INTEGRATED REPORT AND FINANCIAL STATEMENTS

2023

I&M Group Plc is regulated by the Central Bank of Kenya

STRONG FOUNDATION | FUTURE FOCUS

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About This Report

Welcome to the I&M Group's 2023 Integrated Annual Report. The purpose of this report is to explain how the Group continues to create value and contributes to the long-term well-being and prosperity of its stakeholders.

Scope

This report covers the activities of the Group for the period 1st January 2023 to 31st December 2023. It provides an overview of:

- Governance including its approach to risk
- Business model, Strategy and Value Creation
- Performance

Any notable or material events after the financial reporting period and up until the approval of this Integrated Report are also included.

The Group's financial reporting boundary aligns with our financial statements boundary and includes our operating subsidiaries, joint venture. However, the report has a greater focus on I&M Bank Kenya which represents over two thirds of the Groups asset value.

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).

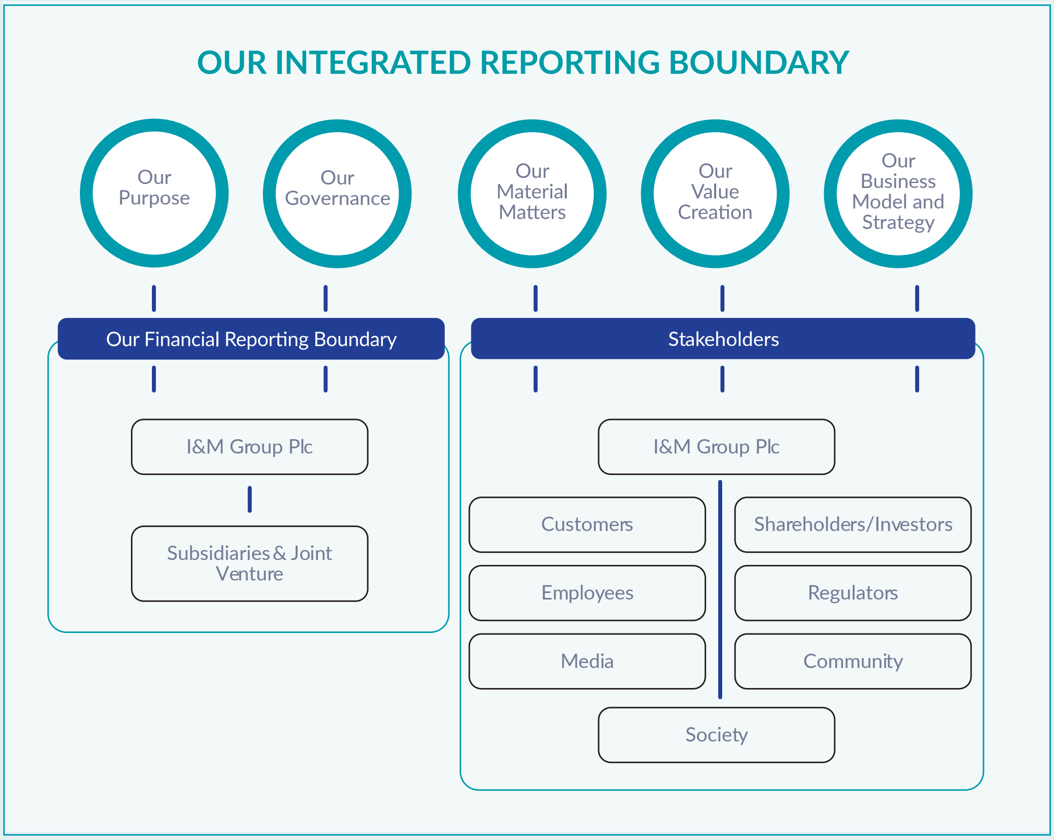
As a non-operating holding company listed on the NSE and licensed and regulated by the CBK and CMA, I&M complies with the NSE and CMA Listing Requirements, the Kenya Companies Act of 2015, Corporate Governance Guidelines and Codes of Conduct prescribed by the CBK and to The Code of Corporate Governance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

Materiality

This report focuses on the issues, opportunities and challenges that could materially impact the Group and its ability to consistently deliver value to its stakeholders in a sustainable manner. In assessing which information to include in this Integrated Report, the principle of materiality was applied.

Assurance

Combined reviews by management and internal audit were performed to ensure the accuracy of the reporting content, with the Board and its sub-committees providing an oversight role. This report has applied the Integrated Reporting Framework, and the report contains certain information that have been extracted from the audited consolidated annual financial statements for the year ended 31 December 2023, on which an unqualified audit opinion has been expressed by the Group's independent external auditors, KPMG Kenya.

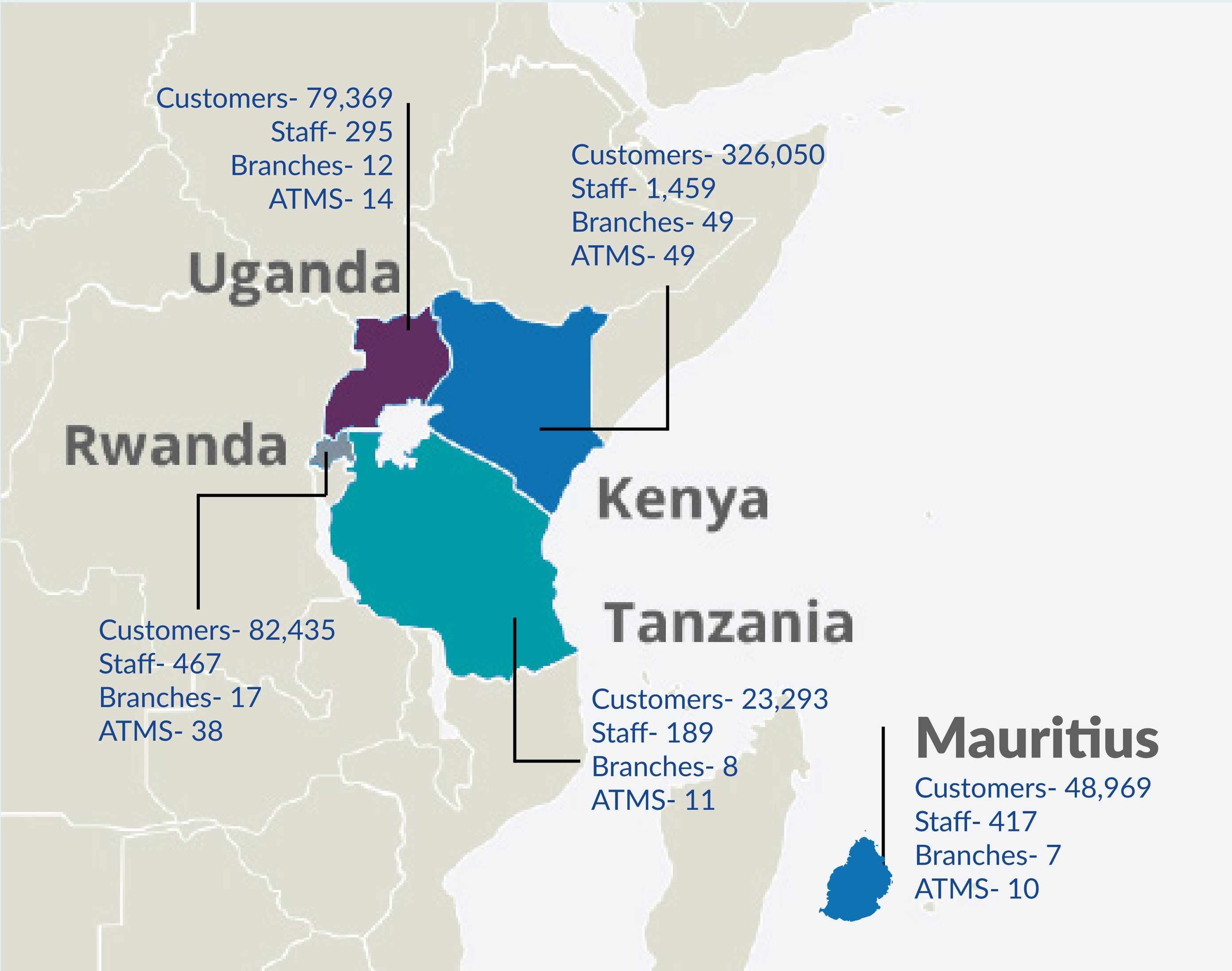


Who We Are

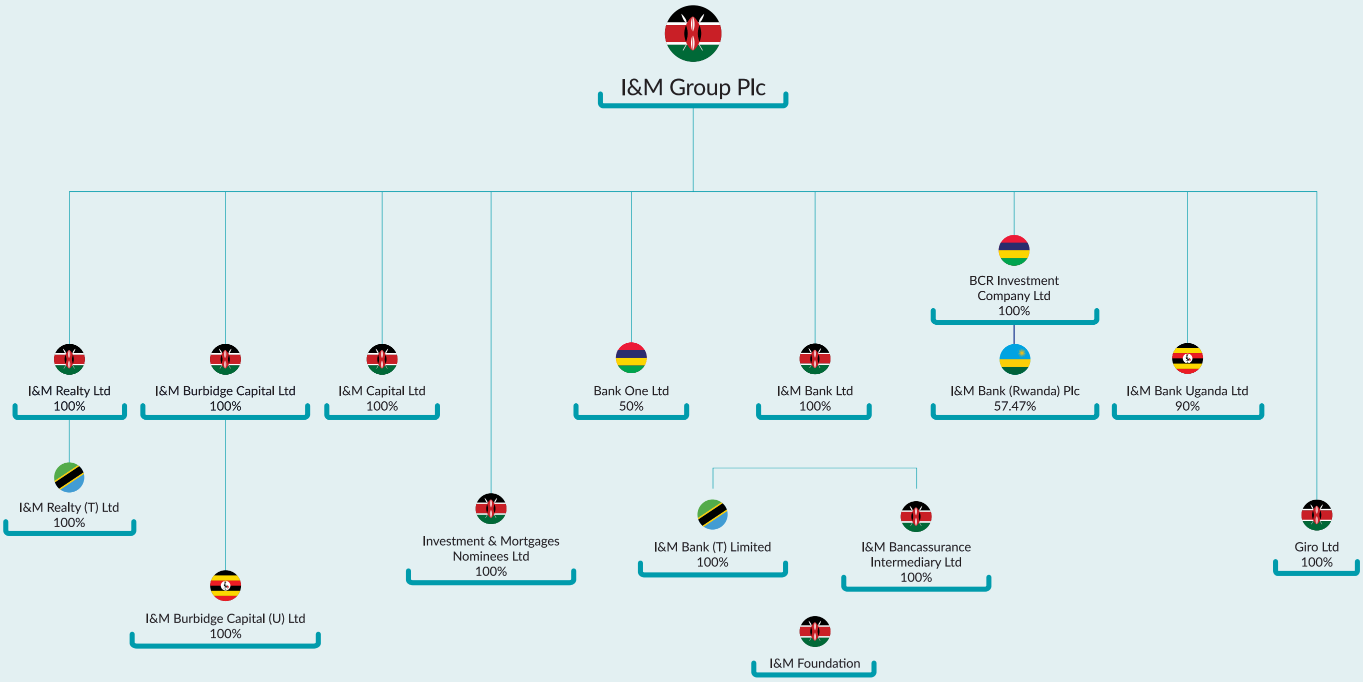
The Group has a long-standing presence in the Kenyan market as a provider of a wide range of banking and financial services. Incorporated on 16th August 1950 under the name City Trust Limited, it is one of the oldest companies to list on the NSE. As at the end of 2023, the Group had 4,605 individual 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. The Group is headquartered in Nairobi, Kenya.

