.

(iii) Employee Share Ownership Plan (ESOP)

The grant date fair value of equity-settled share-based payment awards (i.e. stock options) granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service and non-market performance vesting conditions are expected to be met such that the amount ultimately recognised as an expense is based on the number of share awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(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.

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.

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) Operating segments

An operating segment is a component of the Group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The Group's identification of segments and the measurement of segment results is based on the Group's internal reporting to the chief operating decision makers, comprising of the Group's management committees. Transactions between segments are priced at market-related rates.

The Group is required to disclose information to the users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates in compliance with IFRS 8. An operating segment is a component of the Group engaged in business activities, whose operating results are reviewed regularly by management to make decisions about resources to be allocated to segments and assessing segment performance.

Identification of segments and the measurement of segment results is based on the Group's internal reporting to management. Management has determined the operating segments based on the reports reviewed by the Group's Chief Executive with the assistance of the Group's Executive Committee (GEXCO) and the Group Asset and Liability Committee (GALCO). The Group has therefore segmented its business based on geographical location namely, Kenya, Tanzania, Rwanda, Uganda and Mauritius. This is in line with Group reporting reports. The geographical spread (across borders) is used as a part of performance analysis as disclosed in Note 8.

(x) New standards, amendments and interpretations

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

The Group and Company has adopted the following new standards and amendments during the year ended 31 December 2021, including consequential amendments to other standards with the date of initial application by the Group and Company being 1 January 2021. The nature and effects of the changes are as explained here in.

New standards or amendments	Effective for annual period beginning or after
COVID-l 9-Related Rent Concessions (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

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New standards, amendments and interpretations (Continued)

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

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.

- 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 period beginning 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).

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) 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)

- 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.

- 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 Group 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) 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)

- *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.

- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*

Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale[1]and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

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

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. The Russia-Ukraine war did not have a significant impact on the Group and its clients as at the reporting date.

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 more significant types of risk to which the Group is exposed are credit risk, liquidity risk, market risk and operational risk. Market risk includes 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.

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.

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.

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.

Credit-related commitment risks

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.

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)

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.

Derivative financial instruments

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 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.

(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, 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.

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)	201,334,032	-	-	201,334,032
Watch (Stage 2)	-	28,178,751	-	28,178,751
Non-Performing loans (Stage 3)	-	-	26,515,054	26,515,054
Gross carrying amount	**201,334,032**	**28,178,751**	**26,515,054**	**256,027,837**
Loss allowance	(401,363)	(3,456,140)	(13,580,191)	(17,437,694)
Net carrying amount	**200,932,669**	**24,722,611**	**12,934,863**	**238,590,143**

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)	178,368,003	-	-	178,368,003
Watch (Stage 2)	-	23,483,533	-	23,483,533
Non-Performing loans (Stage 3)	-	-	22,637,444	22,637,444
Gross carrying amount	**178,368,003**	**23,483,533**	**22,637,444**	**224,488,980**
Loss allowance	(745,489)	(1,880,754)	(11,243,076)	(13,869,319)
Net carrying amount	**177,622,514**	**21,602,779**	**11,394,368**	**210,619,661**

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: **Loans and advances to customers**	**2022** **KShs'000**	**2021** **KShs'000**
Identified impairment:		
Grade 3: Substandard	5,379,520	1,423,884
Grade 4: Doubtful	12,342,345	14,906,087
Grade 5: Loss	8,793,189	6,307,473
	26,515,054	**22,637,444**
Specific allowances for impairment	(13,580,191)	(11,243,076)
Carrying amounts	**12,934,863**	**11,394,368**
Unidentified impairment:		
Grade 2: Watch	28,178,751	23,483,533
Grade 1: Normal	201,334,032	178,368,003
	229,512,783	**201,851,536**
Portfolio allowances for impairment	(3,857,503)	(2,626,243)
Carrying amounts	**225,655,280**	**199,225,293**
Total carrying amounts	**238,590,143**	**210,619,661**

Identified impairment:	**Gross** **KShs'000**	**Net** **KShs'000**
31 December 2022		
Grade 3: Substandard	5,379,520	2,509,400
Grade 4: Doubtful	12,342,345	5,622,371
Grade 5: Loss	8,793,189	4,803,092
	26,515,054	**12,934,863**
31 December 2021		
Grade 3: Substandard	1,423,884	669,067
Grade 4: Doubtful	14,906,087	8,344,804
Grade 5: Loss	6,307,473	2,380,497
	22,637,444	**11,394,368**

Unidentified impairment:	**Gross** **KShs'000**	**Net** **KShs'000**
31 December 2022		
Grade 1: Normal	201,334,032	200,932,669
Grade 2: Watch	28,178,751	24,722,611
	229,512,783	**225,655,280**
31 December 2021		
Grade 1: Normal	178,368,003	177,622,514
Grade 2: Watch	23,483,533	21,602,779
	201,851,536	**199,225,293**

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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 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 the prudential guidelines of the respective jurisdictions.

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.

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. 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	67,376	5,189	62,187	No
Past due:				
30-90 days	15,583	2,350	13,233	No
91-180 days	22,975	11,795	11,180	Yes
180-360 days	77,993	51,744	26,249	Yes
Over 360 days	20,470	20,470	-	Yes
	204,397	**91,548**	**112,849**	

2021:	Gross KShs'000	Impairment KShs'000	Net KShs'000	Credit impaired
Current	26,632	2,130	24,502	No
Past due:				
30-90 days	15,395	1,992	13,403	No
91-180 days	20,349	8,519	11,830	Yes
180-360 days	58,360	39,343	19,017	Yes
Over 360 days	17,597	17,597	-	Yes
	138,333	**69,581**	**68,752**	

Impairment loss movement on trade receivables

	2022 KShs'000	2021 KShs'000
At 1 January	69,581	58,103
Charge for the year	22,174	11,442
Write off during the year	(243)	-
Translation difference	36	36
At 31 December	**91,548**	**69,581**

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)
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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 larger banking group.

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 table below best represents the Groups exposure to credit risk in regard to financials assets other than loans and advances to customers. as at 31 December 2022.

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Balances with central banks (Note 18)	17,632,125	21,343,955	-	-
Items in the course of collection (Note 19)	446,526	668,114	-	-
Loans and advances to banks (Note 20)	21,467,182	15,517,824	-	-
Financial assets at fair value through other comprehensive income (FVOCI) - Debt instruments (Note 22)	52,991,148	64,010,272	925,055	27,019
Other financial assets at amortised cost; Government securities (Note 22)	43,605,472	45,087,958	-	-
Due from group companies (Note 38)	-	-	834,431	834,431
	136,142,453	**146,628,123**	**1,789,310**	**861,450**

(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:

Group	2022 KShs'000	2021 KShs'000
Fair value of collateral held – against impaired loans	12,934,863	11,394,368

(v) Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

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

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.

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 (Continued)

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 on 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 below supplements

- 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).

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; with and;
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

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)

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 provided has 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 KShs'000	2021 KShs'000
Assistance package category		
Loan deferral package		
Corporate & Institutional Banking	13,311,271	15,022,134
Business Banking	884,283	2,457,204
Premium Banking	49,220	247,053
Personal Banking	36,354	21,667
Interest only		
Corporate Institutional Banking	4,528,019	392,377
Business Banking	405,473	-
Premium Banking	74,753	-
Personal Banking	-	-
Term extensions		
Corporate Institutional Banking	6,641,449	2,474,680
Business Banking	1,401,798	1,280,961
Premium Banking	-	-
Personal Banking	1,999,026	1,905,569
Total		
Corporate Institutional Banking	**24,480,739**	**17,889,191**
Business Banking	**2,691,554**	**3,738,165**
Premium Banking	**123,973**	**247,053**
Personal Banking	**2,035,380**	**1,927,236**
	29,331,646	**23,801,645**

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.

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For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(v) Amounts arising from ECL (Continued)

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 country 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.

IFRS 9 requires an entity to measure expected credit losses of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.

The Bank is therefore required to formulate a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. Two additional economic scenarios (Upside and Downside) were incorporated, and relative probabilities assigned to each outcome(weights).

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.

Scenario Development

(a) Weights

The Group has considered a probability weighted out-come of three scenarios in its scenario analysis:

- Base Case- These are the forecasted probabilities of default under current normal macro-economic conditions.
- Pessimistic Case/ Downside - These are the forecasted probabilities of default under adverse macro-economic conditions obtained by stressing the current macro-economic variables by the mean standard deviation.
- Optimistic Case/ Upside - These are the forecasted probabilities of default under a positive macro-economic outlook obtained by stressing the current macro-economic variables by the mean standard deviation.

The weights are developed based on the average number of loans under default for the past 24 months considering the distribution of the default rates around the mean standard deviation.

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5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(v) Amounts arising from ECL (Continued)

Incorporation of forward-looking information (Continued)

Scenario Development (Continued)

b) Forecasted rates

The Group has performed a regression analysis of the various macro-economic variables and the historical default rates. In coming up with the relevant macro-economic variables the following have been considered:

- The degree of correlation between the macro factors and the default rates- A 40%-degree correlation coefficient between the macro-variables and the historical default rates is deemed to be significant for variable selection.
- The second criterion is to assess whether the resulting correlations are logical with the expected relationship. If the correlation relationship meets the criteria, the variable is selected, otherwise it is ignored irrespective of the strength of the correlation.
- Confidence level– A p-value of 5% has been used to provide a 95% level of confidence in the regression model.
- The degree in which the independent i.e., macro-economic variables explain how much of the variation in the predicted variable i.e., default rates. The statistical metric taken into account is an adjusted R-squared of 40%.

The above statistical criterion forms the basis of macro -economic variables selection to forecast the 12-month point in time expected default rates.

The general expectation is that as new data on default rates and changes in macro-economic factors is brought in, the logistic regression model will pick a new set of relevant macro-factors based on the statistical metrics mentioned above.

A scenario forecast of default rates and the selected macro-economic variables based on the correlation coefficients is then performed to consider the three scenarios as follows:

- Base case- In this instance it is assumed the forecasted macro-factors will be largely consistent with the historical macro-factors therefore, no significant spikes are expected in the macro-factors and hence resulting to default rates that are relatively normal to those observed historically.
- Pessimistic/Downside forecasts- In this instance, it is assumed there will be huge positive spikes in the forecasted macro-economic variables that will consequently result to higher default rates taking into consideration the correlation coefficients.
- Optimistic/Upside forecasts- In this instance, it is assumed there will be negative spikes in the forecasted macro-economic variables that will consequently result to lower default rates taking into consideration the correlation coefficients.

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.

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)	-	-	-

OUR FINANCIALS (Continued)
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5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(v) Amounts arising from ECL (Continued)

Incorporation of forward-looking information (Continued)

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	-	-	-

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	-	-	-

OUR FINANCIALS (Continued)
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For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(v) Amounts arising from ECL (Continued)

Scenario Development (Continued

Incorporation of forward-looking information (Continued)

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 equivalent to the Basel PD of 0.05% for purposes of ECL calculation and adjusting by the average macro adjustments from the different sectors.

The methodology and assumptions used in arriving at the scenario weights has been applied consistently from prior year and the likelihood of default given the changes in the economic outlook is the key driver for the three scenarios.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative, or political changes, have been considered, but are not deemed to have a material impact therefore, no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

In determining the likelihood of each of the macroeconomic scenarios based on sectors, a weighting of 67% (base case), 25% (upside case) and 8% (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	-	-	-

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	-	-	-

OUR FINANCIALS (Continued)
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5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(v) Amounts arising from ECL (Continued)

Incorporation of forward-looking information (Continued)

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 and communication, mining and quarrying, other services, tourism, agriculture, education and hotels and restaurants. For these sectors, an average adjustment of sectors with intuitive relationship with macroeconomic factors and CC 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.

In Rwanda, the backward elimination multiple regression model led to the following macro-economic factors per sector for the year ended 31 December 2022;

Sector	Macro-economic factors
i) Agriculture	Central Bank Rate
ii) Manufacturing	Treasury bills 182 days. GDP
iii) Building and Construction	Repo
iv) Tourism Restaurants and Hotels	Inflation Public debt to GDP
v) Mining and Quarrying	Treasury bills 91 days Treasury bills 182 days Lending rates
vi) Personal/Households	Public debt to GDP
vii) Social, Community and Personal	Public debt to GDP

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5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(v) Amounts arising from ECL (Continued)

Incorporation of forward-looking information – (Continued)

With incorporation of forward looking information the followings were used as micro adjusted PDs;

Macro-Economic variable	2022			
	Coefficient/ Sensitivity	Base %	Upside%	Downside%
Weighting		62.50%	16.67%	20.83%
Central Bank Rate	(5.34)	6.50%	6.50%	6.50%
Repo rate	(6.71)	6.50%	6.50%	6.50%
Reverse repo	0.81	6.50%	6.50%	6.50%
T-Bills 91 days	10.94	6.83%	7.90%	7.30%
Lending rate	16.09	15.80%	17.00%	16.40%
GDP	0.12	6.20%	6.60%	5.80%
Inflation	0.61	7.90%	8.30%	7.50%
Public debt to GDP	0.16	73.90%	77.30%	70.50%

For Uganda, in determining the likelihood of each of the macroeconomic scenarios based on sectors, a weighting of 68.2% (base case), 10.6% (upside case) and 21.2% (downside case) was applied.

The expected outcomes of key economic drivers for the base case scenario as at 31 December 2022 are described in the table below.

Regression analysis was used to derive variables below that were selected to incorporate forward looking information for each sector.

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)

Agriculture	Coefficients
GDP growth rate	(1.75)
Constant	0.13
Manufacturing	**Coefficients**
Deposit Rate	(0.51)
Unemployment rate	1.18
Constant	0.02
Trade	**Coefficients**
Saving rate	(2.06)
Unemployment rate	2.19
Constant	0.06
Transport and Communication	**Coefficients**
GDP growth rate	(0.43)
Public debt to GDP	0.33
Constant	0.06
Building, Construction & Real Estate	**Coefficients**
Unemployment rate	7.53
Constant	(0.11)
Business Services	**Coefficients**
Unemployment rate	(2.72)
Public Debt to GDP	2.66
Constant	(0.36)
Community, Social and Other Services	**Coefficients**
182-day T-bills	(2.29)
Unemployment	4.76
Constant	0.16
Personal and Household Loans	**Coefficients**
Public Debt to GDP	0.36
Constant	(0.09)

In determining the likelihood of the base case, upside case and downside case macroeconomic scenarios for each respective sector, the following weights were applied.

Base case	Downside case	Upside case
68.20%	21.20%	10.60%

Direct inference statistical method was used in incorporating forward looking information for Manufacturing, Trade, Transport & Communication, Building & Construction, Community, Social services sectors.