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



Group Structure



I&M Group Plc is listed on the Nairobi Securities Exchange (NSE) and
I&M Bank (Rwanda) Plc is listed on the Rwanda Stock Exchange Limited (RSE)
I&M Realty (T) Ltd is still under formation
I&M Foundation is a Company Limited by Guarantee

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 Behaviours
Agile, Candid, Collaborative, Data-Driven, Empowered, Risk-Intelligent

Our Core Values
Courage, Innovation, Integrity, Respect & Trust

Governance

Chairman's Statement

The year 2023 continued to experience the challenges of 2022, leading to global inflation surging, tightening monetary conditions, and a slowdown in the global economy. These macroeconomic conditions, the geopolitical tensions in the Middle East, and the ongoing Russian invasion in Ukraine posed challenges to growth in the East Africa region.

Despite the macroeconomic shocks, the economies we operate in have continued to be resilient and are expected to remain resilient and improve in 2024. According to the economic regional reports, the region is expected to register the highest regional economic performance on the continent in 2023 and 2024, with growth figures at over 5% propelled by increased agricultural production and the services sector. This supports growth opportunities for the Group in all our markets, and we continue to monitor and adapt to the needs of our customers, ensuring that their businesses are stable and growing.

"I would like to congratulate the executive team and our I&M staff across the Group for successfully executing our strategy and delivering on promises to our investors and customers amid the less-than-favorable environment."

Performance

2023 represented the culmination of the second phase of the Group's strategy, iMara 2.0. I am particularly pleased with the Group's financial and non-financial metrics performance as we navigated the above mentioned challenges.

Throughout the iMara 2.0 phase, the Group delivered acceptable growth in profit along with stable asset quality parameters. We have maintained a strong balance sheet supported by prudent provisioning and a healthy capital base.

In 2023, the Group saw an increase in the interest income stemming from the balance sheet expansion. Further, the Group's efforts to diversify its business lines saw impressive growth in non-funded income.

I would like to congratulate the executive team and our I&M staff across the Group for successfully executing our strategy and delivering on promises to our investors and customers amid the less-than-favorable environment. It is pleasing to see the team's tireless efforts in driving business growth while building a resilient organization and optimizing the operating model.

In the second half of 2023, the Group underwent a strategy refresh process, transitioning to the third iteration of our strategy, iMara 3.0. This transition builds on the achievements of iMara 2.0, steering the focus of the Banking entities towards developing leadership in our core segments, building relevance in emerging customer segments, and becoming a market leader in ecosystems. The Board and Management are committed to implementing and delivering the initiatives under the strategy that will see the Group create an impact beyond profits.

Sustainability Initiatives

The Group believes in creating a positive impact and mitigating negative impact on society through all its activities. The subsidiaries and I&M Foundation, supported by I&M Bank Kenya's 2% contribution of its Profit Before Tax, approximately KShs 245 Million, sustained its efforts towards enriching livelihoods with remarkable impact toward areas critical to societal development, including education, economic empowerment, and environment conservation. As outlined in our sustainability action plan, the Group is committed to continuing these initiatives with a vision to impact over 10 Million lives by 2026. In the face of the acceleration of climate change, which is tangibly reflected in the intensification of natural disasters, we are conscious of the environmental challenges and their impact on our customers' businesses.

Governance

The Group is committed to the highest levels of corporate governance. Therefore, the Board continuously endeavors to strengthen its frameworks and maintain oversight through various Committees, ensuring the assurance functions have adequate independence to establish values integral to our operations.

While the Board is confident that we are taking appropriate steps to deliver our strategy, managing diverse risks remained a priority for the Board in 2023. We remain alert and closely monitor the Group's preparedness for any risk event.

All our resolutions presented at the May 2023 Annual General Meeting held virtually were passed, including the approval 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 USD75 Million. This represents a revision of the terms of the shareholders' approval and Board authorization to now be in USD, being advised by the significant depreciation in the Kenya shilling.

In the last quarter of 2023, the Group transitioned to new share registrars, Image Registrars Limited, who will handle all shareholder services going forward.

Board Changes

We are pleased to welcome Ms. Risper Ohaga, Mr. Kihara Maina, and Mr. Naval Sood, who were appointed members of the Group Board during the year following their approval by the Central Bank of Kenya. Ms. Stella Gacharia was also appointed as Joint Secretary to the Board.

I would like to extend my sincere appreciation to Mr. Michael Turner, who retired effective August 2023, Mr. Suleiman Kiggundu Jr., who resigned in June 2023 and Mr. Daniel Ndonye, from whom I took over the position of Chairman. Mr. Ndonye retired as the Chairman of the Group Board following the conclusion of the Annual General Meeting held on 25th May 2023.

At the subsidiary level, we are pleased to welcome Mr. Benjamin Mutimura, who was appointed as the Chief Executive Officer of I&M Bank in Rwanda, taking over from Mr. Robin Bairstow, who took on the Chief Executive Officer role at I&M Bank in Uganda. Mr. Mutimura is no stranger to the Group, having previously held the position of Director of Business Development in I&M Bank Rwanda. He returns to the Group with a wealth of experience and knowledge from the Business and Consumer Banking world, which is well-aligned with our strategic pillars.

Looking Ahead

Global economic conditions remain uncertain, with monetary tightening by advanced economies and uneven growth prospects in different markets. Nonetheless, banks across the region expect private sector credit in 2024 to grow, mainly supported by an expected turnaround in the economies and increased short-term borrowing to support working capital needs. However, risks arising from high cost of doing business remain. For instance, in our largest market, Kenya, an increasing tax burden, a depreciating currency, a high cost of living, and a tight monetary policy are potential risks to economic growth in 2024.

The Group will continue to focus on engaging in productive and profitable opportunities while enhancing its regional presence. This focus will be underpinned by risk-calibrated growth and a focus on value creation for all stakeholders.

I encourage all our people to celebrate the successes under iMara 2.0. whether it is the digital milestones achieved, the increased brand visibility, or the growth in fee income. This reinforces the idea that we are an incredible brand with a clear purpose.

On behalf of the Board, I would like to thank all our stakeholders and look forward to your continued support.

Oliver Fowler
Chairman

Our Governance Framework

Introduction

I&M Group Plc (the Group) is committed to maintaining the highest standards of corporate governance practices, ethics, and integrity in the successful execution of the Group's strategy across all its entities whilst providing value to our shareholders. This report details the Group's corporate governance framework and activities for the year 2023 and outlines key aspects of the Group's approach to corporate governance, including internal controls put in place fostering a positive environment where best corporate governance practices thrive. The Board and Management are committed to implementing and delivering the initiatives under the strategy that will see the Group create an impact beyond profits.

The Role of the Board

The Board of Directors (the 'Board') strives to promote the Group's long-term success, deliver sustainable value to shareholders, and promote a culture of transparency and accountability. In doing so, it is responsible for setting out the Group's strategy and providing leadership and oversight on the execution of the strategy all whilst ensuring that the Group adheres to the highest corporate governance standards as embedded within its corporate governance framework. The Board has zero tolerance for regulatory non-compliance across the Group and has explicitly conveyed this expectation to Management.

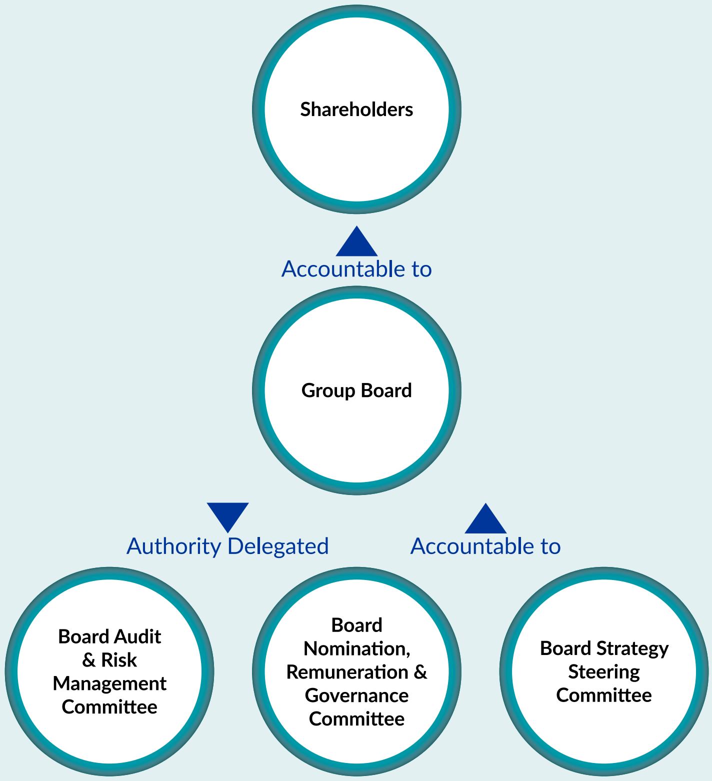
The Board carries out its mandate taking into consideration the best practices in corporate governance and the interests of the Group's stakeholders i.e. shareholders, customers, regulators and employees. To effectively achieve this, the Group has a comprehensive range of policies and procedures in place designed to help ensure that it is well managed, with effective oversight and controls.

The Board is cognisant of the fact that the Group operates in a dynamic and evolving environment. Therefore, the Board regularly reviews the Group corporate governance framework and policies in line with regulation, best practice and taking into consideration feedback from its esteemed shareholders. The Board, Management and employees are bound by the principles espoused in the framework. In setting up and reviewing the Corporate Governance framework, the Board is guided by the Capital Markets Authority (CMA) Code of Corporate Governance for Issuers of Securities to the Public, 2015 ('the Code'), the Central Bank of Kenya Guidelines on Corporate Governance, the Companies Act, 2015 and best practice.

Governance Structure

I&M Group is licensed by the Central Bank of Kenya as a non-operating holding company (NOHC). Whereas the different subsidiaries and joint venture entities are governed by the respective regulations applicable in their jurisdictions, the onus lies with the Group Board of Directors to ensure that compliance and best governance practices are applied across the Group. The Board therefore develops its corporate governance framework and policies which are then cascaded to the Group entities for adoption in line with the local applicable legislations. This practice is informed by the Group's commitment to excellence in business with the highest standards of integrity, accountability, and transparency.

The relationships between the Shareholders, Board and Board Committees is illustrated below:



Our Shareholders

The Company is listed on the Nairobi Securities Exchange and had 4,605 shareholders as of 31 December 2023. 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	21.59
Tecoma Limited	LC	304,179,232	18.39
Ziyungi Limited	LC	294,662,000	17.82
British International Investment	FC	167,526,000	10.13
Bhagwanji Raja Charitable Foundation The Registered Trustees	LC	42,270,120	2.56
Investments & Mortgages Nominees Ltd A/C 0001229	LC	34,024,744	2.06
Investments & Mortgages Nominees Ltd A/C 0004047	LC	33,581,872	2.03
Blanford Investments Limited	LC	18,314,408	1.11
Lombard Holdings Limited	LC	14,745,448	0.89
Sentinel Investments Limited	LC	13,847,972	0.84
Others (4,596 shareholders not holding more than 5% individually)		373,433,816	22.58
Total		1,653,621,476	100.00

LC-Local Company FC- Foreign Company

Given below is the distribution of shareholders in terms of their holding.

Name	Shares held	Shareholding %
Local Companies	1,234,023,374	74.63
Foreign Companies	217,840,957	13.17
Local Individuals	201,757,145	12.20
Grand Total	1,653,621,476	100.00

Our Board

Board of Directors' Profiles

The Board comprises nine (9) directors with the majority being independent non-executive directors drawn from diverse professional backgrounds who bring rich and unique perspectives in the decision-making process in the Board.
The brief profiles of the Board Members of I&M Group PLC are set out below:

Oliver Fowler
Independent Chairman

Age: 71
Tenure on Board: Appointed on 13th June 2023
Committee membership/(s):
Board Nomination, Remuneration & Governance Committee
Qualification
Mr Fowler holds an LLB from University of Bristol and was admitted to the Kenyan High Court in 1979.
Profile
Mr. Oliver Fowler is a qualified Kenyan Advocate and an English Solicitor and is a retired Partner of Kaplan & Stratton Advocates. His work encompassed commercial work, particularly financial, corporate and taxation matters. He has been extensively involved in project finance, capital markets, banking and foreign investments sectors. He sits on the boards of several companies.

Suresh B R Shah, MBS
Non-Executive Director

Age: 80
Tenure on Board: Appointed on 14th 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

Sarit S Raja Shah
Group Executive Director

Age: 55
Tenure on Board: Appointed on 14th 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 on the Boards of several companies.

Our Board

Sachit S Raja Shah
Non-Executive Director

Age: 52
Tenure on Board: Appointed on 10th 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 Director of GA Insurance Limited. He has previously worked at HSBC and Citibank in London. He sits on the Boards of various companies.

Dr. Alice Nyambura Koigi
Independent Director

Age: 69
Tenure on Board: Appointed on 28th October 2015
Committee membership/(s):
Board Nomination Remuneration & Governance Committee (Chair)
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.
Trained in microfinance from the Boulder Institute of Microfinance and is also a certified mediator.
Fellow of the Institute of Certified Secretaries of Kenya and the Kenya Institute of Management and a member of the Institute of Directors
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 in alternative dispute resolution-mediation. She sits on several private and public sector boards.

Rose Wanjiru Kinuthia
Independent Director

Age
63
Tenure on Board
Appointed on 3rd 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 a wealth of experience and knowledge having spent a significant part of her career as a seasoned risk practitioner for over 20 years with extensive experience in risk management and specializing in banking, pension funds and insurance.

Our Board

Risper Genga Ohaga
Independent Director

Age: 48
Tenure on Board: Appointed on 7th February 2023
Committee membership/(s):
Board Audit and Risk Management Committee
Qualification
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 23 years' experience in finance, strategy, risk management and audit across multiple countries having held senior roles with Barclays in Kenya, South Africa and Zambia and having multi-country responsibilities. She currently serves as the Group Chief Finance Officer of East African Breweries Limited Plc (EABL), a subsidiary of the global drinks giant Diageo. She also serves as an independent non-executive director and Chair of the Board Audit and Risk Committee of Apollo Investments Ltd and sits on the Board of EABL and its subsidiaries.

Christopher Kihara Maina
Regional CEO

Age: 55
Tenure on Board: Appointed on 1st March 2023
Committee membership/(s):
Board Strategy Steering Committee
Board Nomination, Remuneration and Governance Committee
Qualification
Bachelor's degree in Mathematics from Moi University
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.

Naval Sood
Independent Director

Age: 60
Tenure on Board: Appointed on 15th August 2023
Committee membership/(s):
Board Strategy Steering Committee (Chair)
Board Audit & Risk Management Committee.
Qualifications
Masters in business administration (MBA) from London Business School
Certified Public Accountant (CPA-K)
Fellow of the Association of Chartered Certified Accountants (FCCA).
Profile
Mr. Sood is an experienced corporate finance professional with over 40 years' experience in mergers & acquisitions (particularly in the financial services sector), corporate finance, capital market transactions design and implementation, management consulting and audit. Mr. Sood recently founded AstuteLogic Advisory Limited, a boutique advisory services firm. Immediately prior to this, he held a senior role as Head, Corporate Finance East Africa at Stanbic Bank Kenya Limited's investment banking division where he led teams that helped design and deliver some of the largest and most complex merger and acquisition and capital market transactions in East Africa in the 11 year period to 2022.

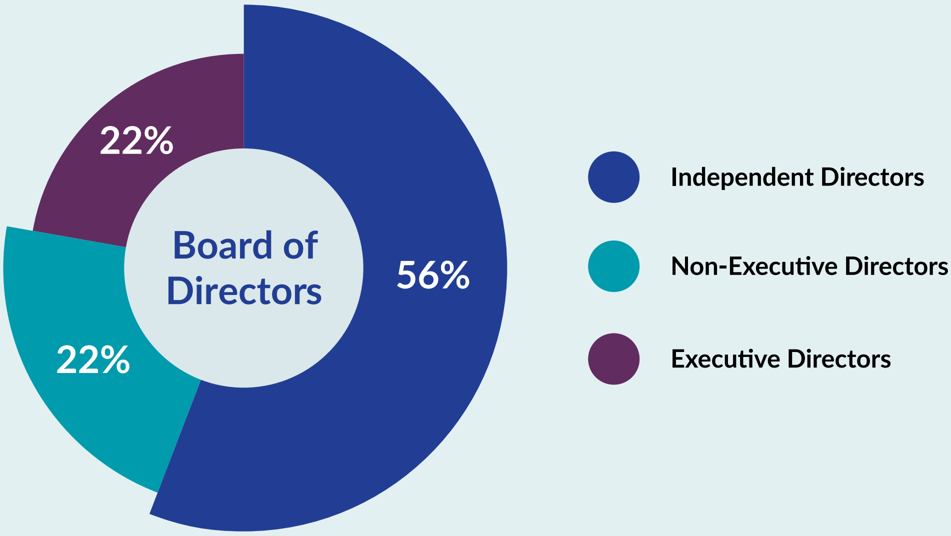
Former Directors who served on the Board during the year

- Christopher Allan Low - Resigned on 28th February 2023
- Daniel Ndonye - Retired on 25th May 2023
- Suleiman Kiggundu Jr - Resigned on 15th June 2023
- Michael Turner - Retired on 1st August 2023

Board Operations and Control

Board Composition

The composition of the Board is guided by the Company's Articles of Association and the Board Charter. The Articles provide that the Board shall be composed of not less than seven and not more than twelve directors. Currently, the Board has 9 Directors with a balance of independent, executive and non-executive directors as outlined below:



* There are no Alternate Directors.

Directors' Independence

The Board recognizes the value of independent directors who bring extensive external experience, independence and clarity of thought to board deliberations. The importance of independent directors is enshrined in the Articles of Association, the Board Charter and the Corporate Governance Policy which speak to the need for enhancing accountability and ensuring that Management and Executive Directors are discharging their mandate effectively. As outlined above, the Board is majorly comprised of independent directors who provide unbiased perspectives in the Board deliberations. The Board assesses the independence of directors annually as part of the Board's annual procedures. This process was enhanced in 2023 as recommended following the last governance audit. The tenure of independent directors is nine (9) years.

Board Highlights

9
DIRECTORS

61
YEARS AVERAGE AGE

33%
WOMEN

56%
INDEPENDENT

4
BOARD MEETINGS

11
COMMITTEE MEETINGS

Board Governance and Responsibilities

The Board collectively sets the Group's strategy and oversees the execution and implementation against this strategy.

In performing its role, the Board:

1. Oversees the overall conduct of the business
2. Engages in directing and approving the strategic plan and its implementation.
3. Establishes appropriate systems and processes to ensure operations are conducted in an ethical, responsible and safe manner.
4. Ensures effective audit, risk management and compliance systems.
5. Analyses and reviews material acquisitions, divestments and capital expenditure.
6. Sets delegated financial authority levels for the appointed signatories to the Company's bank accounts.
7. Monitors financial performance and integrity of reporting.
8. Ensures effective and timely reporting to shareholders.
9. Safeguards and enhances the image and reputation of the Group and all related entities.
10. Ensures corporate actions are compatible with societal objectives and expectations.
11. Monitors the effectiveness of the corporate governance practices.

Separation of Roles and Responsibilities

The Board Charter sets outs the responsibilities of the Board as a collective, the Chairman, the Group Executive Director, individual Directors, and the Company Secretary.

The Board has put in place the necessary mechanisms to 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 meets at least once every quarter. For efficient management, the Board delegates its powers to Board Committees who also meet regularly. The Committees provide the Board with a quarterly report of their activities in accordance with their respective terms of reference. The quorum for the Board and Board Committee meetings is guided by the Articles of Association for the Board and the Terms of Reference for the Board Committees. Each meeting's proceedings are recorded by the Company Secretary/Joint Secretary and signed by the Chair.

The Board activities are informed by the workplan which sets the Board activities for the year. Each annual work plan is developed with extensive input from the directors to ensure that the objectives of the Board are met during the year's activities.

The Board recognises the importance of holding productive meetings and thus the agenda of the meetings are developed in line with the approved annual work plan. The agenda and attendant board papers are circulated in advance to allow the directors ample time to appreciate the information and facilitate meaningful and productive discussions during the meetings.

The Board Committees' Terms of Reference were all reviewed in the course of 2023 and revised versions approved by the Board. The summary of the Board Committees' Terms of Reference are available on the Company's website www.imbankgroup.com

Director Appointment

The Board regularly reviews its composition to ensure compliance with the relevant laws, best practice and the best mix of skills that would provide effective and agile leadership to the Group. The Board Nomination, Remuneration and Governance Committee is tasked with reviewing the composition of the Board and nominating new members where vacancies arise between shareholder meetings. The Committee is guided by regulation and the applicable internal policies when vetting potential members of the Board. 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. Upon appointment, the directors are issued with letters of appointment which set out the terms and conditions of their appointment to the Board.

Director Induction, Orientation & Continuous Professional Development

The Board emphasises the importance of adequate training amongst the Directors. To facilitate this, the Board developed a comprehensive induction programme that each newly appointed Director must undergo as part of the onboarding process. The induction programme equips the directors with the context and necessary information required to serve on the Group Board. During the programme, the directors familiarise themselves with the Group's governance framework, constitutive documents, policies and regulation. The Directors also hold interactive sessions with the Senior Management of the Company to understand the day-to-day operations of the Group and the various entities.

The Board has unfettered access to the Company Secretary and Joint Secretary who advise the Board on their duties and responsibilities. Where necessary, the Board can seek advice externally from qualified experts and professionals in different areas.

To keep the Board up to date with the emerging trends within the spheres the Group operate, the Company organises regular continuous development programmes for the Directors. The continuous development programme covers areas such as corporate governance practice, audit and risk. Below is the list of the Groupwide trainings held within the year.