Management overlays were applied to the sectors where statistical modelling was not successful i.e. average of percentage of macroeconomic adjustment of the sectors in method used above. The sectors include, Agriculture, Business Services, Personal & household loans.

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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

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.

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.

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)

ECL - Sensitivity analysis

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

Group

2022:	ECL KShs'000	Impact KShs'000
If 1% of stage 1 facilities were included in Stage 2	3,998,291	306,415
If 1% of stage 2 facilities were included in Stage 1	3,659,620	(32,255)
100% upside scenario	3,346,526	(38,183)
100% base scenario	3,367,819	(16,891)
100% downside scenario	3,376,672	(8,037)

2021:	ECL KShs'000	Impact KShs'000
If 1% of stage 1 facilities were included in Stage 2	2,358,125	181,185
If 1% of stage 2 facilities were included in Stage 1	2,162,496	(14,445)
100% upside scenario	2,157,525	(19,415)
100% base scenario	2,170,928	(6,012)
100% downside scenario	2,246,404	(75,504)

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) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) Total 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	**745,489**	**1,880,754**	**11,243,076**	**13,869,319**	**178,368,003**	**23,483,533**	**22,637,444**	**224,488,980**
Transfer from 12 months ECL (Stage 1)	(37,814)	31,372	6,442	-	(15,812,174)	12,646,101	3,166,073	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	251,284	(422,656)	171,372	-	7,339,291	(11,739,988)	4,400,697	-
Transfer from Lifetime ECL credit impaired (Stage 3)	34,397	383,700	(418,097)	-	495,785	1,630,582	(2,126,367)	-
Net remeasurement of loss allowance	(629,312)	1,522,300	4,958,388	**5,851,376**	19,842,993	1,860,989	2,551,436	**24,255,418**
New financial assets originated or purchased	61,769	45,248	193,631	**300,648**	14,781,649	965,024	(79,855)	**15,666,818**
Financial assets derecognised	(34,463)	(11,945)	(990,887)	**(1,037,295)**	(6,832,407)	(1,193,377)	(1,113,005)	**(9,138,789)**
Write off	-	-	(1,790,985)	**(1,790,985)**	933,057	(11)	(3,159,526)	**(2,226,480)**
Translation difference	10,013	27,367	207,251	**244,631**	2,217,835	525,898	238,157	**2,981,890**
Balance at 31 December 2022	**401,363**	**3,456,140**	**13,580,191**	**17,437,694**	**201,334,032**	**28,178,751**	**26,515,054**	**256,027,837**

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) Total 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	**527,618**	**1,254,714**	**11,180,481**	**12,962,813**	**154,439,529**	**22,319,087**	**23,595,463**	**200,354,079**
Acquisition of I&M Bank (Uganda) Limited	5,345	2,859	690,185	**698,389**	5,382,654	1,382,718	2,370,784	**9,136,156**
Transfer from 12 months ECL (Stage 1)	(9,354)	12,798	(3,444)	-	(8,250,304)	7,875,623	374,681	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	200,206	(451,281)	251,075	-	6,655,665	(10,047,354)	3,391,689	-
Transfer from Lifetime ECL credit impaired (Stage 3)	52,078	435,850	(487,928)	-	119,077	1,389,830	(1,508,907)	-
Net remeasurement of loss allowance	(98,454)	612,001	3,741,347	**4,254,894**	8,729,622	310,344	(200,362)	**8,839,604**
New financial assets originated or purchased	90,959	26,448	731,235	**848,642**	21,409,285	1,802,645	1,053,112	**24,265,042**
Financial assets derecognised	(21,965)	(11,927)	(455,915)	**(489,807)**	(10,362,716)	(1,648,970)	(1,109,715)	**(13,121,401)**
Write off	-	-	(4,485,302)	**(4,485,302)**	-	-	(5,430,645)	**(5,430,645)**
Translation difference	(944)	(708)	81,342	**79,690**	245,191	99,610	101,344	**446,145**
Balance at 31 December 2022	**745,489**	**1,880,745**	**11,243,076**	**13,869,319**	**178,368,003**	**23,483,533**	**22,637,444**	**244,488,980**

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) Total 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	**243,924**	**32,595**	**2,440**	**278,959**	**95,532,782**	**1,564,204**	**129,052**	**97,226,038**
Transfer from 12 months ECL (Stage 1)	(28,716)	6,621	22,095	-	(3,262,714)	2,887,641	375,073	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	887	(887)	-	-	728,750	(910,407)	181,657	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	95,030	-	(95,030)	-
Net remeasurement of loss allowance	(109,579)	11,279	37,241	**(61,059)**	9,473,435	(175,669)	54,335	**9,352,101**
New financial assets originated or purchased	2,608	247	852	**3,707**	2,923,593	222,367	20,154	**3,166,114**
Financial assets derecognised	(36,578)	(186)	(2,542)	**(39,306)**	(11,469,757)	(19,562)	(34,229)	**(11,523,548)**
Translation difference	519	1,702	103	**2,324**	975,167	49,060	207	**1,024,434**
Balance at 31 December 2022	**73,065**	**51,371**	**60,189**	**184,625**	**94,996,286**	**3,617,634**	**631,219**	**99,245,139**

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) (Stage 3) KShs'000	Lifetime ECL credit impaired (Stage 3) Total KShs'000	Total (Stage 2) 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	**112,933**	**61,057**	**229,395**	**403,385**	**83,587,060**	**3,983,401**	**994,299**	**88,564,760**
Acquisition of I&M Bank (Uganda) Limited	**3,006**	**759**	**-**	**3,765**	**2,202,015**	**265,476**	**75**	**2,467,566**
Transfer from 12 months ECL (Stage 1)	2,340	(2,340)	-	-	(310,419)	190,880	119,539	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	50,958	(50,958)	-	-	3,182,930	(3,182,930)	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	14,524	-	(14,524)	-	698,462	-	(698,462)	-
Net remeasurement of loss allowance	3,769	22,648	-	**26,417**	(803,049)	386,193	1,521	**(415,335)**
New financial assets originated or purchased	71,891	1,995	2,365	**76,251**	18,836,985	43,597	7,992	**18,888,574**
Financial assets derecognised	(15,861)	(747)	(212,798)	**(229,406)**	(12,089,645)	(117,760)	(293,229)	**(12,500,634)**
Translation difference	364	181	(1,998)	**(1,453)**	228,443	(4,653)	(2,683)	**221,107**
Balance at 31 December 2021	**243,924**	**32,595**	**2,440**	**278,959**	**95,532,782**	**1,564,204**	**129,052**	**97,226,038**

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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 Group'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 32 and Note 33.

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

	Kenya		Tanzania		Rwanda		Uganda	
	2022	2021	2022	2021	2022	2021	2022	2021
At 31 December	39%	48%	26%	31%	42%	57%	52%	49%
Average for the period	42%	47%	29%	27%	46%	54%	57%	49%
Highest for the period	47%	49%	32%	32%	54%	58%	63%	54%
Lowest for the period	39%	44%	24%	24%	39%	51%	52%	49%

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2022 to the contractual maturity date

Group 31 December 2022	Contractual cash flows						
	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	Carrying value KShs'000
LIABILITIES							
Deposits from banks	1,749,598	10,125,152	2,660,992	2,325,559	1,953,883	**18,815,184**	**18,153,329**
Items in the course of collection	12,530	614,020	-	-	-	**626,550**	**614,020**
Deposits from customers	100,271,375	105,974,793	84,213,942	18,213,915	8,497,835	**317,171,860**	**312,335,932**
Other liabilities	2,612,269	4,042,963	131,139		-	**6,786,371**	**5,660,030**
Long term debt	-	-	1,709,919	3,736,788	404,386	**5,851,093**	**5,763,128**
Subordinated debt	-	263,931	1,231,516	4,152,930	8,541,988	**14,190,365**	**11,031,585**
Contractual off-balance sheet financial liabilities	47,037,060	19,623,820	72,096,632	4,774,346	5,177	**143,537,035**	**143,537,035**
Capital commitments	-	-	1,578,997	-	-	**1,578,997**	**1,578,997**
Lease liabilities	42,693	126,248	328,903	1,686,836	538,755	**2,723,435**	**1,392,034**
At 31 December 2022	**151,725,525**	**140,770,927**	**163,952,040**	**34,890,374**	**19,942,024**	**511,280,890**	**500,066,090**

Group 31 December 2021	Contractual cash flows						
	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	Carrying value KShs'000
LIABILITIES							
Deposits from banks	4,762,282	8,953,588	3,987,253	1,293,208	876,007	**19,872,338**	19,114,307
Items in the course of collection	-	95,530	-	-	-	**95,530**	95,530
Deposits from customers	92,318,893	98,805,030	96,060,554	11,290,251	5,781,360	**304,256,088**	296,746,509
Other liabilities	1,257,750	4,297,646	150,759	-	-	**5,706,155**	3,904,657
Long term debt	46,723	2,204	3,051,800	3,527,010	5,303,059	**11,930,796**	9,516,698
Subordinated debt	-	69,118	113,365	8,617,593	3,917,819	**12,717,895**	10,029,375
Contractual off-balance sheet financial liabilities	30,206,561	19,158,424	65,714,445	5,125,523	251,753	**120,456,706**	120,456,706
Capital commitments	-	-	5,968,322	-	-	**5,968,322**	5,968,322
Lease liabilities	42,693	126,248	325,919	1,681,277	538,402	**2,714,539**	1,696,214
At 31 December 2021	**128,634,902**	**131,507,788**	**175,372,417**	**31,534,862**	**16,668,400**	**483,718,369**	**467,528,318**

Deposits from customers represent business transaction, personal transaction, savings, call and fixed deposit balances, which past experience has

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shown to be stable

5. FINANCIAL RISK MANAGEMENT (Continued)

(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. The objective of the Groups market risk is to manage and control market risk exposures within acceptable parameters to ensure the Group's solvency while optimising the return on risk.

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

OUR FINANCIALS (Continued)
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For the year ended 31 December 2022 (Continued)

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.

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	-	-	-	-	-	22,818,302	**22,818,302**
Items in the course of collection	-	-	-	-	-	446,526	**446,526**
Loans and advances to banks	13,392,437	5,226,225	2,222,266	626,254	-	-	**21,467,182**
Loans and advances to customers	7,711,373	186,861,239	9,200,632	24,942,556	9,874,343	-	**238,590,143**
Financial assets at fair value through profit or loss (FVTPL)	-	-	1,745,606	2,026,243	12,631,043	-	**16,402,892**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	24,475	-	9,783,873	43,129,224	53,576	**52,991,148**
Other financial assets at amortised cost	1,417,065	2,958,613	2,476,905	27,166,678	9,699,060	-	**43,718,321**
Other assets	-	-	-	-	-	5,528,057	**5,528,057**
At 31 December 2022	**22,520,875**	**195,070,552**	**15,645,409**	**64,545,604**	**75,333,670**	**28,846,461**	**401,962,571**
LIABILITIES							
Deposits from banks	1,188,903	14,419,597	1,571,984	438,189	-	534,656	**18,153,329**
Items in the course of collection	-	-	-	-	-	614,020	**614,020**
Deposits from customers	91,283,247	109,738,230	77,364,973	9,084,122	-	24,865,360	**312,335,932**
Other liabilities	-	89,808	131,139	-	-	6,831,117	**7,052,064**
Long term debt	1,681	-	4,800,308	171,759	789,380	-	**5,763,128**
Subordinated debt	-	9,800,069	1,231,516	-	-	-	**11,031,585**
At 31 December 2022	**92,473,831**	**134,047,704**	**85,099,920**	**9,694,070**	**789,380**	**32,845,153**	**354,950,058**
Interest rate gap	**(69,952,956)**	**61,022,848**	**(69,454,511)**	**54,851,534**	**74,544,290**	**(3,998,692)**	**47,012,513**

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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	-	-	-	-	-	27,546,591	27,546,591
Items in the course of collection	-	-	-	-	-	668,114	668,114
Loans and advances to banks	8,199,185	7,003,301	315,338	-	-	-	15,517,824
Loans and advances to customers	7,887,322	164,463,662	4,286,798	19,882,911	14,098,968	-	210,619,661
Financial assets at fair value through profit or loss (FVTPL)	15,560	14,293	423,631	2,482,473	13,432,208	-	16,368,165
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	3,862,212	12,765,030	8,425,555	38,907,722	49,753	64,010,272
Other financial assets at amortised cost	329,585	8,289,460	11,675,075	18,347,968	6,514,622	-	45,156,710
Other assets	-	-	-	-	-	3,025,949	3,025,949
At 31 December 2021	**16,431,652**	**183,632,928**	**29,465,872**	**49,138,907**	**72,953,520**	**31,290,407**	**382,913,286**
LIABILITIES							
Deposits from banks	6,609,067	8,508,204	3,415,672	399,606	-	181,758	19,114,307
Items in the course of collection	-	-	-	-	-	95,530	95,530
Deposits from customers	84,758,357	97,994,801	89,220,161	4,865,067	83,096	19,825,027	296,746,509
Other liabilities	-	79,596	150,759	-	-	5,370,516	5,600,871
Long term debt	46,368	2,154	3,729,460	2,108,386	3,467,075	163,255	9,516,698
Subordinated debt	-	8,924,816	3,326	1,101,233	-	-	10,029,375
At 31 December 2021	**91,413,792**	**115,509,571**	**96,519,378**	**8,474,292**	**3,550,171**	**25,636,086**	**341,103,290**
Interest rate gap	**(74,982,140)**	**68,123,357**	**(67,053,506)**	**40,664,615**	**69,403,349**	**5,654,321**	**41,809,996**

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.

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.

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)

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.