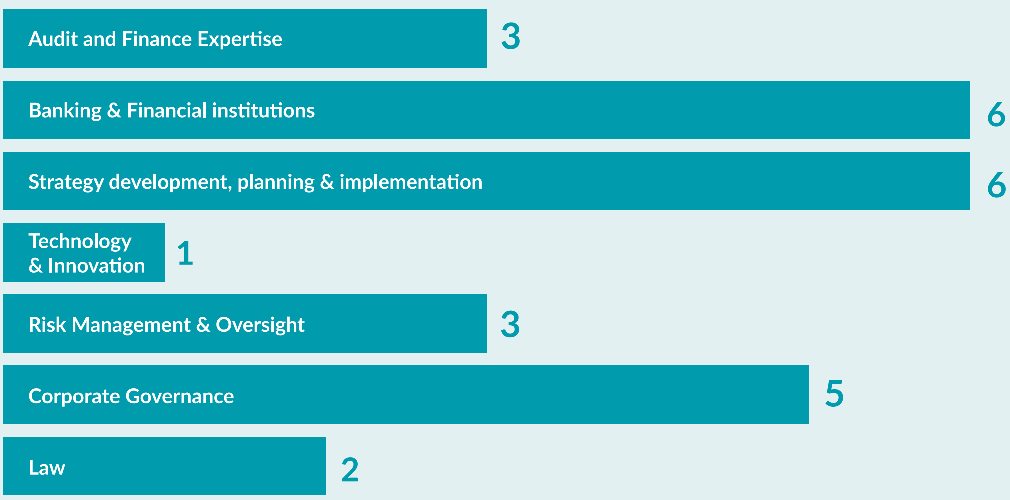
Training Description	Date Undertaken	No. Of Hours
Recent Banking crisis Corporate Governance – Best Practices for Board Effectiveness Business Continuity Management Sustainability	11 May 2023	7 Hrs
Audit & Risk Conference: • Future of Enterprise Risk Management • ALM & Liquidity Risk Management • Data Privacy & Data Protection • Cybersecurity & Artificial Intelligence	18 October 2023 & 19 October 2023	16 Hrs

Board Skills, Experience and Diversity

The Group values diversity within its Board. Through the Board Nomination Remuneration & Governance Committee, the Board regularly reviews the Directors' skills and composition. In 2023, the Board recruited 3 new Board members who bring onboard a wealth of experience in the various Board and Committee discussions. Following the appointments, the Board is now compliant with best practice on gender diversity with at least one third of the Board consisting of women.

Age Range	<50	51-55	56-60	61-65	66-70	>70
No. of Directors	1	3	1	1	1	2

Board Skills and Experience



Conflict of Interest

The Group is guided by the Conflict of Interests Policy which binds all the directors 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 2023

Name of Director	Number of Shares	% Shareholding
Suresh Bhagwanji Raja Shah, MBS	174,947,573	10.58%
Sarit S Raja Shah	37,595,103	2.27%
Sachit S Raja Shah	37,152,231	2.25%
Christopher Kihara Maina	448,112	0.03%

Company Secretary

The Company has a Company Secretary and appointed a Joint Secretary with effect from 11 May 2023. The Company Secretary and Joint Secretary are members in good professional standing with the Institute of Certified Secretaries of Kenya (ICS-K) and appointed by the Board. They are together responsible for the effective implementation of the Governance Framework and monitoring compliance with the Board procedures and statutory requirements. They are 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, they ensure regular assessments on the effectiveness of the Board and its Committees while their effectiveness is similarly assessed by the Board as part of the annual Board performance evaluation process.

2023 Key Activities

The Board undertook, inter alia, the following activities:

Strategy

- Reviewed strategic plans and objectives for the Group and subsidiaries and status of implementation against the strategic plan
- Reviewed Share Price Performance and Trading Statistics reports quarterly
- Reviewed quarterly updates from the banking and non-banking subsidiaries in the Group
- Reviewed the I&M@50 Marketing & Communication Plan
- Discussed and approved the iMara 3.0 strategy for 2024-2026.

HR

- Reviewed the Group Structure, Group Organization Structure and Group Succession Plan
- Reviewed the Group Talent report
- Reviewed results of the Employee Engagement surveys for each of the banking subsidiaries.
- Reviewed the progress and status of the Cultural Transformation Program across the Group

Finance

- Reviewed and approved the Group consolidated forecasts for 2023
- Reviewed and approved the annual Audited Financial Statements for the year ended 31st December 2022 and publications thereof
- Received the Management Letter from external auditors and reviewed the external audit report
- Approved final dividend for FY 2022.
- Reviewed on a quarterly basis the unaudited consolidated Group Management Accounts.
- Reviewed on a quarterly basis, performance of the banking entities within the Group as compared to their respective peer banks.
- Reviewed on a quarterly basis, financial performance of each Group entity against the approved annual budgets.

Governance

- Reviewed on a semi-annual basis, the Board Composition and Succession Plan for each of the entities in the Group.
- Reviewed Conflicts of Interest declared and register of interests disclosed
- Reviewed Report on performance of the Company's shares and trading statistics
- Reviewed reports on changes in shareholding
- Reviewed and approved the agenda and notice for the Annual General Meeting
- Received updates from the Board Committees
- Approved its annual calendar of meetings for 2024
- Assessed the independence of the Independent Non-Executive Directors and confirmed that they continued to be independent as per the criteria of independence outlined by CMA
- Reviewed the Board & Board Committee composition
- Reviewed and approved changes to the the Directors' Remuneration
- Reviewed changes in the legal and regulatory framework
- Approved the appointment of new Share Registrars
- Reviewed and approved the annual 2024 Board work plan
- Reviewed the director development plan for 2024
- Approved various Group policies as recommended by the Committees.

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)

Members
Ms. Rose Kinuthia, Ms Risper Ohaga & Mr Naval Sood.

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

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.

2023 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 2023.
- The Committee reviewed its Terms of Reference to amend the provision on membership as recommended from the Governance Audit and to expand its scope to specifically include oversight on ICT risk and Compliance risk.
- Approved and oversaw the implementation of the annual internal audit plan for FY 2023
- Reviewed the audited financial statements for FY 2022 and quarterly unaudited accounts for consideration and ultimate approval by the Board
- Reviewed the internal audit reports for audits undertaken during the year
- Reviewed Group Internal Audit policy framework and Group Internal Audit Charter
- Reviewed risk reports including Group Cyber Risk report, Group ICT Risk report, Group Risk, Group Compliance, Group Audit, ESG implementation, Group risk maturity and Data protection reports to monitor significant key risks
- Oversaw critical cybersecurity activities in the year.
- Reviewed the Business Continuity Plans (BCP) and Disaster Recovery Plans (DRP) including periodic reports from Group entities on review of their BCP & DRP.
- Received and reviewed reports from BAC of Group entities with regard to regulatory inspection reports.
- 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.

Directors	21 March 2023	20 June 2023	15 September 2023	30 November 2023	Total Commitee Meetings attended in 2023
Rose Kinuthia	√	√	√	√	100%
Risper Ohaga	N/A	N/A	√	√	100%
Naval Sood	N/A	N/A	N/A	√	100%
Dr. Nyambura Koigi	√	√	N/A	N/A	100%
Michael Turner	√	√	N/A	N/A	100%

N/A - Not Applicable / Meeting preceded appointment and regulatory approval or following their resignation/retirement

Board Nomination, Remuneration And Governance Committee (BNRGC)

Dr A Nyambura Koigi (Chairperson)
w.e.f from 1st August 2023. Prior to that, this Committee was chaired by Mr. Michael Turner whose tenure ended on 1st August 2023.

Members
Dr A Nyambura Koigi, Mr Oliver Fowler, Mr. Sarit S. Raja Shah & Mr Kihara Maina.

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

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.

2023 Activities
BNRGC held two scheduled meetings in the year.

The Committee undertook, inter alia, the following activities

- Recommended to the Board to approve the Committee's revised Terms of Reference
- Reviewed the training and development reports for the Directors in the Group entities
- Reviewed results of the annual board evaluation for FY2022 including the Committee's annual evaluation report.
- Reviewed board composition and succession for the entities within the Group
- Reviewed the Group's HR metrics including headcount and attrition trends, talent management, leadership development, compensation and benefits and employee engagement survey outcome
- Reviewed the outcome from the Group's Job Evaluation & compensation review exercise.
- Oversight on culture including a review of the progress made on the Group's Culture Transformation Programme (Pamoja).
- Reviewed the Group's reward framework and approved revision of Directors' remuneration
- Reviewed progress on remedial action from the legal & compliance and governance audits
- Received the management letter and audit opinion from the Legal & Compliance Auditor with respect to FY2022.
- Received the management letter and audit opinion from the Governance Auditor with respect to FY2022.
- Approved the revised Board Director Induction Program
- Reviewed reports on related party transactions, trading of shares by insiders and CSR activities within the Group.
- The Committee approved its 2024 Annual workplan
- Received reports on actions taken by each entity on employee engagement.
- Reviewed the Group's updated Board Skills Matrix
- Reviewed the Group's Corporate Governance Policy & Directors' Remuneration Policy
- Reviewed highlights from the whistleblowing reports submitted through the Group's whistleblowing channel.

Directors	16 March 2023	14 September 2023	Total Board Meetings attended in 2023
Dr. Nyambura Koigi	N/A	√	100%
Oliver Fowler	N/A	√	100%
Sarit S Raja Shah	√	√	100%
Kihara Maina	√	√	100%
Daniel Ndonye	√	N/A	100%
Michael Turner	√	N/A	100%

N/A - Not Applicable / Meeting preceded appointment and regulatory approval or following their resignation/retirement

Board Stategy Steering Committee (BSSC)

Mr. Naval Sood

(Chairman)
w.e.f from 15th August 2023. The former Chair of the Committee, Mr. Sulemain Kiggundu Jr. resigned from the Board w.e.f 15 June 2023

Members
Mr. Naval Sood, Mr. Sarit S. Raja Shah, and Mr Kihara Maina.

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).

2023 Activities
BSSC held three 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
- Monitored the implementation of iMara 2.0 Strategy across the Group entities.
- Reviewed the Group's digital ecosystem partnerships strategy.
- Received reports from the Making Banking Great Steering Committee.
- Reviewed the iMara 3.0 2024-2026 strategy.
- Approved the Committee's workplan for the year 2024
- Reviewed the Committee's Terms of reference.

Directors	20 March 2023	14 September 2023	8 December 2023	Total Board Meetings attended in 2023
Sarit S Raja Shah	√	√	√	100%
Kihara Maina	√	√	√	100%
Naval Sood	N/A	√	√	100%
Christopher Allan Low	√	N/A	N/A	100%
Suleiman Kiggundu Jnr	√	N/A	N/A	100%

N/A - Not Applicable / Meeting preceded appointment and regulatory approval or following their resignation/retirement

Board Attendance

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

Directors	22 March 2023	25 May 2023 (AGM)	23 June 2023	19 September 2023	14 December 2023	Total Board Meetings attended in 2023
Oliver Fowler	N/A	N/A	√	√	√	100%
SBR Shah, MBS	√	√	√	√	√	100%
Sarit S Raja Shah	√	√	√	√	√	100%
Sachit S Raja Shah	√	√	√	√	√	100%
Dr. Nyambura Koigi	√	√	√	√	√	100%
Kihara Maina	X	√	√	√	√	80%
Rose Kinuthia	√	√	√	√	√	100%
Risper Ohaga	√	√	√	√	√	100%
Naval Sood	N/A	N/A	N/A	√	√	100%
Christopher Allan Low	√	N/A	N/A	N/A	N/A	100%
Daniel Ndonye	√	√	N/A	N/A	N/A	100%
Suleiman Kiggundu Jnr	√	√	√	N/A	N/A	100%
Michael Turner	√	√	√	N/A	N/A	100%

* AGM | √ Attended | X Not Attended | N/A Not Applicable / Meeting preceded appointment and regulatory approval or following their resignation/retirement.