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	7,462,322	5,223,625
Liabilities	(6,442,098)	(4,509,469)
Net position	**1,020,224**	**714,156**

31 December 2021	**Profit or loss**	**Equity net of tax**
Assets	7,032,458	4,922,721
Liabilities	(6,309,344)	(4,416,541)
Net position	**723,114**	**506,180**

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	5,266,278	369,710	592,763	18,327	**6,247,078**
Items in the course of collection	53,750	-	260	-	**54,010**
Loans and advances to banks	13,546,536	861,450	1,523,594	1,553,002	**17,484,582**
Loans and advances to customers	86,933,707	2,065,012	4,176,612	4,165	**93,179,496**
Financial assets at fair value through profit or loss (FVTPL)	1,948,811	-	-	-	**1,948,811**
Financial assets measured at fair value through other comprehensive income (FVOCI)	208,501	-	-	-	**208,501**
Other financial assets at amortised cost	18,886,039	-	-	-	**18,886,039**
Other assets	5,285,077	86,978	80,842	20,880	**5,473,777**
At 31 December 2022	**132,128,699**	**3,383,150**	**6,374,071**	**1,596,374**	**143,482,294**
LIABILITIES					
Deposits from banks	9,888,964	30,586	135,539	20,908	**10,075,997**
Items in the course of collection	-	-	-	-	-
Deposits from customers	100,578,270	8,483,970	4,718,093	1,486,681	**115,267,014**
Other liabilities	4,780,794	291,872	393,111	21,928	**5,487,705**
Long-term debt	5,244,278	-	-	-	**5,244,278**
Subordinated debt	11,031,585	-	-	-	**11,031,585**
At 31 December 2022	**131,523,891**	**8,806,428**	**5,246,743**	**1,529,517**	**147,106,579**
Net on statement of financial position	**604,808**	**(5,423,278)**	**1,127,328**	**66,857**	**(3,624,285)**
Net notional off balance sheet position	**11,644,623**	**5,432,299**	**2,230,531**	**274,644**	**19,582,097**
Overall net position – 2022	**12,249,431**	**9,021**	**3,357,859**	**341,501**	**15,957,812**

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	9,717,549	2,362,062	1,065,897	342,994	13,488,502
Items in the course of collection	44,276	-	825	-	45,101
Loans and advances to banks	7,423,980	8,377	1,117,072	8,727	8,558,156
Loans and advances to customers	72,990,048	3,988,648	3,847,242	-	80,825,938
Other financial assets at amortised cost	17,924,723	117,150	87,190	5,752	18,134,815
Other assets	3,924,181	13,253	10,787	18,360	3,966,581
At 31 December 2021	**112,024,757**	**6,489,490**	**6,129,013**	**375,833**	**125,019,093**
LIABILITIES					
Deposits from banks	4,266,830	18,615	96,339	1,601	4,383,385
Items in the course of collection	-	-	19,315	7	19,322
Deposits from customers	94,277,618	8,449,891	3,768,446	239,576	106,735,531
Other liabilities	2,864,262	19,058	319,501	29,242	3,232,063
Long-term debt	7,666,134	-	-	-	7,666,134
Subordinated debt	10,026,049	-	-	-	10,026,049
At 31 December 2021	**119,100,893**	**8,487,564**	**4,203,601**	**270,426**	**132,062,484**
Net on statement of financial position	**(7,076,136)**	**(1,998,074)**	**1,925,412**	**105,407**	**(7,043,391)**
Net notional off balance sheet position	**519,355**	**2,008,621**	**2,601,085**	**32,722**	**5,161,783**
Overall net position – 2021	**(6,556,781)**	**10,547**	**4,526,497**	**138,129**	**(1,881,608)**

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

5. FINANCIAL RISK MANAGEMENT (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)	306,236	214,365
GBP (± 2.5% movement)	226	158
EUR (± 2.5% movement)	83,946	58,762

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)	(163,920)	(114,744)
GBP (± 2.5% movement)	264	185
EUR (± 2.5% movement)	113,162	79,213

(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 all banks.

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 the 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.

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

- The minimum level of regulatory capital of KShs 1 billion.
- A core capital of not less than 10.5% of total risk weighted assets, plus risk weighted off-balance sheet items.
- A core capital of not less than 10.5% of its total deposit liabilities.
- A total capital of not less than 14.5% of its total risk weighted assets, plus risk weighted off-balance sheet items.

I&M Bank LIMITED'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.
- ier 2 capital. This includes 25% of revaluation reserves of property, subordinated debt not exceeding 50% of core capital, collective impairment allowances and any other approved reserves.

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 risk based approach to capital adequacy measurement is applied to both on and off balance sheet items. Risk weights are assigned based on an assessment of the following:

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

The regulatory capital position for I&M Bank LIMITED being the Kenyan banking subsidiary was as follows:

		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	247,141,785
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

Regulatory capital – Tanzania

The Bank of Tanzania sets and monitors capital requirements for the banking industry as a whole. 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 capital is analysed in two tiers:

- Tier 1 capital, which 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, which 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 (Core capital) is also subjected to various limits such as Tier 1 Capital should not be less than 10 percent of the risk weighted assets and premises investments should not exceed 50 percent of the Core capital and movable assets should not exceed 20% of Core capital.

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 (Continued)

The Bank's policy is to maintain a strong capital base so as to maintain 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.

		2022 TZS'000	2021 TZS'000
Core capital (Tier 1)			
Share capital		23,192,000	23,192,000
Share premium		18,090,228	18,090,228
Retained earnings		39,190,834	40,288,096
		80,473,062	**81,570,324**
Less: Prepaid expenses		(1,767,587)	(1,743,051)
Deferred tax asset		(11,331,444)	(6,898,287)
Total Core capital		**67,374,031**	**72,928,986**
Supplementary capital (Tier 2)			
General provisions in equity		4,879,194	15,820,613
Fair value reserve		335,150	253,891
		5,214,344	**16,074,504**
Total capital		**72,588,375**	**89,003,490**
Risk weighted assets			
On balance sheet		355,449,168	350,105,298
Off balance sheet		54,713,906	56,124,462
Capital charge for market risk		30,141,488	48,111,594
Operational risk weighted assets		2,485,731	861,975
Total risk weighted assets		**442,790,293**	**455,203,329**
	Minimum*		
Capital ratio			
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**

- The minimum level of regulatory capital is TZS 15 billion.

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 -Rwanda

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

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

The National Bank of Rwanda (BNR) sets and monitors capital requirements for the banking industry as a whole. In implementing its current capital requirements, BNR, requires Banks in Rwanda to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital consists only of Tier 1 capital, which includes ordinary share capital, retained earnings, revaluation reserves and statutory reserves. The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

		2022 Frw'000	2021 Frw'000
Core capital (Tier 1)			
Share capital		15,150,000	15,150,000
Share premium		6,249,832	6,249,832
Retained earnings		46,350,495	38,335,409
		67,750,327	**59,735,241**
Less: Other reserves		327,213	606,828
Less: Intangible assets		(1,853,297)	(2,943,460)
Total Core capital (Tier 1 Capital)		**66,224,243**	**57,398,609**
Supplementary capital			
Revaluation reserves		4,736,212	4,433,435
Term subordinated debt		-	4,038,471
		4,736,212	**8,471,906**
Total capital (Tier 2 Capital)		**70,960,455**	**65,870,515**
Total risk weighted assets		**339,978,863**	**317,436,863**
Capital ratios	Minimum*		
Core capital /Total risk weighted assets	**10.0%**	**19.48%**	**18.08%**
Total capital /Total risk weighted assets	**15.0%**	**20.87%**	**20.75%**

***As defined by the Bank of Rwanda**

The minimum level of regulatory capital is RWF 5 billion.

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 -Uganda

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

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

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Uganda (the Authority), for supervisory purposes. The required information is filed with the Authority on a quarterly basis.

The Financial Institutions (Capital Buffers) Regulations 2020 were issued in 2020 which will increase the Bank's minimum capital requirement from 10% and 12% to 12.5% and 14.5% for core and total capital respectively effective 31 December 2021.

The regulatory capital requirements are strictly observed when managing economic capital. The Bank's regulatory capital is managed by its Bank Treasury and comprises two tiers:

- Tier 1 capital: permanent shareholder's equity, share premium, prior years' retained profits, net after tax profits current year to date (50% only), general reserves, less goodwill and other intangible assets, current year losses, investment in unconsolidated subsidiaries, deficiencies in provisions for losses, prohibited loans to insiders and other deductions determined by Central Bank
- Tier 2 capital: Revaluation reserves on fixed assets, unencumbered general provisions for losses, hybrid capital instruments and others and subordinated term debt.

The risk-weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of and reflecting an estimate of the credit risk associated with each asset and counterparty. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Minister of Finance, planning and Economic Development of the government of Uganda, in consultation with Bank of Uganda issued the Financial Institutions (Revision of Minimum Capital Requirements) instrument 2022, as mandated under the Financial Institutions Act, section 26 (5) requiring persons who wish to transact financial institution business in the capacity of a Bank in Uganda:

- To have a minimum paid-up cash capital of not less than Ushs 120 billion by December 31, 2022 and increasing this to Ushs 150 billion, by June 30, 2024.
- To always have the minimum capital funds un-impaired by losses (Core Capital) not less than Ushs 120 billion as at December 31, 2022 and increasing this to not less than Ushs 150 billion, by June 30, 2024.

OUR FINANCIALS (Continued)
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For the year ended 31 December 2022 (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Capital management (Continued)

Regulatory capital -Uganda **(Continued)**

As at December 31, 2022, the Bank was compliant with the minimum paid up cash capital but was breaching on the minimum capital funds unimpaired by losses as indicated below;

(i) Minimum paid-up capital requirement	Ushs'000
Required	120,000,000
Available	150,000,000
Surplus	**30,000,000**

(ii) Minimum Capital funds unimpaired by losses	Ushs'000
Required	120,000,000
Available	73,935,684
Deficiency	**(46,064,316)**

In accordance with section 86(2)(b) of the Financial Institutions Act (FIA) 2004, the Bank submitted its capital restoration plan to Bank of Uganda within the statutory timelines, that focussed on the following items to ensure compliance with requirements of the instrument by 30 June 2023.

- Execution of strategic initiatives to improve bank performance and organically grow our capital reserves
- Accelerate recoveries of significant bad debtors.
- Conversion of preference shares already held into Paid-up cash capital
- Shareholder commitment to inject Capital

The above actions were approved by the Board of Directors on 13 February 2023 and submitted to the Bank of Uganda on 14 February 2023.

Bank of Uganda issued a no-objection to the bank's capital restoration plan on 20th February 2023.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2022 and 2021. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject.

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 -Uganda (Continued)

		2022 Ushs'000	2021 Ushs'000
Core capital (Tier 1)			
Share capital		150,000,000	132,000,000
Retained earnings		(19,779,136)	(28,612,072)
		130,220,864	**103,387,928**
Less: Intangible assets		(2,642,714)	(1,773,227)
Less: Deferred income tax asset		(53,642,466)	(60,227,771)
Less: Unrealised foreign exchange gains		-	(626,881)
Total Core capital (Tier 1 Capital)		**73,935,684**	**40,760,049**
Supplementary capital			
Preference shares		9,500,000	-
General provisions		2,338,087	2,144,247
		11,838,087	**2,144,247**
Total capital (Tier 2 Capital)		**85,773,771**	**42,904,296**
Risk weighted assets:			
On-balance sheet		332,737,145	255,073,949
Off-balance sheet		50,440,010	27,352,392
Market risk		10,133,616	9,704,985
Total risk weighted assets		**393,310,771**	**292,131,326**
Capital ratios	Minimum*		
Core capital /Total risk weighted assets	**12.5%**	**18.80%**	**13.95%**
Total capital /Total risk weighted assets	**14.5%**	**21.81%**	**14.69%**

As defined by the Bank of Uganda

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 - Mauritius

Under the BASEL II methodology, Bank of Mauritius has issued guidelines for the measurement of Credit Risk, Market Risk and Operational Risk. The minimum required capital as set by the Bank of Mauritius, under BASEL II guidelines, is a capital to Risk Weighted Assets of 10%.

The Bank's capital management policy is to provide sufficient capital for the banking business to achieve its strategic objectives, taking into account the regulatory, economic and commercial environment in which it operates. The capital adequacy framework is supported by a Board approved Internal Capital Adequacy Assessment Process (ICAAP), which encompasses capital planning for current and future periods, taking into consideration strategic focus and business plan and assessment of all material risks under stress conditions.

The Bank's objectives when managing capital are:

- To comply to the capital requirements set by the regulator;
- To safeguard the Bank's ability to continue its business as a going concern;
- To maximize returns to shareholders and optimize the benefits to stakeholders;
- To maintain a strong capital base to support the development of its business.

The Bank's eligible capital as managed by the Bank's management is divided into two tiers:

1. Core capital or Tier 1 Capital: Comprising Share capital, profit and loss, and reserves created by appropriations of retained earnings. The book value of goodwill and other intangible assets is deducted in arriving at core capital; and
2. Supplementary capital or Tier 2 Capital: Qualifying perpetual and term subordinated debts, collectively assessed impairment allowances, regulatory reserve, and fair value gains arising on revaluation of holdings of land and buildings and FVOCI equities and debt securities. Investment in subsidiaries, significant investments in non-subsidiary companies and shares, and investments in other banks' equity are deducted 50 % from Tier-1 capital and 50% from supplementary capital to arrive at the eligible capital.

Capital Adequacy and the use of eligible capital are monitored regularly by Management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by Bank of Mauritius for supervisory purposes. The required information is submitted to the Bank of Mauritius on a quarterly basis.

The ratio of its capital to aggregate risk weighted assets being the Capital Adequacy Ratio as at 31 December 2022 was 17.76% (2021 – 20.89%).

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) Expected credit losses

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI debt instruments 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) Property and equipment

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account which involves extensive subjective judgment. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. The rates used are set out under accounting policy Note 3(i). Useful lives of property plant and equipment

Property plant and equipment are depreciated over their useful lives. The actual lives of the assets are assessed annually and may vary depending on several factors. Management applies judgement in determining useful lives.

(d) 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(a). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The CGU discounted cashflows are compared with the net carrying amount plus goodwill to test for impairment triggers. Impairment is required whenever the cashflows are materially lower than carrying value.

(e) Lease term

The Group makes judgement on whether it is reasonably certain that it will exercise extension options.