Board Evaluation

The Board has established a mechanism for evaluating the performance of the Board, Board Committees, Individual Directors, Executive Directors and Company Secretary and the assessment of the Directors' independence. This is done annually as part of the Board evaluation. The process is reviewed regularly to enhance its effectiveness. In 2023, when undertaking the board evaluation with respect to FY2022, the Board used the revamped surveys developed with input across the subsidiaries. The directors' feedback informs the Board of areas of improvement and the development of the directors training plan for the subsequent year. The Board submits the results of the survey to the Central Bank of Kenya in line with the CBK Prudential Guidelines.

Shareholder and Stakeholder Engagement

A key element in the Group's culture is the continuous engagement with its stakeholders. 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.

The Group constantly reviews its processes with regards to maintaining relationships with the shareholders. In 2023, the Group appointed Image Registrars Ltd as the new share registrars. The new registrar in conjunction with Management has improved efficiency in addressing any issues raised by the shareholders using technology in providing the shareholders with a seamless experience whilst giving management timely feedback.

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 several opportunities that allow for anonymity (if desired) as well as independence to ensure a voice for concerned stakeholders. These include our client call centre that is the first point of call for all clients' requests and the section "Contact us" on the Group's corporatve 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 the 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 1,156,445,386 ordinary shares in I&M Group PLC registered and participated in the 2023 Virtual Annual General Meeting representing 69.93% 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 28th April 2023.

The Stakeholder Engagement 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. 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

Engagement with other Stakeholders

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.

I&M Group is committed to providing shareholders with information that is timely, of high quality and relevant to their investment, and to listen and respond to shareholder feedback. To this end Group transitioned its share registry services to Image Registrars during the year. 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

Image Registrars Ltd 5th Floor,
Absa Towers Loita Street
P.O.Box: 9287- 00100 GPO
Nairobi, Kenya
Phone: +254 709 170 000
Email: info@image.co.ke.

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 2023
Investor briefing full year 2022 results	30 March 2023
Announcement of the Annual General Meeting	28 April 2023
Annual General Meeting	25 May 2023
Release of Quarter 1 Financial results	29 May 2023
Release of Half Year Financial results	24 August 2023
Investor briefing Half Year 2023 results	30 August 2023
Release of Quarter 3 Financial results	23 November 2023

In addition, the Group published announcements and notices in relation to
(i) the changes on the Board around appointment, resignation and retirement of Directors,
(ii) appointment of the Joint Secretary,
(iii) change of share registrar and
(iv) the proposed sale of 167,526,000 shares of the Company held by by British International Investments to East Africa Growth Holdings.

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 Chief Executive Officer, 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.

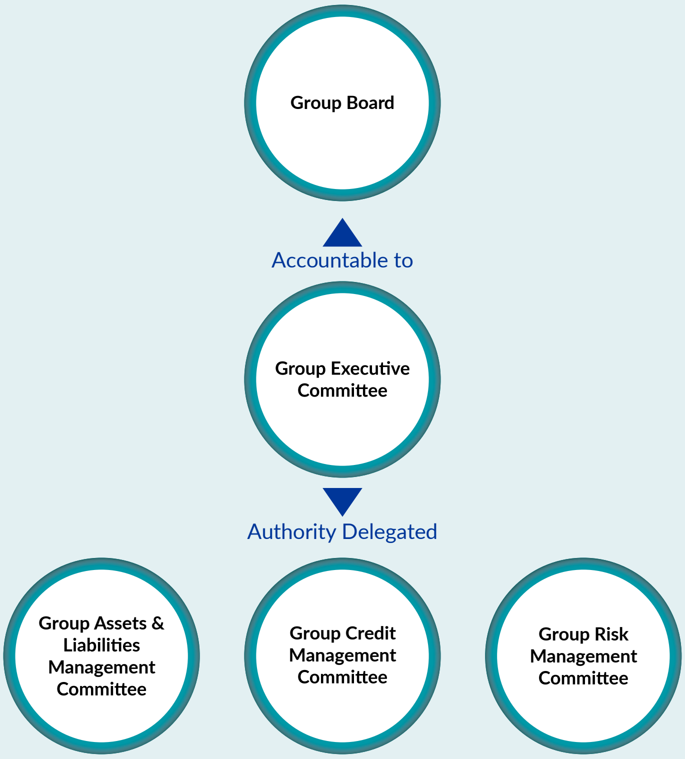
BOARD PROCUREMENT COMMITTEE (BPC)

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.

Relationship Between Board and Management



Group Management Committees

GROUP EXECUTIVE COMMITTEE (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 for reviewing recommendations of it's subcommittees such as; the top Group risks, Group resourcing requirements and implementation of best practices.

GROUP ASSETS & LIABILITIES 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.

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 strategize 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 assists the CRMC in its role.

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.

IT Steering Committee

The IT Steering Committee oversees the implementation of the Digital Strategy and the ICT Strategy with a focus on improving the alignment between ICT and Business Strategy in ICT Strategies, Investments, ICT Projects, ICT Risk management, Service Management & Data Governance. The Committee also reviews the ICT capacity, systems architecture & external service providers and monitors the progress and performance of ICT projects.

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.

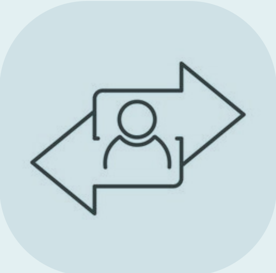
Ethics & Social Responsibility

Code of Conduct

The Group has put in place a Code of Conduct. The Code applies to Directors and employees in their daily duties. The Code of Conduct encompasses, inter alia, matters touching upon safety and health, environment, compliance with laws and regulations, confidentiality of customer information, financial integrity and relationships with external parties. This Code of Conduct is reviewed periodically, and amendments are incorporated if necessary.

Over and above the Group Code of Conduct, the Group introduced the Third-Party Code of Conduct. The Group expects Third Parties to uphold the same levels of integrity and business conduct both from their personal and to anyone outside their organisation that is engaged in the provision of services for or on behalf of the Group and its subsidiaries. The policy establishes guidelines and the Group's expectations with regards to business conduct for third parties engaged by or having any form of contractual obligations with the Group or any of its subsidiaries.

Conflicts of Interest



The Board has in place a policy to provide guidance on what constitutes a conflict of interest. The Board expects its members, both individually and collectively, to act ethically and in a manner consistent with the values of the business. Each director is obligated to, as far as practically possible, minimize the possibility of any conflict of interest with the 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 employees who can influence any decisions of these subsidiaries.

Insider Trading & Related Party Transactions

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

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

In line with the above-mentioned guideline, the Board has adopted a policy which sets out the rules governing the identification of related parties, the terms and conditions applicable to transactions entered into with them. All related party dealings/transactions are disclosed under Note 37.

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 behaviour 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 is reviewed regularly and updated. The whistle blowing process and tools available 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:

Sustainability & Corporate Social Responsibility (CSR)

The Group is conscious of its responsibility to provide long term sustainable value to its stakeholders and the communities it serves. In 2023, the Group joined the UN Global Impact in furtherance of its commitment towards sustainability as a global citizen. The Group has developed the Sustainability framework that will be adopted across the Group in line with the iMara 3.0 2024-2026 strategy.

The Group, through the I&M Foundation, has put in place guidelines that aid in carrying out its Corporate Social Responsibility mandate at each entity's level. The Group, seeks to deepen its relationship with various stakeholders while providing opportunities to its staff members to participate in various CSR activities, with a focus towards environmental conservation, education and skills development, health and education. I&M Kenya supported the Foundation by allocating 2% of its Profit Before Tax approximately KShs 245 Million to the Foundation's activities.

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.

Environment, Social, Governance (ESG)

I&M Group and its subsidiaries purpose to go beyond and understand how positively our solutions impact the society. Recognizing environmental, governance and social dynamics are key to transformation and creation of a better world for present and future generations. As such, I&M Group and its subsidiaries acknowledge our responsibility in transition to a more sustainable world that takes cognizance of the Environmental, Social, and Corporate Governance (ESG) initiatives in our overall business strategy, products, services, and operations. The Group recognizes ESG as an all-inclusive process that require commitment and support from our employees, partners, shareholders, suppliers, the market, and customers. We share the belief that our business can help promote environmental preservation and generate social values. Therefore, we aim to elevate capacities, and create effective solutions in which our ESG agenda will be the basis of our business model and data-driven decision-making processes.

The ESG policy affirms the Group's commitment to reinforce and integrate Environmental and Social Responsibility in our businesses, activities, and relationship with both internal and external stakeholders. The policy addresses management of ESG risks and opportunities. I&M Group is profound in encouraging our business associates, and stakeholders to operate in line with this ESG principles and to advance ESG-Related ventures. Through our collaborative-based approach to create risk intelligent and empowered business growth, we aim to adopt corrective actions when needed, and support our clients, and businesses towards becoming more resilient, sustainable, and ethically responsive.

The policy ensures the formulation and implementation of an ESG framework 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 (BCM)

The Group regularly revamps the BCM Policy to keep up with the changes in the business environment and technology. The policy sets the minimum requirements to be implemented to minimize the impact of operational disruptions and ensure business continuity for critical services and products. The subsidiaries regularly present their BCM plans to their respective Boards in line with the Group policy. 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 Chief Audit Executive 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 audited entity or a related party;
- Bring to the attention of the Board and management any matters that require urgent action. To facilitate this, the Board Audit and Risk Management Committee meets twice a year with the external auditors without Management to discuss pertinent issues relating to the audit.
- Fees paid to the external auditors during the year have been separately disclosed under Note 14 of the financial statements.

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 2022. The overall rating awarded to the Company was a Leadership Rating of 91% (FY 2022) which represents an improvement from 88% (FY 2021) and 87% (FY 2020). This improvement is a testament to the Board's commitment to sound corporate governance practices.

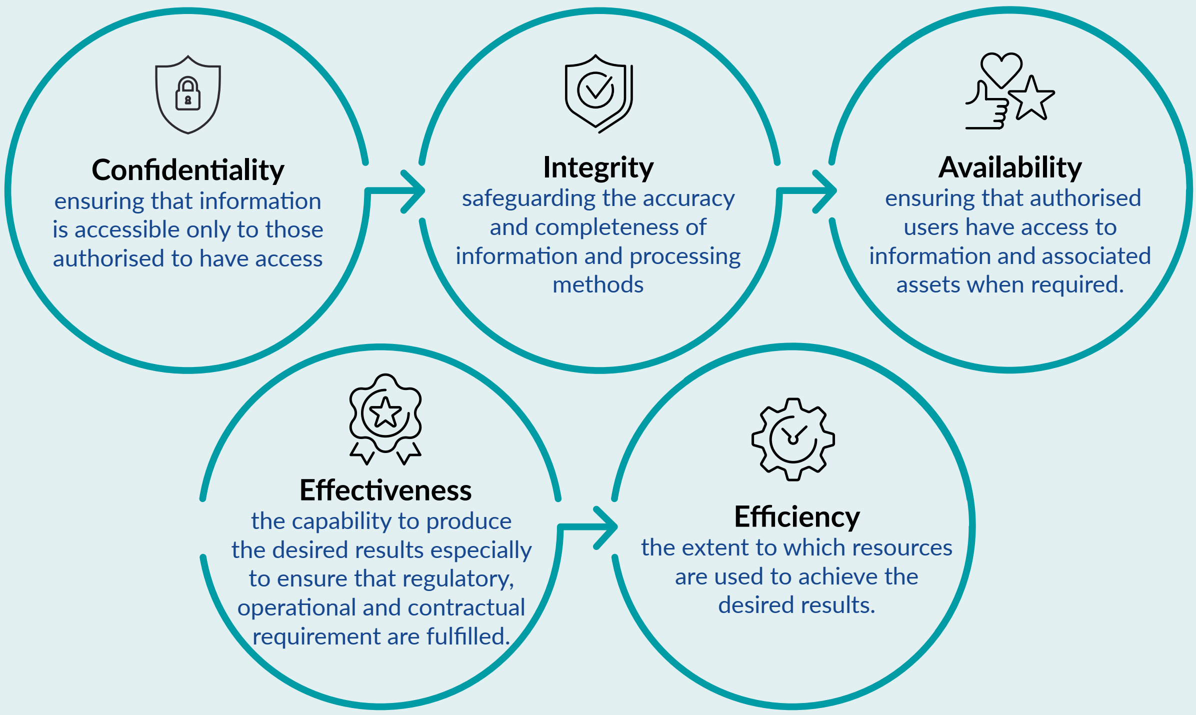
The Group regularly undergoes legal and compliance audits with the last audits having been done in 2022.The Board closely monitors the corrective action plans highlighted in the audits. The Group is scheduled to undergo Legal and Compliance Audits in FY2024.

Transparency and Disclosure

Information Technology Risk Policy

The Group acknowledges that ICT 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:



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.

Our Strategic Approach to Risk Management

Our approach, anchored in the principles of the Committee of Sponsoring Groups of the Treadway Commission (COSO) Framework, exemplifies our commitment to navigating the complexities of risk with precision and foresight. The COSO Framework, with its emphasis on a holistic view of risk, serves as our guiding star in this endeavor. The COSO informs our Enterprise Risk Management framework (ERMF) which is structured around five key components: internal control environment, risk assessment, control activities, information and communication, and monitoring. These elements work cohesively to ensure a comprehensive risk management process, underpinning our strategic decision-making and operational policies. At the heart of our approach is the control environment, which establishes a culture of accountability and integrity, setting the stage for effective risk management.

The ERMF allows us to systematically identify and evaluate risks, ensuring they are aligned with our strategic goals. This is complemented by robust control activities, designed to mitigate identified risks, and safeguard our assets and reputation. Integral to our approach is the emphasis on effective communication and information dissemination, which ensures that risk-related insights are accessible across all levels of the Group, fostering a culture of informed decision-making. The final piece of our risk management strategy is ongoing monitoring. This continuous process allows us to adapt and evolve our strategies in line with emerging risks and changing business landscapes and harnessing them as catalysts for growth and innovation, ensuring resilience and agility in an ever-changing world.

Crucial to our approach is the integration of the following risk categories with our overarching business strategy. Each risk is assessed in light of how it aligns with and impacts our strategic goals. This alignment ensures that our risk management processes are not siloed but are intrinsic to our strategic planning and decision-making.

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 .
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. Despite the impact of COVID-19, the Group's liquidity ratio has remained stable and healthy
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.
Information, communication, and technology 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.
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.
Environmental and Social Risks	Potential risks and impacts associated with the environmental and social aspects of the projects or businesses that the Bank/Group finance.
Climate risk	Potential for financial losses directly or indirectly related to the changing climate. The key aspects include, physical Risk arising from the physical impacts of climate change (like extreme weather events and long-term shifts in climate patterns) affecting the Group's assets or the assets of its customers and transition Risks associated with the shift towards a lower-carbon economy, including policy changes, technological developments, and shifts in market preferences
Sustainability risk	Potential for financial loss resulting from environmental, social, and governance (ESG) factors. This encompasses risks related to a Bank's or Group own operations and practices, as well as risks associated with the activities and practices of its customers and other investment entities. The key aspects include Environmental Risks, including pollution, biodiversity loss, and inefficient resource use, Social Risks such as labor issues, community impacts, and customer welfare and Governance Risks covering areas like ethical conduct, corruption, and transparency.

Corporate Culture and Values

This synergy between Risk Management and our corporate values strengthens our ability to navigate risks, seize opportunities, and maintain the trust of our stakeholders. It underscores our dedication to not just achieving our business objectives but doing so in a manner that upholds our core values and reinforces our reputation as a principled and forward-thinking Group.

Risk Governance: The Bedrock of Our Group Strategy

At the core of our approach to risk governance is a well-defined structure that aligns with our business objectives and encompasses the principles of transparency, accountability, and informed decision-making.

I&M Group Board Oversight

Our Group Board of Directors plays a critical role of providing oversight and setting the tone at the top for risk governance. The Board ensures that risk management is not an isolated function but an integrated part of our strategic planning and decision-making processes. This integration is crucial, particularly in overseeing the risk management approaches of our subsidiaries. We achieve this through a combination of centralized policies and decentralized execution, allowing our subsidiaries the flexibility to manage risks in a manner that is tailored to their specific operational environments, while still aligning with the broader Group Minimum Standards.

The Board's involvement extends to ensuring that each subsidiary has an effective Subsidiary Board driven and independent risk governance structure in place. This includes ensuring that there is an established Group level and subsidiary-level risk management committees or equivalent bodies that align with the Group Minimum Standards on risk governance principles. These committees are responsible for implementing and monitoring risk management practices, ensuring they comply with both internal policies and external regulatory requirements. Regular reporting from these committees to the Board ensures transparency and facilitates informed oversight.

Moreover, our risk governance framework emphasizes the importance of cross-entity communication and collaboration. The Group Chief Risk officer is tasked to ensure that there is regular interactions and knowledge sharing between the I&M Group and its subsidiaries to strengthen our overall risk management capability. This collaboration ensures that best practices, learnings, and insights are shared across the group, enhancing our collective ability to identify, assess, and manage risks effectively.

Central to our risk governance is the principle of risk ownership. Every department and individual in the Group is responsible for identifying and managing the risks within their purview. This approach fosters a culture of risk awareness and accountability, encouraging proactive risk management at all levels. The ownership of risk is complemented by clear lines of communication and reporting structures, ensuring that risk-related information flows seamlessly from the operational level to the Top Management and board.

Additionally, our ERMF is dynamic and adaptable, designed to be responsive to changes in the external and internal business environment. Regular reviews and updates to our risk policies and procedures ensure that our risk governance remains relevant and effective in the face of emerging risks and evolving business needs.

Transparency in risk reporting and communication is another cornerstone of our risk governance. We maintain open channels of communication with our stakeholders, including shareholders, regulators, and employees, about our risk management policies, practices, and performance. This transparency not only builds trust but also enables informed decision-making by all stakeholders.

Subsidiary Risk Governance

The Group acknowledges that subsidiaries and the joint venture are separate entities with independent local Boards and Regulatory authorities. The Subsidiary Board plays a pivotal role in tailoring the group-level risk management strategies to specific operational contexts. They ensure that subsidiary-level risk management practices align with the overall Group risk strategy, while also addressing unique local challenges and regulatory requirements. The Subsidiary Board's role is crucial in ensuring that risk management is not just a top-down approach but is responsive to the nuances of each subsidiary's operations.

Group Risk Management Function

At the executive level, the Group Chief Risk Officer (CRO) leads the risk management function. This role involves developing and implementing the risk management framework across the Group, providing guidance and support to Subsidiary Boards. The Group CRO is responsible for coordinating risk identification, assessment, and response strategies, ensuring a unified approach to managing risks at the group level.

Subsidiary CROs, on the other hand, adapt and implement these strategies within their specific entities. They are responsible for local risk assessments, aligning risk management practices with the subsidiary's objectives, and reporting on risk issues and mitigation strategies to the Subsidiary Board and to the Group Board and the Group CRO. Their role is instrumental in bridging the gap between group-level strategies and local execution

Internal Control

Our approach integrates a Four Lines of Defense model for internal control. The first line consists of business unit managers and staff, who are directly responsible for managing risks within their activities. The second line includes risk management and compliance functions that provide oversight and support to the first line. The third line, internal audit, provides independent assurance on the effectiveness of risk management and internal controls. The fourth line, aligned with COSO's Governance and Culture, the Board of Directors and Senior Management are the final line of oversight. They are responsible for risk management strategic oversight and governance, setting the overall risk appetite of the subsidiaries\group and ensuring the adequacy of the risk management framework.

This structured approach to risk governance, delineating clear roles and responsibilities at each level, strengthens our Group's ability to identify, assess, and manage risks effectively, ensuring sustainable growth and resilience in an ever-changing business environment.

The detailed risk governance structure is articulated below

Risk Governance Structure

Fourth Line of Defense

Board of Directors
I&M Group Plc

Third Line of Defense

Board Audit and Risk Management Committee I&M Group Plc

Second Line of Defense:
Subsidiary Board Risk Committees

Board Risk Commitee
I&M Bank Kenya
I&M Burbidge Capital
I&M Capital Ltd

Board Risk Commitee
Rwanda

Board Risk Commitee
Tanzania

Board Risk Commitee
Uganda

Board Risk Commitee
Bank One, Mauritius

First Line of Defense:
Group Level Management Committees

Business Lines and Operational Staff at each entity

Group Risk Appetite

Our group's risk appetite, encompassing both quantitative and qualitative aspects, serves as a guiding principle for decision-making and strategic planning. It defines the level of risk we are willing to accept or retain in pursuit of our business objectives, thereby aligning risk-taking with our corporate strategy and value proposition.

Quantitatively, our risk appetite is expressed through specific metrics and thresholds that provide clear boundaries for risk-taking. These metrics are tailored to different asp Qualitative Risk Appetite ects of our business and include financial parameters such as capital adequacy ratios, liquidity thresholds, credit exposure limits, and earnings volatility. These quantitative measures are regularly reviewed and adjusted in response to changing market conditions, regulatory requirements, and our strategic priorities.

Qualitatively, our risk appetite encompasses the broader aspects of risk that are not easily quantified but are integral to our business philosophy and culture. This includes our approach to reputational risk, ethical considerations, corporate social responsibility, and compliance with regulatory and legal standards. We have a low tolerance for risks that could impact our reputation or violate ethical principles, regardless of the potential financial gain. Qualitative elements also cover our willingness to innovate and embrace change, reflecting our attitude towards strategic risks.

We conduct regular reviews and updates of our risk appetite statement, in consultation with key stakeholders, ensure that it remains relevant and effective in guiding risk management practices across the Group. This dynamic and holistic approach to defining our risk appetite is crucial in fostering a risk-aware culture, driving strategic decision-making, and achieving our business objectives while safeguarding our reputation and long-term sustainability.

I&M Group's ESG Principles

Environmental, Social, and Governance (ESG) principles have become a cornerstone of the Group business strategy, emphasizing sustainable and ethical practices. The Group has embraced these principles as integral components of our operational and strategic framework, recognizing their vital role in long-term value creation and societal impact.

Environmentally, our commitment is towards reducing our carbon footprint, promoting energy efficiency, and ensuring sustainable resource use. We understand the urgency of addressing climate change and are dedicated to implementing eco-friendly practices. This involves transitioning to renewable energy sources, optimizing waste management, and adopting green technologies. Our environmental goals are not only focused on compliance with regulations but also on exceeding them, as we believe in being proactive stewards of the planet.

Socially, our focus extends to fostering a diverse, inclusive, and equitable workplace. We believe in providing a safe, healthy, and empowering environment for our employees, which includes ongoing training, fair labor practices, and a strong emphasis on work-life balance. Community engagement 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 our stakeholders towards sustainable business growth.