(f) 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 asset at amortized cost, 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 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. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Accounting classifications at carrying amounts and fair values

Group 31 December 2022	Financial assets at amortised cost KShs'000	Financial assets at FVOC KShs'000	Fair value 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
Cash and balances with central banks	22,818,302	-	-	-	**22,818,302**	-	-	-	-
Items in the course of collection	446,526	-	-	-	**446,526**	-	-	-	-
Loans and advances to banks	21,467,182	-	-	-	**21,467,182**	-	-	21,467,182	**21,467,182**
Loans and advances to customers	238,590,143	-	-	-	**238,590,143**	-	-	238,590,143	**238,590,143**
Financial assets at fair value through profit or loss (FVTPL)	-	-	16,402,892	-	**16,402,892**	-	16,402,892	-	**16,402,892**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	52,991,148	-	-	**52,991,148**	52,178,065	-	813,083	**52,991,148**
Other financial assets at amortised cost	43,718,321	-	-	-	**43,718,321**	-	-	-	-
Other assets	5,528,057	-	-	-	**5,528,057**	-	-	-	-
	332,568,531	**52,991,148**	**16,402,892**	**-**	**401,962,571**	**52,178,065**	**16,402,892**	**260,870,408**	**329,451,365**
Deposits from banks	-	-	-	18,153,329	**18,153,329**	-	-	-	-
Items in course of collection	-	-	-	614,020	**614,020**	-	-	-	-
Deposits from customers	-	-	-	312,335,932	**312,335,932**	-	-	-	-
Other liabilities	-	-	-	7,052,064	**7,052,064**	-	-	-	-
Long term debt	-	-	-	5,763,128	**5,763,128**	-	-	-	-
Subordinated debt	-	-	-	11,031,585	**11,031,585**	-	-	-	-
	-	-	-	**354,950,058**	**354,950,058**	-	-	-	-

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	Financial assets at amortised cost KShs'000	Financial assets at FVOC KShs'000	Fair value 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
Cash and balances with central banks	27,546,591	-	-		**27,546,591**	-	-	-	-
Items in the course of collection	668,114	-	-	-	**668,114**	-	-	-	-
Loans and advances to banks	15,517,824	-	-	-	**15,517,824**	-	-	15,517,824	**15,517,824**
Loans and advances to customers	210,619,661	-	-	-	**210,619,661**	-	-	210,619,661	**210,619,661**
Financial assets at fair value through profit or loss (FVTPL)	-	-	16,368,165	-	**16,368,165**	-	16,368,165	-	**16,368,165**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	64,010,272	-	-	**64,010,272**	63,533,858	-	476,414	**64,010,272**
Other financial assets at amortised cost	45,156,710	-	-	-	**45,156,710**	-	-	-	-
Other assets	3,025,949	-	-	-	**3,025,949**	-	-	-	-
	302,534,849	**64,010,272**	**16,368,165**	-	**382,913,286**	**63,533,858**	**16,368,165**	**226,613,899**	**306,515,922**
Deposits from banks	-	-	-	19,114,307	19,114,307	-	-	-	-
Items in course of collection	-	-	-	95,530	**95,530**	-	-	-	-
Deposits from customers	-	-	-	296,746,509	**296,746,509**	-	-	-	-
Due to group companies	-	-	-	5,600,871	**5,600,871**	-	-	-	-
Long term borrowings	-	-	-	9,516,698	**9,516,698**	-	-	-	-
Subordinated debt	-	-	-	10,029,375	**10,029,375**	-	-	-	-
	-	**-**	**-**	**341,103,290**	**341,103,290**	**-**	**-**	**-**	**-**

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 2022	Carrying amounts				Fair value		
	Financial assets at amortised cost KShs'000	Financial assets at at FVOCI KShs'000	Other financial liabilities at amortised cost KShs'000	Total KShs'000	Level 1 KShs'000	Level 3 KShs'000	Total KShs'000
Financial assets							
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	925,055	-	**925,055**	925,055	-	**925,055**
Due from group companies	864,255	-	-	**864,255**	-	-	-
Other assets	80,927	-	-	**80,927**	-	-	-
	945,182	**925,055**	**-**	**1,870,237**	**925,055**	**-**	**925,055**
Financial liabilities							
Other liabilities	-	-	91,448	**91,448**	-	-	-
	-	**-**	**91,448**	**91,448**	**-**	**-**	**-**

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 at FVOCI KShs'000	Other financial liabilities at amortised cost KShs'000	Total KShs'000	Level 1 KShs'000	Level 3 KShs'000	Total KShs'000
Financial assets							
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	27,019	-	**27,019**	27,019	-	27,019
Due from group companies	834,431	-	-	**834,431**	-	-	-
Other assets	229,786	-	-	**229,786**	-	-	-
	1,064,217	**27,019**	-	**1,091,236**	**27,019**	-	**27,019**
Financial liabilities							
Due to group companies	-	-	1,931,640	**1,931,640**	-	-	-
Other liabilities	-	-	97,423	**97,423**	-	-	-
	-	**-**	**2,029,063**	**2,029,063**	**-**	**-**	**-**

Measurement of fair values

i) Valuation techniques and significant unobservable inputs

Financial assets measured at fair value - At 31 December 2022 and 31 December 2021

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment securities – FVOCI and FVTPL	Prices quoted in an active market	None	Not applicable

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

8. OPERATING SEGMENTS

The Group operations are within five geographical segments, Kenya, Tanzania, Rwanda, Uganda and Mauritius. The table below contains segmental information for the year ended 31 December 2022.

2022	Kenya KShs'000	Tanzania KShs'000	Rwanda KShs'000	Mauritius KShs'000	Uganda KShs'000	Elimination KShs'000	Total KShs'000
Net interest income	16,517,309	1,622,319	3,583,569	-	1,221,324	-	22,944,521
Net fee commission and other income	9,875,779	594,881	1,157,899	-	629,920	(129,398)	12,129,081
Operating income	**26,393,088**	**2,217,200**	**4,741,468**	**-**	**1,851,244**	**(129,398)**	**35,073,602**
Operating expenses	(7,780,487)	(1,406,840)	(2,380,462)	(1,413)	(1,490,852)	32,680	(13,027,374)
Depreciation and Amortisation	(1,605,344)	(211,466)	(484,016)	-	(170,200)	-	(2,471,026)
Net impairment losses on loans and advances	(4,082,605)	(1,288,393)	(376,938)	-	502,916	-	(5,245,020)
Operating expenses	**(13,468,436)**	**(2,906,699)**	**(3,241,416)**	**(1,413)**	**(1,158,136)**	**32,680**	**(20,743,420)**
Results from joint venture	-	-	-	662,150	-	-	662,150
Profit before tax	**12,924,652**	**(689,499)**	**1,500,052**	**660,737**	**693,108**	**(96,718)**	**14,992,332**
Profit after tax	**10,214,306**	**(506,855)**	**1,040,760**	**644,194**	**288,010**	**(96,717)**	**11,583,698**
Loans and advances to customers	**184,825,696**	**19,341,259**	**26,514,238**	**-**	**7,908,950**	**-**	**238,590,143**
Deposits from customers	**233,806,796**	**24,034,716**	**33,782,448**	**-**	**20,711,972**	**-**	**312,335,932**
Total assets	**357,474,474**	**31,598,347**	**55,862,551**	**5,203,325**	**26,198,937**	**(39,529,156)**	**436,808,478**
Total liabilities	**259,972,438**	**27,023,013**	**47,701,654**	**6,128**	**21,556,865**	**(1,101,208)**	**355,158,890**
Capital expenditure	**1,278,118**	**65,565**	**270,961**	**-**	**265,957**	**-**	**1,880,601**

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

8. OPERATING SEGMENTS (Continued)

2021	Kenya KShs'000	Tanzania KShs'000	Rwanda KShs'000	Mauritius KShs'000	Uganda KShs'000	Elimination KShs'000	Total KShs'000
Net interest income	15,757,495	1,509,033	2,946,533	-	663,833	-	20,876,894
Net fee commission and other income	6,892,473	478,328	720,175	-	380,717	(202,099)	8,269,594
Operating income	**22,649,968**	**1,987,361**	**3,666,708**	**-**	**1,044,550**	**(202,099)**	**29,146,488**
Operating expenses	(7,238,187)	(1,064,551)	(1,894,376)	(15,830)	(861,604)	14,647	(11,059,901)
Depreciation and Amortisation	(1,331,301)	(176,828)	(381,192)	-	(133,649)	-	(2,022,970)
Net impairment losses on loans and advances	(3,113,289)	(254,553)	(186,895)	-	(644,864)	-	(4,199,601)
Operating expenses	**(11,682,777)**	**(1,495,932)**	**(2,462,463)**	**(15,830)**	**(1,640,117)**	**14,647**	**(17,282,472)**
Results from joint venture	-	-	-	548,890	-	-	548,890
Profit before tax	**10,967,191**	**491,429**	**1,204,245**	**533,060**	**(595,567)**	**(187,452)**	**12,412,906**
Profit after tax	**7,402,568**	**336,838**	**1,005,300**	**533,059**	**(372,279)**	**(281,550)**	**8,623,936**
Loans and advances to customers	**168,945,534**	**17,413,506**	**24,260,621**	**-**	**-**	**-**	**210,619,661**
Deposits from customers	**246,278,288**	**21,404,048**	**29,064,173**	**-**	**-**	**-**	**296,746,509**
Total assets	**347,155,715**	**28,855,393**	**50,549,818**	**4,817,545**	**22,615,650**	**(38,813,444)**	**415,180,677**
Total liabilities	**254,880,391**	**24,016,267**	**43,764,969**	**7,336**	**19,317,684**	**(854,047)**	**341,132,600**
Capital expenditure	**1,220,186**	**107,972**	**727,985**	**-**	**145,295**	**-**	**2,201,438**

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

9. INTEREST INCOME

	Group		Company	
	2022	2021	2022	2021
	KShs'000	KShs'000	KShs'000	KShs'000
Loans and advances to customers	26,259,209	23,769,022	-	-
Loans and advances to banks	569,978	231,501	33,356	33,963
Investment securities:-				
- At amortised cost	4,857,964	4,234,596	-	-
- FVOCI - Debt instruments	5,664,046	4,846,349	86,040	3,028
	37,351,197	**33,081,468**	**119,396**	**36,991**

10. INTEREST EXPENSE

	Group 2022	Group 2021	Company 2022	Company 2021
Deposits from customers	11,597,717	10,256,364	-	-
Deposits from banks	1,430,228	961,451	-	-
Long term debt	457,152	434,967	-	-
Subordinated debt	745,120	427,850	-	-
Lease liabilities (Note 31)	176,459	123,942	-	-
	14,406,676	**12,204,574**	**-**	**-**

11. NET FEE AND COMMISSION INCOME

	Group 2022	Group 2021	Company 2022	Company 2021
Fee and commission income				
Commissions	4,326,132	3,612,857	-	-
Service fees	1,560,339	1,263,369	-	-
	5,886,471	**4,876,226**	**-**	**-**
Fee and commission expense				
Interbank transaction fees	(200,843)	(143,589)	-	-
Other	(393,627)	(322,437)	-	-
	(594,470)	**(466,026)**	**-**	**-**
Net fee and commission income	**5,292,001**	**4,410,200**	**-**	**-**

Fees and commission from contracts 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 ATM fees, interchange fees, Issuance fees, annual 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. ATM fees and interchange fees earned and recognized when a customer transacts. Issuance fees on card issue and annual fees on anniversary date.

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

12. NET TRADING INCOME

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Foreign exchange income	5,042,627	1,732,746	10,768	-
Net income on financial assets at fair value through profit or loss (FVTPL)	866,858	1,634,349	-	-
	5,909,485	**3,367,095**	**10,768**	**-**

13. OTHER OPERATING INCOME

	Group 2022 KShs'000	Group 2021 KShs'000	Company 2022 KShs'000	Company 2021 KShs'000
Rental income	306,430	320,647	-	-
Profit on sale of property and equipment	(8,365)	17,595	-	-
Other income	629,530	154,057	-	2,817
Dividend income	-	-	6,073,676	6,778,527
	927,595	**492,299**	**6,073,676**	**6,781,344**

14. OPERATING EXPENSES

	Group 2022 KShs'000	Group 2021 KShs'000	Company 2022 KShs'000	Company 2021 KShs'000
Staff Costs				
Salaries and wages	5,414,981	5,120,297	-	-
Contribution to defined contribution plan	254,867	226,373	-	-
Statutory contribution	157,585	123,208	-	-
Other staff costs	759,762	532,035	-	-
	6,587,195	**6,001,913**	**-**	**-**
Premises and equipment costs				
Service charge	198,550	164,346	-	-
Electricity	404,222	301,863	-	-
Other premises and equipment costs	113,511	101,889	-	-
	716,283	**568,098**	**-**	**-**
Other expenses				
Deposit protection insurance contribution	495,364	438,624	-	-
Loss on disposal of property and equipment	1,457	30,200	-	-
Other general administrative expenses	5,227,075	4,021,066	54,121	114,249
	5,723,896	**4,489,890**	**54,121**	**114,249**
Depreciation and amortisation				
Depreciation on property and equipment (Note 25)	1,597,298	1,320,783	-	-
Amortisation of intangible assets (Note 26(b))	873,728	702,187	-	-
	2,471,026	**2,022,970**	**-**	**-**

The average number of employees employed by the Group are as follows:

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Management	1,855	1,730	-	-
Others	288	401	-	-
	2,143	**2,131**	**-**	**-**

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

15. PROFIT BEFORE INCOME TAX

	Group		Company	
	2022	2021	2022	2021
	KShs'000	KShs'000	KShs'000	KShs'000
Profit before income tax is arrived at after charging/(crediting):				
Depreciation	1,597,298	1,320,783	-	-
Amortisation of intangible assets	873,728	702,187	-	-
Directors' emoluments:				
Directors' emoluments: Fees	25,123	23,589	11,360	11,360
Directors' emoluments: Other	89,199	92,830	-	-
Auditor's remuneration	34,449	34,373	2,462	2,414
Net profit on disposal of property and equipment	(9,822)	(12,605)	-	-
Dividend income	-	-	6,073,676	6,778,527

16. INCOME TAX EXPENSE AND TAX (RECOVERABLE)/PAYABLE

(a) Income tax expense

	Group		Company	
	2022	2021	2022	2021
	KShs'000	KShs'000	KShs'000	KShs'000
Current tax				
Current year's	4,599,417	3,850,229	7,075	8,796
(Over)/under provision in prior year	43,492	33,345	-	(678)
	4,642,909	**3,883,574**	**7,075**	**8,118**
Deferred tax (Note 27)				
Current year	(1,542,317)	(66,770)	-	-
Prior year adjustment	308,042	(27,834)	-	-
	(1,234,275)	**(94,604)**	**-**	**-**
	3,408,634	**3,788,970**	**7,075**	**8,118**

reconciliation of effective tax rate

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

	Group		Company	
	2022	2021	2022	2021
	KShs'000	KShs'000	KShs'000	KShs'000
Accounting profit before income tax	**14,992,332**	**12,412,906**	**6,149,719**	**6,704,086**
Computed tax using the applicable corporation tax rate 30%	4,497,700	3,723,872	1,844,916	2,011,226
Under(over) provision in the prior year	43,492	33,345	-	(678)
Impact of share of joint venture's loss/(profit)	(198,645)	(164,667)	-	-
Effect on non-deductible costs/non-taxable income	(1,241,955)	224,254	(1,837,841)	(2,002,430)
Over provision in prior year - deferred tax (Note 27)	308,042	(27,834)	-	-
	3,408,634	**3,788,970**	**7,075**	**8,118**

(b) Tax (recoverable)/payable

	Group		Company	
	2022	2021	2022	2021
	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January	(430,450)	22,275	(3,463)	(4,369)
Income tax expense (Note 16(a))	4,642,909	3,883,574	7,075	8,118
Effect of tax in foreign jurisdiction	(195,085)	(97,379)	-	-
Tax paid	(4,254,197)	(4,238,920)	(11,307)	(7,212)
At 31 December	**(236,823)**	**(430,450)**	**(7,695)**	**(3,463)**
Tax recoverable	(445,655)	(459,760)	(7,695)	(3,463)
Tax payable	208,832	29,310	-	-
Net payable	**(236,823)**	**(430,450)**	**(7,695)**	**(3,463)**

Details on outstanding tax cases are disclosed on Note 42

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

17. EARNINGS PER SHARE

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Profit for the year attributable to equity holders	11,193,489	8,130,742	6,142,644	6,695,968
Weighted average number of ordinary shares in issue during the year	1,653,621	1,653,621	1,653,621	1,653,621
Earnings per share (KShs)	**6.77**	**4.92**	**3.71**	**4.05**

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

18. CASH AND BALANCES WITH CENTRAL BANKS

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Cash on hand	5,186,177	6,202,636	-	-
Balances with central banks				
-Restricted balances (CRR*)	16,056,162	17,360,918	-	-
-Unrestricted balances	1,575,963	3,983,037	-	-
	22,818,302	**27,546,591**	**-**	**-**

The Group's Cash Reserve Ratio (CRR) 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, Tanzania was 10.0% (2021 - 10.0%) and 5% (2021 – 5%) in Rwanda and Uganda was 4.25% (2021 4.25%) of eligible deposits.