Business

Our Business

>560,000
Customers served across the region

>420,000
Trees Grown

Tier 1
Bank in Kenya

KShs 832Mn
Investment in communities via I&M Foundation since 2020

81%
Digital Transactions

>13,600
Lives impacted through I&M Foundation

71%
Net Promoter Score

>2,800
I&M Staff

Financials - KShs (Billion)	2022	2023
Profit Before Tax	15.0	16.7
Net Operating Income	35.7	42.7
Net Loans & Advances	239	311
Customer Deposits	312	417
Total Assets	437	579

Financial - Ratios	2022	2023
Cost/Income Ratio	45%	48%
Cost of Risk	2.3%	2.5%
Gross NPL	11%	11%
Return On Equity	15%	15%
Return On Assets	2.7%	2.6%

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.

WHO WE SERVE

Personal Banking
Delivering the highest level of personal financial services

Premium Banking
Offering top notch services to high networth individuals

Corporate Banking
Providing an array of financial solutions for large corporates

Business Banking
Providing financial solutions across medium, small and micro businesses

Group Executive Director's Statement

As 2023 ended, the Group closed the 2nd phase of its corporate strategy iMara 2.0. It is an understatement to say that our operations have had to adapt to the volatile operating environment to achieve milestones set out in the strategy, and we delivered on our 2021-2023 strategy targets.

From a customer experience perspective, the Group has been responsive to the customer's needs, understanding that the macroeconomic impacts resulted in reduced income levels and further lowered the customers' ability to service their debts. The Bank in Kenya responded by waiving charges on Bank to Mpesa transactions through the campaign #Nisare Kabisa. We have proven to be a stable pillar in society, supporting our clients and providing financial solutions during challenging times. Today, we can proudly say we are part of the solution.

"We have proven to be a stable pillar in society, supporting our clients and providing financial solutions during challenging times. Today, we can proudly say we are part of the solution."

The corporate business has expanded to new horizons, such as oil & gas, leasing, and public sectors. At the same time, the retail segment continues to entrench its workplace banking offering, leveraging on our Corporate customers. Further, living up to our aspiration to be Eastern Africa's Leading Financial Partner for growth, we expanded our presence to Uganda with the acquisition of Orient Bank Uganda (now I&M Bank Uganda Ltd) in 2021. I&M in Rwanda has seen exponential growth in the MSME segment since its entry into this market segment. The Tanzanian market received a unique digital lending product dubbed Kamilisha which is delivered through a partnership between the Bank in Tanzania, Airtel Tanzania and Comviva. The Mauritian entity Bank One pursued its digital transformation programme with the successful launch of POP, a unique payment application that has significantly enhanced the customer experience.

In line with our vision to provide the best digital platform user experience, the Group continues to enhance its digital platform. In 2023, the Bank in Kenya launched the I&M-On-The-Go Corporate app with enhanced security features, which greatly improved our corporate customer experience, while the retail app received enhancements in response to our customers' feedback. Potential customers can now use the app's digital self-onboarding feature to open an account. Our other banking subsidiaries have also had enhancements on their different platforms geared at levelling up customer experience and ensuring that our customers across the region receive the same level of service. These include among others, the rollout of Mastercard and card management system in Uganda. Apart from the improved customer experience, the investments in these platforms have led to improved efficiency, which is evident from 81% digital transactions, a stable system uptime of 99%, and growth in the Group's customer base to 560,000 from 248,000 in 2020.

The efforts of the Group are a strong testament to the management and staff. During the iMara 2.0, the Group embarked on a cultural transformation program, PAMOJA, Together We Shine, and the resilience and performance of the business is a true reflection of this.

Reflecting on our Financial Performance and Operations in 2023

Our business productivity continued to improve during the year under review to enhance the delivery of value to our shareholders and key stakeholders. We are particularly proud of the way we supported our customers in what was a particularly challenging year.

While the global economy projected modest signs of post-pandemic recovery from the unprecedented events since 2020 and further convergence of shocks in 2022, inflation rose sharply due to steep increases in energy costs, food, and other resources following Russia's invasion of Ukraine. The ongoing energy crisis aggravated the inflationary pressures in 2023, and as an industry, we found ourselves in an economic downturn. The pace of recovery has been further muted by tighter monetary policies adopted by central banks worldwide to try to restrain inflation. Our operating environment remains unstable and uncertain. However, the imbalances in the global economy are being reduced, thus paving the way for a return to growth.

Notwithstanding all these challenges, the I&M Group achieved positive year-on-year growth in total net revenue while supporting all our stakeholders towards achieving their goals. We have made major strides towards being a people's Bank in this digital age with our anchor subsidiary, the Bank in Kenya, deciding not to charge fees on Bank to mobile transactions through the campaign #Nisare Kabisa. I'm proud that we've proven to be a stable pillar in society, supporting our clients and providing financial solutions in times of crisis. Today, we can proudly say we are part of the solution.

Despite the unfavorable market context, the Group achieved strong growth in its business, as presented in both financial and non-financial results in 2023.

The efficient optimization of our assets has enabled us to generate revenues, which, with a growth of 20% compared to 2022, closed at KShs 42.7 Billion. Our Profit before tax for FY 2023 recorded an increase of 11% to close at KShs 16.7 Billion.

We have continued to invest in our businesses to ensure we provide the relevant solutions to our customers, while ensuring we are top of mind for our customers. Investments in platforms, investment in the brand and people led to our costs increasing by 29% year on year and the cost to income ratio increasing to 48% from 45%. All our key balance sheet metrics improved, with the Group's Total Assets growing by 33% year-on-year, crossing the Kshs 500Bn mark for the first time.

This was supported by a 30% growth in net loans and advances to KShs 311 Billion. While the Group's total deposits grew by 33% to KShs 417 Billion, with the share of CASA deposits to total deposits rising to 47% at the end of FY23, driven by increased focus on the SME and retail segment.

The Group's liquidity coverage ratio closed at 45% (2022: 46%) and total credit losses coverage of 56% (2022: 72%). Meanwhile, the cost of risk compared to our peers is among the lowest at 2.5%, benefiting from the Group's prudent and proactive long-term risk management. These metrics reflect I&M Group's strong growth position and preparedness for any potential deterioration in the macroeconomic environment.

This strong balance sheet, impressive key performance indicators, and capital buffers enabled the Group to increase the 2023 dividend to a record level of KShs 2.55 per share, up by 13%.

I am pleased with our robust operating performance and remain confident in the relevance of our strategic direction. empowering environment for our employees, which includes ongoing training, fair labor practices, and a strong emphasis on work-life balance.

Community engagement, 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 to ensure that we go beyond basic financial solutions to working with all our stakeholders towards sustainable business growth.

Subsidiary Performance

Kenya

The Kenyan subsidiary remains adaptive to its environment's uncertain and tough macroeconomic backdrop. In 2023, the Kenyan economy faced myriad shocks, including elevated inflation, restrictive monetary policy, and sustained government appetite for local debt. The Kenyan shilling depreciated by approximately 30% against the US dollar and is expected to continue depreciating, albeit at a slower pace due to the Central Bank's efforts.

All this notwithstanding, the subsidiary's financial performance reflects resilience with a significant increase in operating income, which increased by 14% compared to the prior year. The Profit before Tax closed at KShs 12.1 Billion, at par with the 2022 performance, having been impacted by an increase in provisions from KShs 4.1 Billion in 2022 to KShs 5.3 Billion in 2023. The Balance sheet closed at KShs 406 Billion on the back of growth in loans and advances.

The Bank has had significant milestones in customer growth and brand relevance, which has been supported by the initiatives to eliminate all Bank to mobile charges for retail customers and intensified marketing activities. These initiatives opened up the Bank to a segment with growth opportunities, resulting in 27% growth in its number of customers and an increase in CASA deposits representing 40% of total deposits from 34% in 2022. At the same time, the brand recorded the highest growth in the spontaneous awareness score between 2020 and 2023.

Going into 2024, the Bank shall have a strong focus on accelerating delivery through ecosystems to drive the number of lives impacted and cost discipline aimed at creating investment capacity.

Tanzania

The Tanzanian economy experienced a strong post pandemic recovery despite the challenging external environment. The implementation of structural reforms supports economic growth focused on strengthening the economy's competitiveness, improving the business and investment environment, and reducing the cost of regulatory compliance.

I&M Bank in Tanzania benefited from the positive economic turn, with 2023 closing at a profit before tax of KShs 309 Million, an improvement from a loss of KShs 689 Million reported in the prior year. The improved performance was attributed to a significant growth in the lending book. Total assets grew by 24% closing at KShs 46.3 Billion as of December 2023.

Going forward, the Bank is focusing on enhancing customer value propositions and boosting its customers' adoption of digital platforms.

Rwanda

Rwanda's economy demonstrated resilience despite facing a challenging global environment. I&M Bank Rwanda leveraged this opportunity by optimizing operational efficiency through its workforce and ICT capabilities, effectively either reducing or maintaining costs.

Overall, the Bank achieved a reported Profit before tax of KShs 1.9 Billion, a notable increase from the KShs 1.5 Billion recorded in 2022. This performance can be attributed to the growth in net interest income stemming from an expanding loan book and investments in securities. Additionally, the Bank experienced a significant rise in net foreign exchange income and fees and commissions, driven by the introduction of innovative solutions that enhanced customer engagement.

Moving forward, the Bank's focus is evolving beyond traditional segments to enhance the service offering to customers and their ecosystems. This entails leveraging both traditional channels and digital platforms to deliver a seamless value-driven experience.

Uganda

Our Ugandan subsidiary is now fully integrated into the Group, and our regional customers continue to appreciate the Group's entry into this market. In 2023, the Bank in Uganda contributed 7% to the total Group assets. Total assets closed at KShs 38 billion, 46% higher than the previous year. There was however, a decline in Profit before Tax by 38% to KShs 0.4 Billion impacted by increased provisions and 26% growth in operating expenses relating to investments in platforms, upgrade of the core banking system and alignment of staff costs to Group

With the launch of Mastercard and the new card management system in Uganda, the Bank is focusing on intensifying its campaign toward adopting digital platforms.

Bank One

The Mauritian economy recorded moderate growth in 2023 with gradual resumption to normalcy in economic activities on the back of accelerated growth in 2022. In 2023, growth was mainly moderated by external supply shocks, which resulted in high levels of inflation and a shortage in hard currency that is gradually easing.

These challenges notwithstanding, the Bank recorded a Profit after Tax growth of 35% year on year driven by growth in earning assets and, subsequently, a marked increase of 28% in Net Interest Income alongside cost containment measures.

In 2024, the Bank will continue enhancing trade services, growing domestic business and its pursuit of cross-border opportunities; strengthening its relationship with partners to leverage regional opportunities.

Non-Banking Subsidiaries

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 6% i.e., KShs 973 Million of the Profit Before Tax. All non-banking entities recorded year-on-year growth in revenues.

Through the real estate company, the Group plans to initiate resource efficiency management as an internal initiative toward the Group's sustainability action plan. Here, we intend to educate the Bank and all tenants in our buildings about resource efficiency, ensuring that we as a Group are doing our part in contributing to the sustainability development goals.

iMara 3.0 – Looking to the Future

Building on the achievements of the second phase of the iMara Strategy and considering the changing business environment, the Group undertook a strategy refresh exercise in the last quarter of 2023. While we have retained the Group's long-term ambition to be "Eastern Africa's Leading Financial Partner for Growth", the review process redefined the key priority areas as below:

(i) Develop leadership in the core segment (Corporate & Commercial)

(ii) Building relevance in emerging customer segments (Retail &SME).