19. ITEMS IN THE COURSE OF COLLECTION

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Assets	**446,526**	**668,114**	**-**	**-**
Liabilities	**614,020**	**95,530**	**-**	**-**

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

20. LOANS AND ADVANCES TO BANKS

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Due within 90 Days	20,487,484	15,202,486	-	-
Due after 90 days	979,698	315,338	-	-
	21,467,182	**15,517,824**	**-**	**-**

21. LOANS AND ADVANCES TO CUSTOMERS

(a) Classification

	2022 KShs'000	2021 KShs'000
Overdrafts	69,120,930	56,433,865
Loans	173,938,510	159,470,851
Bills discounted	2,926,684	1,366,301
Hire purchase- finance leases	10,041,713	7,217,963
Gross loans and advances	**256,027,837**	**224,488,980**
Less: Impairment losses on loans and advances	(17,437,694)	(13,869,319)
Net loans and advances	**238,590,143**	**210,619,661**

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

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 related financial assets KShs'000	Other financial assets at amortised cost - trade receivable KShs'000	Total KShs'000
Net remeasurement of loss allowance	5,851,376	(61,059)	5,790,317	22,174	5,812,491
New financial assets originated or purchased	300,648	3,707	304,355	-	304,355
	6,152,024	**(57,352)**	**6,094,672**	**22,174**	**6,116,846**
Recoveries and impairment no longer required	(1,037,295)	(39,306)	(1,076,601)	-	(1,076,601)
Recoveries of loans and advances previously written off	(59,996)	-	(59,996)	-	(59,996)
Amounts directly written off during the year	264,771	-	264,771	-	264,771
	5,319,504	**(96,658)**	**5,222,846**	**22,174**	**5,245,020**

2021:

	Loans and advances to customers at amortised cost KShs'000	Loan commitments and financial guarantee contracts KShs'000	Total banking related financial assets KShs'000	Other financial assets at amortised cost - trade receivable KShs'000	Total KShs'000
Net remeasurement of loss allowance	4,254,894	26,417	4,281,311	11,442	4,292,753
New financial assets originated or purchased	848,642	76,251	924,893	-	924,893
	5,103,536	**102,668**	**5,206,204**	**11,442**	**5,217,646**
Recoveries and impairment no longer required	(489,807)	(229,406)	(719,213)	-	(719,213)
Recoveries of loans and advances previously written off	(846,880)	-	(846,880)	-	(846,880)
Amounts directly written off during the year	547,970	-	547,970	78	548,048
	4,314,819	**(126,738)**	**4,188,081**	**11,520**	**4,199,601**

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):

Group

	2022 KShs'000	2021 KShs'000
Interest on impaired loans and advances which have not yet been received in cash	1,429,920	1,424,285

(d) Loans and advances to customers concentration by sector

Group

	2022		2021	
	KShs'000	%	KShs'000	%
Manufacturing	70,073,557	27%	57,403,877	26%
Wholesale and retail trade	49,739,755	19%	42,349,653	19%
Building and construction	15,644,039	6%	13,935,854	6%
Agriculture	12,863,927	5%	8,667,994	4%
Real estate	34,068,726	13%	34,548,392	15%
Transport and communication	16,468,187	6%	15,027,689	7%
Business services	17,431,112	7%	17,390,341	8%
Electricity and water	2,571,539	1%	1,265,651	1%
Finance and insurance	6,505,766	3%	4,994,388	2%
Mining and quarrying	2,009,133	1%	1,653,721	1%
Others	28,652,096	12%	27,251,420	11%
	256,027,837	**100%**	**224,488,980**	**100%**

(e) Finance leases
Loans and advances to customers include finance leases receivable as follows:

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	5,500,870
Receivable later than 5 years	2,873,419	1,155,251
	10,041,713	**7,217,963**

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

22. FINANCIAL ASSETS

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

Group

	2022 KShs'000	2021 KShs'000
Derivative assets	956,931	342,477
Government securities (Non liquid)	15,445,961	16,025,688
	16,402,892	**16,368,165**

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

Group

	2022 KShs'000	2021 KShs'000
Equity investment	813,083	476,414
Corporate bonds	320,013	362,346
Government securities (Non liquid)	51,858,052	63,171,512
	52,991,148	**64,010,272**
Company		
Government securities (Non liquid)	**925,055**	**27,019**

(c) Other financial assets at amortised cost

Group

	2022 KShs'000	2021 KShs'000
Government securities (Non liquid)	43,605,472	45,087,958
Trade receivables	112,849	68,752
	43,718,321	**45,156,710**

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

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

	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	Equity investments KShs'000	Corporate bond KShs'000	Total KShs'000
31 December 2022						
At 1 January	16,368,165	45,087,958	63,171,512	476,414	362,346	125,466,395
Additions	2,158,689	21,256,484	10,734,642	263,033	-	34,412,848
Disposals and maturities	(1,503,908)	(25,381,196)	(18,580,155)	-	(46,401)	(45,511,660)
Changes in fair value	(2,303,091)	-	(4,352,200)	69,804	696	(6,584,791)
Amortisation of discounts and premiums, unearned interest and interest receivable	1,670,329	1,902,800	591,088	-	70	4,164,287
Translation reserve	12,708	739,426	293,165	3,832	3,302	1,052,433
At 31 December	**16,402,892**	**43,605,472**	**51,858,052**	**813,083**	**320,013**	**112,999,512**
31 December 2021						
At 1 January	11,869,403	47,241,831	42,028,395	448,857	-	101,588,486
Acquisition of I&M Bank (Uganda) Limited	121,752	2,930,813	-	-	-	3,052,565
Additions	15,017,305	25,915,083	46,590,665	-	356,194	87,879,247
Disposals and maturities	(10,898,155)	(33,098,558)	(25,464,493)	-	-	(69,461,206)
Changes in fair value	201,884	-	(979,351)	(13,334)	(69)	(790,870)
Amortisation of discounts and premiums, unearned interest and interest receivable	48,775	1,711,401	1,051,277	38,885	6,221	2,856,559
Translation reserve	7,201	387,388	(54,981)	2,006	-	341,614
At 31 December	**16,368,165**	**45,087,958**	**63,171,512**	**476,414**	**362,346**	**125,466,395**

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 Company is as shown below:

Financial assets measured at fair value through other comprehensive income (FVOCI)	2022 KShs'000	2021 KShs'000
At 1 January	27,019	28,392
Additions	913,889	-
Changes in fair value	(41,101)	(1,275)
Amortisation of discounts and premiums, unearned interest and interest receivable	25,248	(98)
At 31 December	**925,055**	**27,019**

23. HELD FOR SALE ASSETS

Group	2022 KShs'000	2021 KShs'000
Held for sale assets	**751,728**	**1,014,651**

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 AND JOINT VENTURE

The Company holds investments in subsidiaries in I&M Bank (T) Limited, I&M Bancassurance Intermediary Limited and Youjays Insurance Brokers Limited through I&M Bank LIMITED. All the three entities have been consolidated with the results of I&M Bank LIMITED. I&M Bank (Rwanda) PLC (subsidiary through BCR Investment Company Limited), I&M Bank (Uganda) Limited, I&M Capital Limited, I&M Realty Limited, I&M Burbidge Capital Limited, I&M Burbidge Capital (U) Limited, Giro Limited are the other subsidiaries of I&M Group PLC. I&M Group PLC owns 50% of a joint venture in Mauritius (Bank One Limited).

(a) Investment in joint venture

The Company has 50% (2021 – 50%) control over Bank One Limited with the other joint venture, CIEL Finance Limited. The joint venture was formerly owned through I&M Bank LIMITED until 22 August 2014 when it was transferred to I&M Group PLC.

Group

	2022 KShs'000	2021 KShs'000
Balance at start of the year	5,226,107	5,177,219
Share of:		
Profit/(loss) from operations	662,150	548,890
Dividends received	(643,324)	-
Other comprehensive income	325,307	(500,002)
Balance at end of the year	**5,570,240**	**5,226,107**
Percentage ownership	50.00%	50.00%
Total assets (including cash and cash equivalents)	131,283,266	117,238,231
Total liabilities (including cash and cash equivalents)	(121,093,598)	(107,736,829)
Net assets (100%)	**10,189,668**	**9,501,402**
Group's share of net assets (50%)	5,094,834	4,750,701
Goodwill	475,406	475,406
Carrying amount of interest in joint venture	**5,570,240**	**5,226,107**
Interest income	3,736,229	3,067,823
Interest expense	(1,071,098)	(903,706)
Other income	1,375,736	1,500,121
Operating expenses	(2,604,619)	(2,276,915)
Income tax credit/(expense)	(111,948)	(289,543)
Profit and total comprehensive income (100%)	**1,324,300**	**1,097,780**
(Loss)/profit and loss (50%)	**662,150**	**548,890**
Groups share of total comprehensive income	987,457	48,888
Company:		
At 1 January	2,515,591	2,515,591
At 31 December	**2,515,591**	**2,515,591**

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

24. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURE (Continued)

(b) Investment in subsidiaries

Company	Activity	Jurisdiction	Shareholding	2022 KShs'000	2021 KShs'000
I&M Bank LIMITED	Banking	Kenya	100.00%	19,860,176	19,840,176
I&M Capital Limited	Wealth management	Kenya	100.00%	38,611	6,611
I&M Bank (Rwanda) PLC through BCR Investment Company Limited	Banking	Rwanda	54.47%	2,118,865	2,118,865
I&M Realty Limited	Real estate	Kenya	100.00%	5,170	5,170
I&M Burbidge Capital Limited	Investment	Kenya	100.00%	93,037	66,037
Giro Limited	Investment	Kenya	100.00%	4,115,023	4,115,023
I&M Bank (Uganda) Limited	Banking	Uganda	90.00%	5,105,276	4,284,013
				31,336,158	30,435,895

The Group owns the following subsidiaries through I&M Bank LIMITED, its wholly owned subsidiary:

Company	Activity	Jurisdiction	Shareholding
I&M Bancassurance Intermediary Limited	Bancassurance	Kenya	100.00%
I&M Bank (T) Limited	Banking	Tanzania	77.80%
Youjays Insurance Brokers Limited	Bancassurance	Kenya	100.00%

In addition, the Group owns the I&M Burbidge Capital (U) Limited through I&M Burbidge Capital Limited, its wholly owned subsidiary.

(c) Movement in investment in subsidiaries

	2022 KShs'000	2021 KShs'00
At 1 January	**30,435,895**	**26,151,882**
Acquisition of I&M Bank (Uganda) Limited	-	3,288,168
Additional investment in I&M Bank (Uganda) Limited	538,888	995,845
Preference shares subscription - I&M Bank (Uganda) Limited	282,375	-
Additional investment in I&M Burbidge Capital Limited	27,000	-
Additional investment in I&M Capital Limited	32,000	-
Additional investment in I&M Bank LIMITED	20,000	-
At 31 December	**31,336,158**	**30,435,895**

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

24. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURE (Continued)

Below is the summary of financials of the banking subsidiaries.

	I&M Bank LIMITED		I&M Bank (T) Limited		I&M Bank (Rwanda) PLC		I&M Bank (Uganda)Limited	
	2022 KShs'M	2021 KShs'M	2022 KShs'M	2021 KShs'M	2022 KShs'M	2021 KShs'M	2022 KShs'M	2021 KShs'M
Summarized statement of financial position								
Total assets	315,510	307,802	31,550	28,807	56,220	50,930	26,187	22,604
Total liabilities	260,877	255,882	27,023	24,016	48,059	44,145	21,554	19,314
Net assets	**54,633**	**51,920**	**4,527**	**4,791**	**8,161**	**6,785**	**4,633**	**3,290**
Summarized statement of profit and loss and other comprehensive income								
Net interest income	16,238	15,667	1,622	1,509	3,584	2,947	1,221	664
Profit before income tax	12,260	10,587	(689)	492	1,500	1,204	692	(596)
Income tax expense	(2,498)	(3,582)	183	(155)	(459)	(199)	(405)	223
Profit for the year	**9,762**	**7,005**	**(506)**	**337**	**1,041**	**1,005**	**287**	**(373)**
Summarised statement of cash flows								
Net cash generated from operating activities	7,891	(14,051)	1,324	1,372	(1,311)	3,749	(3,108)	(987)
Net cash used in investing activities	(1,123)	(1,520)	(111)	(99)	(266)	(700)	(252)	1,378
Net cash (used in)/generated from financing activities	(3,377)	(1,225)	(1,150)	(304)	(2,136)	1,411	833	256
Net increase/(decrease) in cash and cash equivalents	**3,391**	**(16,796)**	**63**	**969**	**(3,713)**	**4,460**	**(2,527)**	**647**
Cash and cash equivalents at beginning of year	**1,562**	**18,358**	**2,442**	**1,473**	**10,928**	**6,468**	**5,711**	**4,833**
Cash and cash equivalents at end of year	**4,953**	**1,562**	**2,505**	**2,442**	**7,215**	**10,928**	**3,184**	**5,480**

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

24. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURE (Continued)

Below is the summary of financials of the banking subsidiaries.

	I&M Bank (T) Limited		I&M Bank (Rwanda) PLC		I&M Bank (Uganda) Limited		I&M Bank Burbidge Capital Limited		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
NCI percentage	22.20%	22.20%	45.53%	45.53%	10.00%	10.00%	-	35.00%		
	KShs'M	KShs'M	KShs'M	KShs'M	KShs'M	KShs'M	KShs'M	KShs'M	KShs'M	KShs'M
Summarized statement of financial position										
Loans and advances to customers	19,341	17,414	26,514	24,261	7,909	6,276	-	-		
Other assets	12,209	11,393	29,706	26,669	18,278	16,328	127	107		
Liabilities	(27,023)	(24,016)	(48,059)	(44,145)	(21,554)	(19,314)	(30)	(35)		
Net assets	**4,527**	**4,791**	**8,161**	**6,785**	**4,633**	**3,290**	**97**	**72**		
Carrying amount of NCI	1,005	1,064	3,715	3,088	463	329	-	25		
Transactions effected solely by NCI	4	4	(55)	(55)	-		-	-	-	
Total carrying amount of NCI	**1,009**	**1,068**	**3,660**	**3,033**	**463**	**329**	**-**	**25**	**5,132**	**4,455**
Summarized statement of profit and loss and other comprehensive income										
Net interest income	1,622	1,509	3,584	2,947	1,221	664	(1)	(1)		
(Loss)/profit for the year	(506)	338	1,041	1,005	287	(372)	25	(7)		
Total comprehensive income	(506)	338	1,041	1,005	287	(372)	25	(7)		
(Loss)/profit allocated to NCI	**(112)**	**75**	**473**	**457**	**29**	**(37)**	**-**	**(2)**	**390**	**493**
Summarised statement of cash flows										
Net cash generated from operating activities	1,324	1,372	(1,311)	3,749	(3,108)	(987)	34	(4)		
Net cash used in investing activities	(111)	(99)	(266)	(700)	(252)	1,378	-	(7)		
Net cash (used in)/generated from financing activities	(1,150)	(304)	(2,136)	1,411	833	256	(11)	4		
Net increase/(decrease) in cash and cash equivalents	63	969	(3,713)	4,460	(2,527)	647	23	(7)		
Cash and cash equivalents at beginning of year	2,442	1,473	10,928	6,468	5,711	4,833	11	18		
Cash and cash equivalents at end of year	2,505	2,442	7,215	10,928	3,184	5,480	34	11		

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

25. PROPERTY AND EQUIPMENT

2022:

	Buildings KShs'000	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	7,503,470	2,270,763	2,971,246	2,265,143	235,802	3,482,714	387,668	19,116,806
Additions	52,665	15,682	151,276	88,803	9,429	200,480	543,604	1,061,939
Revaluation reserve	(4,761)	-	-	-	-	-	-	(4,761)
On disposals	(2,953)	(27,265)	(58,922)	(57,365)	(44,218)	(265,108)	(11,472)	(467,303)
Reclassification/internal transfers	113,804	77,339	61,294	381,349	-	-	(598,485)	35,301
Translation difference	92,062	20,165	68,661	36,601	6,429	46,999	11,017	281,934
At 31 December	**7,754,287**	**2,356,684**	**3,193,555**	**2,714,531**	**207,442**	**3,465,085**	**286,828**	**19,978,412**
Depreciation								
At 1 January	151,019	1,431,196	1,516,284	1,521,204	185,752	1,427,722	-	6,233,177
Charge for the year	197,887	234,845	282,832	395,436	21,882	464,416	-	1,597,298
Reversal on revaluation	(102,268)	-	-	-	-	-	-	(102,268)
On disposals	(86)	(22,525)	(51,967)	(55,762)	(34,636)	(226,857)	-	(391,833)
Translation differences	8,932	15,043	38,889	28,110	4,929	31,541	-	127,444
At 31 December	**255,484**	**1,658,559**	**1,786,038**	**1,888,988**	**177,927**	**1,696,822**	**-**	**7,463,818**
Net book value at 31 December	**7,498,803**	**698,125**	**1,407,517**	**825,543**	**29,515**	**1,768,263**	**286,828**	**12,514,594**

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

25. PROPERTY AND EQUIPMENT (Continued)

2021:

	Buildings KShs'000	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	4,715,127	2,053,158	2,118,504	1,211,525	212,729	2,942,772	3,402,012	16,655,827
Acquisition of I&M Bank (Uganda) Limited	-	117,274	230,976	306,119	28,260	303,933	26,092	1,012,654
Additions	100,382	59,634	221,088	74,461	25,648	328,104	846,602	1,655,919
Revaluation reserve	45,189	-	-	-	-	-	-	45,189
On disposals	-	(24,251)	(39,206)	(3,628)	(31,857)	(98,653)	(6,059)	(203,654)
Items expensed	-	-	(7,929)	-	-	-	-	(7,929)
Reclassification/internal transfers	2,768,127	53,920	432,509	667,085	-	-	(3,868,039)	53,602
Write offs/back	(384,165)	-	-	-	-	-	-	(384,165)
Surplus on revaluation	271,811	-	-	-	-	-	-	271,811
Translation difference	(13,001)	11,028	15,304	9,581	1,022	6,558	(12,940)	17,552
At 31 December	**7,503,470**	**2,270,763**	**2,971,246**	**2,265,143**	**235,802**	**3,482,714**	**387,668**	**19,116,806**
Depreciation								
At 1 January	227,752	1,133,282	1,126,505	1,038,389	157,867	850,444	-	4,534,239
Acquisition of I&M Bank (Uganda) Limited	-	91,298	184,642	280,281	21,806	156,616	-	734,643
Charge for the year	159,941	215,460	228,414	197,848	34,036	485,084	-	1,320,783
Write-offs	(135,981)	-	-	-	-	-	-	(135,981)
Reversal on revaluation	(98,767)	-	-	-	-	-	-	(98,767)
On disposals	-	(16,849)	(33,593)	(3,433)	(28,722)	(68,673)	-	(151,270)
Translation differences	(1,926)	8,005	10,316	8,119	765	4,251	-	29,530
At 31 December	**151,019**	**1,431,196**	**1,516,284**	**1,521,204**	**185,752**	**1,427,722**	**-**	**6,233,177**
Net book value at 31 December	**7,352,451**	**839,567**	**1,454,962**	**743,939**	**50,050**	**2,054,992**	**387,668**	**12,883,629**

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

26. INTANGIBLE ASSETS
(a) Goodwill

	2022 KShs'000	2021 KShs'000
I&M Bank LIMITED	1,195	1,195
I&M Bank (T) Limited	567,081	526,504
I&M Bank (Rwanda) PLC	454,505	433,256
I&M Burbidge Capital Limited	35,905	35,481
Giro Limited	1,944,139	1,944,139
Youjays Insurance Brokers Limited	232,284	232,284
I&M Bank (Uganda) Limited	751,705	721,331
	3,986,814	**3,894,190**
Movement of Goodwill		
At 1 January	3,894,190	3,155,449
Acquisition of I&M Bank (Uganda) Limited	-	721,331
Exchange differences	92,624	17,410
At 31 December	**3,986,814**	**3,894,190**

Acquisition of I&M Bank (Uganda) Limited

	2022 KShs'000	2021 KShs'000
Total purchase consideration paid in cash	**-**	**3,288,16**
Total assets	-	20,030,162
Total liabilities	-	(17,436,437)
Net assets acquired	**-**	**2,593,725**
Exchange differences	-	26,888
Goodwill	**-**	**721,331**

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

26. INTANGIBLE ASSETS (Continued)

(a) Goodwill (continued)

With respect to goodwill assessment for impairment, no impairment losses have been recognised as the recoverable amounts of the Cash Generating Units (CGUs) were determined to be higher than their carrying amounts. The recoverable amounts have been calculated by discounting the future cash flows expected to be generated from the continuing use of the respective CGUs. The key assumptions used in the calculation of value in use were as follows:

2022	I&M Bank (T) Limited	I&M Bank (Rwanda) PLC	I&M Burbidge Capital Limited	Giro Limited	Youjays Insurance Brokers Limited	I&M Bank (Uganda) Limited
5 year risk free rate	9.18%	12.38%	10.86%	10.86%	10.86%	15.35%
Risk premium	12.30%	9.80%	9.49%	9.49%	9.49%	10.00%
Terminal growth rate	3.00%	3.00%	4.00%	4.50%	4.00%	5.00%
Pretax discount rate	21%	21%	20%	21%	21%	21%
Exchange rate	KShs 1 = Tzs 18.92	KShs 1 = Rwf 8.74	KShs 1 = KShs 1	KShs 1 = KShs 1	KShs 1 = KShs 1	KShs 1 = Ushs30.16
Present value of the recoverable amounts						
KShs in billions	5.623	4.377	0.173	6.649	0.375	5.510
Goodwill impaired	Nil	Nil	Nil	Nil	Nil	Nil

2021	I&M Bank (T) Limited	I&M Bank (Rwanda) PLC	I&M Burbidge Capital Limited	Giro Limited	Youjays Insurance Brokers Limited	I&M Bank (Uganda) Limited
5 year risk free rate	9.10%	11.20%	10.46%	10.46%	10.46%	13.00%
Risk premium	11.95%	10.43%	9.33%	9.33%	9.33%	9.68%
Terminal growth rate	3.00%	3.00%	4.00%	4.00%	4.00%	5.00%
Pretax discount rate	21%	21%	20%	20%	20%	21%
Exchange rate	KShs 1 = Tzs 20.38	KShs 1 = Rwf 9.17	KShs 1 = KShs 1	KShs 1 = KShs 1	KShs 1 = KShs 1	KShs 1 = Ushs 31.43
Present value of the recoverable amounts						
KShs in billions	4.318	4.915	0.173	6.401	0.340	3.820
Goodwill impaired	Nil	Nil	Nil	Nil	Nil	Nil

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

26. INTANGIBLE ASSETS (Continued)

(a) Goodwill (continued)

The discount rate utilised was the risk free rate on the rate of 5 year government bonds issued by the governments in the respective markets and in the same currency as the cash flows.

These cash flows have been projected for 7 years, based on the approved Business plans of the respective units.

In the opinion of the Directors, there was no impairment of goodwill during the year.

Sensitivity analysis

The CGUs are sensitive to possible adverse changes in the key assumptions that support the recoverable amount:

Cash flows: The medium term plans used to determine the cash flows used in the Value In Use (VIU) calculation rely on macroeconomic forecasts. including interest rates. GDP and unemployment. and forecast levels of market and client activity. Interest rate assumptions impact planned cash flows from both customer income and structural hedge contributions and therefore cash flow expectations are highly sensitive to movements in the yield curve. The cash flows also contain assumptions with regards to the prudential and financial conduct regulatory environment which may be subject to change. Given the current level of economic uncertainty. a 10% reduction in cash flows has been provided to show the sensitivity of the outcome to a change in these key assumptions.

Discount rate: The discount rate should reflect the market risk free rate adjusted for the inherent risks of the business it is applied to. Management have identified discount rates for comparable businesses and consider these to be a reasonable estimate of a suitable market rate for the profile of the business unit being tested. The risk that these discount rates may not be appropriate is quantified below and show the impact of a 100 bps change in the discount rate.

Terminal growth rate: The terminal growth rate is used to estimate the cash flows into perpetuity based on the expected longevity of the CGU's businesses. The terminal growth rate is sensitive to uncertainties in the macroeconomic environment. The risk that using inflation data may not be appropriate for its determination is quantified below and shows the impact of a 100 bps change in the terminal value.

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

26. INTANGIBLE ASSETS (Continued)

(a) Goodwill (continued)

Sensitivity analysis – continued

The sensitivity of the value in use to key judgements in the calculations is set out below:

						Reduction in headroom			Change required to reduce the head room to zero		
Cash Generating Unit	Carrying value KShs'Million	Value in use KShs'Million	Value in use exceeding carrying value KShs'Million	Pretax discount rate %	Terminal growth rate %	100bps increase in discount rate KShs'Million	100bps decrease in terminal rate KShs'Million	10% reduction in forecasted cash flows KShs'Million	Pretax discount rate %	Terminal growth rate %	Reduction in forcasted cash flows %
I&M Bank (T) Limited	567	5,623	5,056	21%	3%	(246.55)	(90.09)	(472.25)	(6%)	(31%)	(21%)
I&M Bank (Rwanda) PLC	455	4,377	3,922	21%	3%	(283.64)	(104.00)	(502.13)	(1%)	(2%)	(3%)
I&M Burbidge Capital Limited	35	173	138	20%	4%	(12.20)	(7.40)	(17.30)	204%	N/A	(80%)
Youjays Insurance Brokers Limited	232	375	143	21%	4%	(22.00)	(12.99)	(17.45)	(9%)	(23%)	(82%)
Giro Limited	1,944	6,649	4,705	21%	5%	(213.33)	(216.59)	(809.96)	(11%)	(33%)	(33%)
I&M Bank (Uganda) Limited	752	5,510	4,758	21%	5%	(192.00)	(181.23)	(551.07)	(4.4%)	(27%)	(12%)
Total	**3,985**	**22,707**	**18,722**								

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

26. INTANGIBLE ASSETS (Continued)

(b) Software

2022:

	Software KShs'000	Capital work in progress KShs'000	Total KShs'000
Cost			
At 1 January	5,624,355	517,536	6,141,891
Additions	100,836	918,306	1,019,142
Reclassification	1,040,958	(1,040,958)	-
Transferred from tangible work in progress	45,504	-	45,504
Write offs	(39,733)	(858)	(40,591)
Translation differences	122,716	5,003	127,719
At 31 December	**6,894,636**	**399,029**	7,293,665
Amortisation			
At 1 January	3,457,022	-	3,457,022
Amortisation for the year	873,728	-	873,728
Write offs	(25,831)	-	(25,831)
Translation differences	90,016	-	90,016
At 31 December	**4,394,935**	**-**	**4,394,935**
Carrying amount at 31 December	**2,499,701**	**399,029**	**2,898,730**

2021:

	Software KShs'000	Capital work in progress KShs'000	Total KShs'000
Cost			
At 1 January	4,134,885	436,690	4,571,575
Acquisition of I&M Bank (Uganda) Limited	667,642	-	667,642
Additions	372,814	500,809	873,623
Reclassification	419,164	(419,164)	-
Disposals	(960)	-	(960)
Translation differences	30,810	(799)	30,011
At 31 December	**5,624,355**	**517,536**	**6,141,891**
Amortisation			
At 1 January	2,135,082	-	2,135,082
Acquisition of I&M Bank (Uganda) Limited	597,251	-	597,251
Amortisation for the year	702,187	-	702,187
On disposals	(960)	-	(960)
Translation differences	23,462	-	23,462
At 31 December	**3,457,022**	**-**	**3,457,022**
Carrying amount at 31 December	**2,167,333**	**517,536**	**2,684,869**

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

27. DEFERRED TAX ASSET – Group

2022:	Balance at 1 January KShs'000	Acquisition of subsidiary KShs'000	Prior year adjustment KShs'000	Recognised in equity KShs'000	Translation differences KShs'000	Recognised in profit or loss KShs'000	Balance at 31 December KShs'000
Property and equipment	(997,449)	-	(22,404)	(28,379)	(27,493)	(3,262)	(1,078,987)
Right of use of asset	(17,998)	-	(1,340)	-	1,080	(11,876)	(30,134)
General provisions	2,704,771	-	(219,580)	-	112,170	547,716	3,145,077
Other provisions	4,012,164	-	(64,718)	-	9,348	1,008,311	4,965,105
Fair value reserves	402,697	-	-	1,274,687	(1,727)	1,428	1,677,085
	6,104,185	**-**	**(308,042)**	**1,246,308**	**93,378**	**1,542,317**	**8,678,146**
2021:							
Property and equipment	(550,877)	-	13,873	(47,991)	2,734	(415,188)	(997,449)
Right of use of asset	(24,606)	-	32,353	-	300	(26,045)	(17,998)
General provisions	544,628	1,353,006	113,156	-	66,564	627,417	2,704,771
Other provisions	4,061,558	-	(130,647)	-	187,110	(105,857)	4,012,164
Fair value reserves	180,801	(4,055)	(901)	240,573	(164)	(13,557)	402,697
	4,211,504	**1,348,951**	**27,834**	**192,582**	**256,544**	**66,770**	**6,104,185**

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

28. OTHER ASSETS

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Prepayments	755,002	624,290	3,364	500
Other receivables	4,773,055	2,401,659	77,563	229,286
	5,528,057	**3,025,949**	**80,927**	**229,786**

29. DEPOSITS FROM BANKS

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Due within 90 days	16,891,586	15,299,029	-	-
Due after 90 days	1,261,743	3,815,278	-	-
	18,153,329	**19,114,307**	**-**	**-**

30. DEPOSITS FROM CUSTOMERS

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Government and Parastatals	5,548,600	7,057,426	-	-
Private sector and individuals	306,787,332	289,689,083	-	-
	312,335,932	**296,746,509**	**-**	**-**

31. OTHER LIABILITIES

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Bankers cheques payable	112,208	108,680	-	-
Accruals	2,388,152	1,817,442	18,168	6,658
Lease liabilities	1,392,034	1,696,214	-	-
Provisions for loan commitments*	184,625	278,959	-	-
Other accounts payable	2,901,846	1,608,811	81	-
Dividend payable	73,199	90,765	73,199	90,765
	7,052,064	**5,600,871**	**91,448**	**97,423**

*This represents impairment allowance for loan commitments and financial guarantee contracts.

Lease liability

Group	2022 KShs'000	2021 KShs'000
Expected to be settled within 12 months after the year end	497,844	494,860
Expected to be settled more than 12 months after the year end	894,190	1,201,354
	1,392,034	**1,696,214**

The total cash outflow for leases in the year was:

Group	2022 KShs'000	2021 KShs'000
Payments of principal portion of the lease liability	162,229	419,977
Interest paid on lease liabilities	176,459	123,942
	338,688	**543,919**

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

31. OTHER LIABILITIES (Continued)

Lease liability (continued)

Lease liability movement

Group	2022 KShs'000	2021 KShs'000
Balance at 1 January	1,696,214	1,798,872
Acquisition of I&M Bank (Uganda) Limited	-	155,081
Additions	166,567	328,104
Interest expense	176,459	123,942
Lease payments	(338,688)	(543,919)
Disposal	(12,634)	(27,037)
Translation difference	(295,884)	(138,829)
Balance at 31 December	**1,392,034**	**1,696,214**

Amounts recognized in profit or loss

Group	2022 KShs'000	2021 KShs'000
Interest on lease liabilities (Note 10)	176,459	123,942
Depreciation of right to use asset (Note 25)	464,416	485,084
	640,875	**609,026**

Extension options

Some leases of office premises contain extension options exercisable by the Group up to one term after 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 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)

32. LONG TERM DEBT

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Less than one year	1,547,588	1,623,410	-	-
One to five years	4,215,540	7,893,288	-	-
	5,763,128	**9,516,698**	**-**	**-**

Loan movement schedule

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
At 1 January	9,516,698	10,317,827	-	-
Acquisition of I&M Bank (Uganda) Limited	-	75,118		
Funds received	547,107	1,872,226	-	-
Payments on principal and interest	(5,222,313)	(3,114,889)	-	-
Exchange differences	921,636	366,416	-	-
At 31 December	**5,763,128**	**9,516,698**	**-**	**-**

Long term 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. (Kenya)

(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. (Kenya)

(iii) TZS 3,250 million facility granted by Tanzania Mortgage Refinance Company Limited (TMRC) in two tranches. TZS 1,800 million granted on 13 August 2018 for a tenure of 5 years and TZS 1,450 million granted on 30 August 2018 for a tenure of 3 years. The interest on the facility repayable quarterly basis and the principal at maturity. (Tanzania)

(iv) USD 15,000,000 granted on December 2018 by FMO as senior debts for tenor of 5 years. The interest and principal on the facility is repayable on a quarterly basis. (Tanzania)

(v) Long term loan from European Investment Bank of Frw 14.1 billion received in 2014, 2015, 2016 and 2019 at average rate of 9.22% with tenor period of less than 7 years for which its repayment amounts are fixed in Rwandan Francs. The outstanding exposure is Frw 5.4 billion (2021: Frw 7.6 billion). They are unsecured loans. (Rwanda)

(vi) A senior unsecured debt from FMO of USD 25 million at 6.46% per annum with maturity up to July 10, 2027. (Rwanda)

(vii) Loan with Rwanda Development Bank Frw 4.1billion (2021: 5.5 billion) borrowed between 2017 and 2021 at average rate of 4% to support power and energy sector. The loan is not secured. (Rwanda)

(viii) During the year, Rwanda received additional economic recovery fund facility of Frw 506 million from National bank of Rwanda to support businesses hardly affected by post-COVID-19 impact and economic distress.

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

33. SUBORDINATED DEBT

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Less than one year	1,490,462	172,663	-	-
One to five years	7,999,248	5,923,403	-	-
Over five years	1,541,875	3,933,309	-	-
	11,031,585	**10,029,375**	**-**	**-**

Subordinated debt comprises:

In Kenya, USD 27,350,000 medium term unsecured subordinated fixed and floating rate notes issued on 14 August 2019 for a tenure of 5 years with redemption on maturity date.

USD 50,000,000 subordinated facility issued on 28 June 2021 by IFC for a tenor of 6 years 9 months with redemption in four consecutive approximately equal instalments starting 15 Sept 2026 and on each interest payment date thereafter until and including 15 Mar 2028.

In Rwanda, USD 10 million 5-year subordinated loan with IFC.

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 and Company has not had any defaults of principal or interest with respect to these debts.

34. SHARE CAPITAL AND RESERVES

(a) Share capital and share premium – Group and Company

	2022 KShs'000	2021 KShs'000
Authorised: 1,653,621,476 ordinary shares of KShs 1 each	1,653,621	1,653,621
Issued and fully paid:		
Ordinary shares of KShs 1 each at 31 December	**1,653,621**	**1,653,621**

Movement of share capital and premium	Number of shares Kshs'000	Share capital Kshs'000	Share premium Kshs'000	Total Kshs'000
2022:				
1 January and 31 December	**1,653,621**	**1,653,621**	**17,561,629**	**19,215,250**
2021:				
1 January	826,811	826,811	18,390,507	19,217,318
Issue of bonus shares	826,810	826,810	(826,810)	-
Issue related costs	-	-	(2,068)	(2,068)
1 January and 31 December	**1,653,621**	**1,653,621**	**17,561,629**	**19,215,250**

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

34. SHARE CAPITAL AND RESERVES (Continued)

(a) Share capital and share premium - Group and Company (continued)

In 2021, during the Annual General Meeting (AGM) held on 20 May 2021, shareholders approved issuance of bonus shares at a proportion of one (1) new share for every one (1) of existing and paid up shares held by shareholders respectively. The shares were treated as an increase in the amount of nominal amount of capital of the Company held by each shareholder. Requisite approvals were received and KShs 826,810,738 was capitalized from Share Premium account to form part of un-distributable capital.

The ordinary shares rank equally with regard to the company residual assets and are entitled to receive dividends as declared from time to time and to one vote per share at general meetings of the Company. The par value per share is KShs 1.00.

(b) Share premium

Share premium is the amount which the Company raises in excess of the par value/nominal value of the shares. This is disclosed in the statement of changes in equity appearing on pages 112 to 114.

(c) Revaluation reserve

The revaluation reserve arises on revaluation of buildings. When revalued property is disposed, the portion of the revaluation reserve that relates to that asset is transferred to retained earnings. This is disclosed in the statement of changes in equity appearing on pages 112 to 114.

(d) 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 112 to 114.

(e) Translation reserve

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations. Details of the Group investments outside Kenya are disclosed in Note 1 of the financial statements. This is disclosed in the statement of changes in equity appearing on pages 112 to 114.

(f) Statutory credit risk statutory 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 112 to 114.

(g) Defined benefit reserve

Bank One Limited (a joint venture for I&M Group PLC) operates a defined benefit scheme. The net obligation is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit method. The Group share of actuarial gains or losses arising from the calculation are recognised in other comprehensive income.

	2022 KShs'000	2021 KShs'000
At 1 January	(103,539)	(138,561)
Movement during the year	(20,526)	35,022
At 31 December	**(124,065)**	**(103,539)**

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

35. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash flow from operating activities

	Note	Group 2022 KShs'000	Group 2021 KShs'000	Company 2022 KShs'000	Company 2021 KShs'000
Profit before income tax		14,992,332	12,412,906	6,149,719	6,704,086
Adjustments for:					
Depreciation on property and equipment	25	1,132,882	835,699	-	-
Depreciation on right of use asset	25	464,416	485,084	-	-
Amortisation of intangible asset	26(b)	873,728	702,187	-	-
Interest on lease liabilities	31	176,459	123,942	-	-
Net loss/(gain) on sale of property and equipment		9,822	12,605	-	-
Net interest income		(22,944,521)	(20,876,894)	-	-
Profit on sale of FVOCI		(866,858)	(1,634,349)	-	-
Effects of exchange rate changes on cash and cash equivalents		(1,033,644)	(659,283)	-	-
Profit from joint venture	24(a)	(662,150)	(548,890)	-	-
Exchange reserves		1,257,318	(50,291)	-	-
		(6,600,216)	**(9,197,284)**	**6,149,719**	**6,704,086**
Increase/(decrease) in operating assets					
Movement in loans and advances to customers		(27,153,522)	(16,791,038)	-	-
Financial assets at fair value through profit or loss (FVTPL)		817,669	(2,586,496)	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)		6,900,495	(22,589,549)	(913,889)	-
Other financial assets at amortised cost		1,438,389	5,314,260	-	-
Held for sale assets		262,923	42,405	-	-
Loans and advances to banks		(664,360)	1,597,194	-	-
Cash and balances with Central Banks – Cash Reserve Ratio	18	1,304,756	(4,540,508)	-	-
Other assets		(2,688,204)	(328,513)	123,611	(225,564)
		(19,781,854)	**(39,882,245)**	**(790,278)**	**(225,564)**
Increase/(decrease) in operating liabilities					
Customer deposits		19,060,230	21,261,007	-	-
Deposits from banks		(2,553,535)	1,982,203	-	-
Long-term borrowings		(3,891,733)	(939,292)	-	-
Other liabilities		1,451,193	(533,665)	(5,975)	13,099
Amounts due to group company		-	-	(1,931,640)	50,368
		14,066,155	21,770,253	(1,937,615)	63,467
Cash flows (utilised in)/ generated from operating activities		**(12,315,915)**	**(27,309,276)**	**3,421,826**	**6,541,989**
Tax paid	16(b)	(4,254,197)	(4,238,920)	(11,307)	(7,212)
Interest on lease liabilities	31	(176,459)	(123,942)	-	-
Interest received		36,534,237	32,418,301	-	-
Interest paid		(17,877,483)	(15,811,925)	-	-
Net cash flows generated from/ (utilised in) operating activities		**1,910,183**	**(15,065,762)**	**3,410,519**	**6,534,777**

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

35. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(b) Analysis of cash and cash equivalents

Group

	Note	2022 KShs'000 a	2021 KShs'000 b	Change KShs'000 c =(a – b)
Cash and balances with Central Banks – excluding Cash Reserve Ratio	18	6,762,140	10,185,673	(3,423,533)
Items in the process of collection	19	(167,494)	572,584	(740,078)
Loans and advances to banks	20	20,487,484	15,202,486	5,284,998
Deposits from banks	29	(16,891,586)	(15,299,029)	(1,592,557)
		10,190,544	**10,661,714**	**(471,170)**
*Cash Reserve Ratio				
Company				
Cash and bank balances	38(b)	**864,255**	**834,431**	**29,824**

(c) Acquisition of I&M Bank (Uganda) Limited net of cash and cash equivalents

	2022 KShs'000	2021 KShs'000
Total assets	-	20,030,162
Total liabilities	-	(17,436,437)
Net assets acquired	**-**	**2,593,725**
Goodwill	-	694,443
Net cash outflow	**-**	**3,288,168**

36. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS - GROUP

(a) Legal proceedings

There were a number of legal proceedings outstanding against the Group as at 31 December 2022. No provisions have been made (2021 – Nil). Management view and professional advice indicates that it is unlikely that any significant loss will.

(b) Commitments and financial guarantees

In the ordinary course of business, banking entities in the Group conduct business involving guarantees, acceptances, and letters of credit. At the period end, the contingent liabilities were as follows:

Group

	2022 KShs'000	2021 KShs'000
Contingencies related to:		
Letters of credit	44,723,300	45,873,793
Guarantees	30,970,787	25,672,265
Other credit commitments	23,551,052	25,679,980
	99,245,139	**97,226,038**
Commitments related to:		
Outstanding spot/forward contracts	44,291,896	23,230,668
	143,537,035	**120,456,706**

Nature of contingent liabilities

Guarantees are generally written by a bank to support performance by a customer to third parties. The Group will only be required to meet these obligations in the event of the customer's default.

Letters of credit commit a 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 Group 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)

37. ASSETS PLEDGED AS SECURITY - GROUP

The below are government securities held under lien in favour of the Central Banks.

	2022 KShs'000	2021 KShs'000
Group	**4,000,000**	**3,703,421**

38. RELATED PARTIES 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 are 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)ransactions with directors/shareholders		
(i)Loans to directors/shareholders	**1,064**	**5,638**
Interest Income from loans to directors/shareholders	341	483
(ii)Deposits from directors/shareholders	**1,221,600**	**997,855**
Interest expense on deposits from directors/shareholders	40,533	70,565
(iii)The Directors remuneration is disclosed in Note 15		
(b)Transactions with related companies		
(i)Loans to related companies	**1,879,746**	**2,172,163**
Interest income from loans to related companies	130,657	183,228
(ii)Deposits from related companies	**843,700**	**1,262,448**
Interest expense on deposits from related companies	25,629	58,969
(iii)Amounts due from group companies subsidiaries/joint venture	**864,255**	**834,431**
Interest income on amounts due from subsidiaries and joint venture	-	-
(iv)Amounts due to group companies subsidiaries/joint venture	**-**	**1,931,640**
Interest expense on amounts due from subsidiaries and joint venture	-	-
(c)Transactions with employees		
Staff loans	**2,893,800**	**1,949,231**
Interest earned	159,700	107,337
(d)Management compensation	**376,368**	**224,438**

39. CAPITAL COMMITMENTS

	2022 KShs'000	2021 KShs'000
Group	**1,578,997**	**5,968,322**

This is capital commitments on leasehold improvements and digitization initiatives being adopted by the Group.

40. EMPLOYEE SHARE OWNERSHIP PLAN

In 2016, I&M Bank (Rwanda) PLC offered 1% of the existing shares capital of its shares as ESOP shares subscribed to by the eligible employees. Each Beneficiary was entitled to purchase from the Trustee, not earlier than the first anniversary of the IPO Closing Date (the "Vesting Date"), and not later than the fifth anniversary of the IPO Closing date newly issued Share of the Bank payable in full at the time of the purchase at the price equal to the Offer Price per share.

The eligibility was that employees were to continue to serve as Employees of the Bank for a period of thirty six (36) months from the date of allotment, had permanent contracts and with minimum total service time of one year as at 31st December 2016.

The objectives of the ESOP are as follows:

- To enhance employee loyalty and retention.
- To have employee participation in the shareholding of the Bank thereby promoting their economic interest in its success.
- To enhance employee motivation and productivity.

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

41. EVENTS AFTER REPORTING DATE

Subsequent to year end, management of I&M Bank (Rwanda) PLC discovered incidents of fraudulent withdrawals through customer wallets amounting to USD 10.3 million during the period 1 November 2022 to 17 January 2023. As of the date of these financial statements, some recoveries have been made and investigations are still ongoing.

42. 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 I&M Bank LIMITED (a wholly owned subsidiary of I&M Group PLC) ("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.

43. 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's of the various subsidiaries through their Board Risk Committee or equivalent, issues policies that guide management on appropriate practices of operational risk mitigation.

An independent Risk Manager assures the Board Risk Committee or equivalent 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 Group 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 or equivalent committees of the respective subsidiaries 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.

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

43. OTHER DISCLOSURES (Continued)

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 Group 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 i.e. International Finance Corporation (IFC) performance standards and International Labour Organisation (ILO) standards, as ratified by the Kenya government and Governments of the various jurisdictions in which the Group operates. 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 Group's critical accounting policies and estimates and the application of these policies and estimates.

(d) Climate-related risks

The Group Board and the Senior Management acknowledges the potential impacts of climate change on the various business lines. The Group 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 1.5 degree Celsius 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.

(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.

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

44. ACQUISITON OF SUBSIDIARY

On 30 April 2021, the Group acquired 90% of the shares and voting interests in I&M Bank (Uganda) Limited (formerly Orient Bank Limited). The acquisition is expected to provide the Group with an enhanced presence in the Eastern Africa Region in line with the group's strategy of being Eastern Africa's leading financial partner for growth.

For the eight months ended 31 December 2021, the subsidiary contributed revenue of KShs 1 billion and loss after tax of KShs 373 million to the Group's results. If the acquisition had occurred on 1 January 2021, management estimates that the consolidated revenue would have been KShs 1.4 billion and the consolidated loss after tax should have been KShs 704.5 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2021.

(a) Consideration transferred

The following summarises the acquisition consideration transferred.

	2022 KShs'000	2021 KShs'000
Cash consideration	-	3,288,168
Contingent consideration	-	-
Purchase consideration	**-**	**3,288,168**

(b) Acquisition-related cost

The Group incurred acquisition-related costs of Kshs 52 million on legal and professional fees, licenses fees and due diligence expenses. These costs have been included in the company administrative expenses

(c) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired, and liabilities assumed at the date of acquisition.

	2022 KShs'000	2021 KShs'000
Cash and Bank balances	-	8,813,646
Investment securities	-	3,348,937
Loans and advances	-	5,774,190
Property and equipment	-	136,184
Right of use assets	-	119,620
Intangible assets	-	85,525
Deferred income tax asset	-	1,396,819
Other assets	-	355,241
Customer deposits	-	(16,411,452)
Deposits due to other banks	-	(190,219)
Lease liability	-	(122,412)
Other liabilities	-	(712,354)
Total identifiable net assets acquired	**-**	**2,593,725**

Measurement of fair values

The valuation/cost techniques used for measuring the fair value of material assets were as

Asset acquired	*Valuation technique*
Plant and equipment	Cost technique: The acquired amounts are the depreciated replacement cost. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	Cost technique: The acquired amounts are the depreciated replacement cost. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Derivative assets	Marking to market: The fair value is determined based on the foreign exchange market prices.
Investment securities (FVOCI)	Marking to market: The fair value is determined based on the market prices.

The loans and advances comprise gross contractual amounts due of KShs 301 million of which KShs 285 million was carried as non-performing loans as at the date of acquisition.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2022 (Continued)

44. ACQUISITON OF SUBSIDIARY (Continued)

(c) Identifiable assets acquired and liabilities assumed (continued)

Fair value measured on a provisional basis

The fair value of investment securities assets held at amortised costs and loans and advances have been measured provisionally, pending completion of an independent valuation.

If new information is obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition, identifies adjustment to the above amounts or any additional provisions that existed as the date of acquisition, then the accounting for the acquisition will be revised.

(d) Goodwill

Goodwill arising from the acquisition has been recognised as follows

	2022 KShs'000	2021 KShs'000
Consideration transferred	-	3,288,168
Fair value of identifiable net assets	-	(2,593,725)
	-	**694,443**

The goodwill is attributable to the business of I&M Bank (Uganda) Limited and the synergies to be achieved from integrating into I&M Group's existing business. None of the goodwill is expected to be deductible for tax purposes.

I&M Group

Notice of the Annual General Meeting

Date: 28th April, 2023

Notice is hereby given that the Seventy First Annual General Meeting of the Shareholders of I&M Group PLC will be held via electronic communication on Thursday 25th May, 2023 at 10.00 a.m. for purposes of transacting the business set out below.

The Company will conduct the virtual Annual General Meeting in accordance with Article 56 of its Articles of Association. Shareholders will be able to register for, access information pertaining to the Integrated Report and Audited Financial Statements of I&M Group PLC for the year ending 31st December, 2022, follow the meeting in the manner detailed below and vote electronically or by proxy. Shareholders may ask questions in advance of the meeting as detailed below.

A.ORDINARY BUSINESS

1. To receive the Group's Audited Financial Statements for the year ended 31st December, 2022 together with the Chairman's, Directors' and Auditors' reports thereon.
2. To approve the Directors' remuneration as provided in the accounts for the year ended 31st December 2022.
3. To approve payment of a first and final dividend of Kshs. 2.25 per share amounting to Kshs. 3,720,648,321 for the year ended 31 December 2022. The dividend will be payable to the shareholders in the Company's Register of Members at the close of business on Thursday 20th April 2023 and will be paid on or around Thursday 25th May 2023.
4. To re-elect directors:
   - i. In accordance with Section 2.5 of the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, Mr. S B R Shah having attained the age of 70 years retires and offers himself for re-election.
   - ii. In accordance with Article No. 27.2 of the Company's Articles of Association Ms. Risper Genga Ohaga, retires by rotation and being eligible offers herself for re-election.
   - iii. In accordance with Article No. 28 of the Company's Articles of Association, Mr. Daniel Ndonye, retires by rotation and does not offer himself for re-election.
   - iv. In accordance with Article No. 28 of the Company's Articles of Association, Mr. Suleiman Ibrahim Kiggundu, (Jr), retires by rotation and being eligible offers himself for re-election.
   - v. In accordance with Article No. 28 of the Company's Articles of Association, Mr. Sarit S. Raja Shah, retires by rotation and being eligible offers himself for re-election.
5. Pursuant to the provisions of Section 769 of the Companies Act, 2015, the following Directors being members of the Board Audit and Risk Management Committee, be elected to continue to serve as Members of this Committee:
   - i) Ms. Rose Wanjiru Kinuthia
   - ii) Mr. Michael Turner
   - iii) Dr. Alice Nyambura Koigi
6. To note that the auditors Messrs. KPMG Kenya Certified Public Accountants (K), having expressed their willingness, continue in office in accordance with Section 721 (2) of the Companies Act, 2015 and to authorize the Directors to fix their remuneration for the ensuing financial year.
7. **General approval to hold Share Capital in Investment Opportunities**

   THAT subject to all relevant regulatory approvals being obtained, the Company be authorised to undertake an acquisition, a merger, enter into a joint venture agreement or set up a new (greenfield) venture where the value of such a transaction shall not exceed an amount of USD 75 million.
8. To transact any other business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Bilha Wanjiru Mwangi
Company Secretary,
P.O. Box 51922-00100,
Nairobi.

28th April, 2023

I&M Group

Notice of the Annual General Meeting

Date: 28th April, 2023

NOTES

1. The Companies Act, 2015 was amended to permit companies to convene and conduct virtual general meetings. In this respect, I&M Group PLC amended its Articles of Association accordingly. I&M Group PLC has convened and is conducting this virtual Annual General Meeting in accordance with Article 56 of its Articles of Association. Shareholders wishing to participate in the meeting should register using either of the following:

   a. Through the web portal

   By logging onto **https://escrowagm.com/imgroup/signup.aspx** and filling in the registration form. In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC or Share Account Number at hand. For assistance shareholders should dial the following helpline number: (+254) 710 888 000 between 9:00 a.m. to 4:00 p.m. from Monday to Friday.

   b. Unstructured Supplementary Service Data (USSD)

   By dialing *483*560# and following the prompts. In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC or Share Account Number at hand. For assistance shareholders should dial the following helpline number: (+254) 710 888 000 between 9:00 a.m. to 4:00 p.m. from Monday to Friday. The USSD service cost will be borne by the Company.

2. Registration for the AGM opens on Wednesday 17th May, 2023 at 8.00 am and shall remain open to any Shareholder wishing to participate in the meeting.
3. In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website at **https://www.imbank.com/about-us/i-and-m-holdings/investor-relations**
   i. a copy of this Notice and the proxy form; and
   ii. the Company's Integrated Report and Audited Financial Statements for the year 2022.
4. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:
   a. sending their written questions by email to invest@imbank.co.ke; or
   b. to the extent possible, physically delivering their written questions with a return physical address or email address to the registered office of the Company at 1 Park Avenue, First Parklands Avenue, P.O. Box 30238-00100, Nairobi or to CDSC Registrars Limited's offices at 1st Floor, Occidental Plaza, Westlands, Nairobi; or
   c. sending their written questions with a return physical address or email address by registered post to the Company's address at P.O. Box 30238 -00100 Nairobi.
   d. Shareholders must provide their full details (full names, ID/Passport Number/CDSC or Share Account Number) when submitting their questions and clarifications.
   e. All questions and clarification must reach the Company on or before 22nd May, 2023 at 5:00pm.
   f. Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return physical address or email address provided by the Shareholder no later than 24 hours before the start of the general meeting. A full list of all questions received and the answers thereto will be published on the Company's website not later than 24 hours before the start of the general meeting.
5. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company but if not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone.

   A proxy form is available on the Company's website via this link: **https://www.imbank.com/about-us/i-and-m-holdings/investor-relations.** Physical copies of the proxy form are also available at the following address: CDSC Registrars Limited's offices at 1st Floor, Occidental Plaza, Westlands, Nairobi.

   A proxy must be signed by the appointor or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under the hand of an officer or duly authorized attorney of such body corporate. A completed form of proxy should be emailed to **eagm@cdscregistrars.com** or delivered to CDSC Registrars Limited's offices at 1st Floor, Occidental Plaza, Westlands, P.O. Box 6341-001000 Nairobi, so as to be received not later than 23rd May 2023 at 5.00 p.m. Any shareholder appointing a proxy must provide the phone number, Identity Card Number and e-mail address of the proxy on the proxy form. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 24th May, 2023 to allow time to address any issues.
6. All proxies should register using either the web portal or USSD. When registering, the proxy will be required to use their identity card/Passport Number. For further assistance, Proxies may call CDSC Registrars Limited on +254 710 888 000.
7. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies shall be able to join the meeting either by logging into the system using their registration credentials or following proceedings on the link to be shared.
8. Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform. Duly registered shareholders and proxies may vote (when prompted by the Chairman) for resolutions on a panel provided next to the live stream screen or via the USSD prompts.
9. Results of the AGM shall be published within 24 hours following conclusion of the AGM. The results will also be available on the web portal and summarized results on the USSD menu.

I&M Group

I&M GROUP PLC

CDSC A/c No: ______________________

Shareholder No: ______________________

ID No: ______________________

THE COMPANY SECRETARY

P.O BOX 51922 -00100

NAIROBI

PROXY FORM

I/WE ____

of ____

Being a shareholder of I&M Group PLC hereby appoint the Chairman of the Meeting or (see note 7) ______________________

______________________(Name of proxy) of ______________________ (Mobile number of proxy) and ______________________ (email address of the proxy) in respect of my (Number of shares). Please indicate here if you are appointing more than one proxy as my/our proxy to attend, represent and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held electronically on ______________ , 2023 at ______am and at any adjournment thereof.

Signed this ______________________ day of ______________________ , 2023

Signature(s) (i) (ii) ______________________

I/WE direct my/our proxy to vote on the following resolutions as I/WE have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or withhold his or her vote at his or her discretion and I/WE authorize my/our proxy to vote (or withhold his or her vote) as he or she thinks fit in relation to any other matter which is properly put before the Meeting.

Please clearly mark the box below to instruct your proxy how to vote.

RESOLUTION	FOR	AGAINST	WITHHELD
1. Approval of the Group's audited financial statements for the year ended 31st December 2022 together with the Chairman's, Directors' and Auditors' reports thereon			
2. Approval of the Directors' remuneration as provided in the accounts for the year ended 31st December, 2022			
3. Approval of the first and final dividend of Kshs. 2.25 per share amounting to Kshs. 3,720,648,321 for the year ended 31 December 2022. The dividend will be payable to the shareholders in the Company's Register of Members at the close of business on Thursday 20th April 2023 and will be paid on or around Thursday 25th May 2023.			
4. Re-election of Mr. S B R Shah			
5. Re-election of Ms. Risper Genga Ohaga			
6. Re-election of Mr. Suleiman Ibrahim Kiggundu, (Jr)			
7. Re-election of Mr. Sarit S. Raja Shah			
8. Pursuant to the provisions of Section 769 of the Companies Act, 2015, the following Directors being members of the Board Audit and Risk Management Committee, be elected to continue to serve as Members of this Committee: i) Ms. Rose Wanjiru Kinuthia ii) Mr. Michael Turner iii) Dr. Alice Nyambura Koigi			
9.Re-appointment of auditors: Messrs. KPMG Kenya Certified Public Accountants (K), having expressed their willingness, continue in office in accordance with Section 721 (2) of the Companies Act, 2015 and authorization of the Directors to fix their remuneration for the ensuing financial year.			

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