(ii) Become a market leader in ecosystems

This refreshed strategy seeks to tap into regional opportunities, focusing on specific thematic areas that are aimed at transitioning to a more hybrid model, which will ensure adequate support, efficient execution, and realization of group synergies. The thematic areas include product development & channels, ecosystems & partnerships, MSME & retail banking, sustainability & purpose, and brand alignment. This strategy also incorporates a sustainability action plan which is a guiding principle in delivering on our purpose. The Group is looking at impacting over 10 million lives by 2026 while building sustainable businesses and catalysing funding through the I&M Foundation.

Outlook

We acknowledge that our operating environment remains unstable and particularly uncertain. However, as a Group, we have clarity on what we want to deliver, and we intend to keep that at the forefront as we work through the uncertainties. I assure you that I&M has the necessary assets to support its customers and its growth towards sustainable operating models.

To achieve our ambition of becoming East Africa's leading financial partner for growth, we must pay close attention to all our stakeholders. We are, therefore committed to looking at everything we do through the lens of our people. This aims to ensure that our investments are responsive to the markets we operate in.

Finally, I look back on 2023 with gratitude and pride for how I&M teams across the region contribute to the Group's performance. I sincerely thank you for your continuous trust in and commitment to I&M.

I'm excited about 2024 as we mark 50 years of our existence walking the journey with our customers and through our refreshed strategy, we look to reaffirm our collective vision - making a lasting impact in the lives of our stakeholders.

Sarit S. Raja- Shah
Group Executive Director

Group Leadership Team

Sarit S. Raja Shah
Group Executive Director

Kihara Maina
Regional Chief Executive Officer

Gul Khan
Chief Executive Officer

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

Benjamin Mutimura
Chief Executive Officer,
I&M Bank (Rwanda) Plc

Robin Bairstow
Chief Executivte Officer,
I&M Bank (Uganda) Ltd

Mark Watkinson
Chief Executivte Officer,
Bank One. Mauritius

Silas Mutuku
Chief Executive Officer,
I&M Capital Ltd

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

Group Management Team

L.A. Sivaramakrishnan
Director, Group Business Development

Gauri Gupta
Group Executive GM, Corporate Advisory

Zipporah Gitau
Group Executive GM, Risk and Compliance

Amit Budhdev
Group Executive GM, Finance
Resigned December 2023

Josephine Mwaniki
Group Executive GM, Human Resources

Rohit Gupta
Group Executive GM, ICT

Mwihaki Wachira
Group Executive GM, Marketing

Ruma Shah
Group Chief Audit Executive

Sandeep Sinha
Group Executive GM, Credit

Group Management Team

Joseph Njomo
Executive GM,
Business Support

Harish Thyagarajan
Group Executive GM,
Treasury
Resigned 31 January 2024

Kenneth Lukale
Group Head of Asset
Liability Management
(ALM)

Rocky Olonde
Group Head
Strategy & Transformation

Evans Odhiambo
Group Head of Products

Our Material Matters
Our Relationships – Stakeholder Engagement

Guided by our stakeholder engagement policy we engage all our stakeholders 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 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

Our Capitals

Financial Capital

The Group remains well capitalized with diverse funding sources to support its growth aspirations while maintaining regulatory requirements.

2023 posed several challenges due to the macroeconomic environment across the region. With the increase in interest rates, sharp depreciation of currencies, especially in Kenya, the liquidity was much tighter in the system. The Group, however, maintained a solid capital base, with shareholders' equity increasing from KShs 77 Billion in 2022 to KShs 88 Billion in 2023, reflecting a 14% growth year on year.

During the year, customer deposits increased by 33% from KShs 312 Billion to KShs 417 Billion. The current and savings account (CASA) increased from 42% to 47%, driven by the Group's focused efforts to increase the contribution of CASA. This helped manage the cost of funds.

In 2023, the Group paid out a dividend of KShs 4.2 Billion to its shareholders, reflecting a 13% increase from the previous year.

Human Capital

Human capital remains a critical pillar to the delivery of the Group's business growth and sustainability strategies. During the execution and delivery of the IMARA 2.0 Strategy the people, structures, policies and practices were designed and executed to ensure a strong foundation for growth and staff engagement.

A key initiative to highlight is ensuring streamlined compensation and benefits reviews benchmarked against the market to ensure competitive pay and benefits for staff across the Group. A job evaluation exercise was conducted in 2023 in four of the Group entities – Kenya, Uganda, Rwanda, and Tanzania. This has resulted in updated salary and benefits structures which will seek to retain and motivate our talent.

Our performance management framework has been revised to include measurement of the extent to which staff are living up to the cultural behaviors and values coined 'the I&M Way'. In addition to the quantitative key performance indicators, the qualitative aspects that drive the right behaviors have been incorporated in the performance management framework through measuring the I&M Way in line with the cultural transformation programme. This sets up the Group to achieve the right environment as the place where the best people want to work.

Intellectual Capital

Our brand value and relevance, innovative products, capacity and reputation continue to play a key role in growing our business keeping us ahead of the curve. In 2023, the I&M brand recorded the highest growth between 2020 and 2023 in the spontaneous awareness score. This improvement was propelled by our response to customer feedback and decision by the Bank in Kenya to waive Bank to Mpesa fees on retail transactions which immediately resonated with the masses resulting in significant growth in customer numbers. Additionally, the Group has seen improved engagement on the social media platforms by customers and other stakeholders demonstrating and improved brand relevance. The Group continuously undertakes annual review of its brand health identifying brand drivers and areas of improvement.

Guided by the mission to continuously improve customer experience, the Group explores innovations, system efficiencies and use of data analytics for product enhancement and development. In 2023, we rolled out several propositions and enhanced existing offerings. Some of the key digital business initiatives that directly impacted customers and showcased tangible value for the business include: OTG Corporate, enhanced OTG Retail, Digital Self Onboarding, enhanced digital lending offering, and Enterprise Digital Solutions. Most of these have been launched in Kenya with a vision to replicate in the other countries where the Group operates.

Our Capitals

Social and Relationship Captial

The Group's business performance and its journey towards the creation of shared values depends on its social and relationship capital which involves the existing and potential collaborations with both our internal and external stakeholders.

Customers - We remain committed to driving excellence in customer experience by providing solutions that are responsive to customers needs. This is enabled by operational efficiencies and system uptime that was measured at 99% in 2023.

Suppliers - The integration of our processes, people and suppliers ensure optimization of value providing improved security and high-quality services and products. The Group takes into consideration sustainability practices ensuring that we create opportunities for our immediate communities by aiming for a higher local percentage of suppliers.

Communities - The Group's Social Investment Arm, I&M Foundation has been driving environmental and social sustainability initiatives anchored on environmental conservation, education and skills development, economic empowerment and enabling giving. Looking ahead, the Group is looking to implement a sustainability action plan embedded in the iMara 3.0 strategy set to run between for the three year period from January 2024- December 2026. This action plan sets out the Groups aspiration to impact 10 million lives over 3 years while focusing on Enabling Last Mile Financial Solutions, Building Sustainable Businesses and Leveraging the I&M Foundation. In addition, the Group seeks to collaborate with partners that facilitate our participation in more positively impactful initiatives through the Foundation.

Regulators - The Group is committed to high ethical values and sound corporate governance practices. We are continuously engaging with regulators from the different markets we operate in and are agile in making necessary adjustments to operations to apply the stipulated requirements for the businesses.

Natural Capital

We persist in driving our business forward with a strong focus on environmental responsibility, an integral aspect of the Group's corporate responsibility. Acknowledging the negative effects of climate change and the potential disruptions to the Group's operations presented by climate-related impacts and dependencies, the Group is committed to modelling resilient business and operational strategies. As we strive to become a leading financial partner for growth in Eastern Africa, we prioritize sustainable business practices. This includes recognizing the necessity for prudent material usage, implementing sustainable procurement practices, and enhancing the skills of our workforce to effectively addressing the emerging climate-related risks. Our determination extends to exploring and offering green and sustainable financing solutions that emphasize both climate mitigation and adaptation. Leveraging our capabilities, we aim to promote sustainable business practices that empower our clients to tackle environmental challenges, both present and future. Our shared responsibility across our operational markets is deliberately geared towards supporting the achievement of each country's Nationally Determined Contributions (NDCs), serving as a crucial step towards global committment to the Paris agreement.

How We Create Value

We seek to achieve sustainable business growth via our customer centric approach... while working towards positively impacting our communities and the environment living by our brand Promise – **"We are on your Side"**

Inputs

Financial Capital
- KShs. 88 Billion Shareholders equity
- KShs. 417 Billion Customer deposits
- KShs.18 Billion Borrowed Funds

Human & Intellectual Capital
- 2,827 Number of Staff
- KShs 410 Million Investment in Brand

Social & Relationship Capital
- KShs 245 Million – 2% of Profit before Tax towards I&M Foundation

Natural Capital –
Commitment to reduce the Group's scope one, two, and three operational carbon footprints by at least 30% by 2030 relative to the 2023 baseline year

Strengths

Continuously bring relevant solutions to our customers & stakeholders

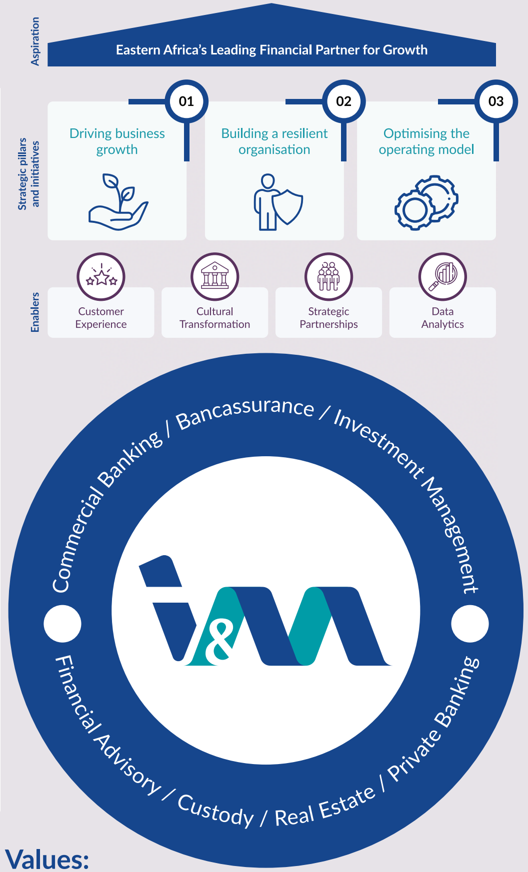
Regional Presence to serve our customers seamlessly

Digital capabilities that create convenience

Diverse and talented employee base & a transformational culture

Committed to the environment and communities

Business Model



Core Values:
Courage, Innovation, Integrity, Respect, Trust

Output

- KShs. 311 Billion Net loans and advances
- KShs. 117 Billion Investments in Securities
- 15% Return on average Equity

- KShs 15.2 Million Revenue per staff
- Gender Diversity M:F – 52:48
- Staff average age 37 Yrs
- Spontaneous Awareness score : 20%

- 560,000 customers
- KShs 832 Million – Investment in impact initiatives through the I&M Foundation

- Green Financing - KShs 6 Billion committed to the Green energy lending scheme

Shared Value

- Dividends to Shareholders in FY 2023 – KShs 4.2 Billion (FY 2022- KShs 3.7 Billion)
- Retained Earnings – KShs 58 Billion

- Staff Engagement score 78%
- Digitally Active Customers – 78%
- Transactions executed digitally 81%
- Value of transactions executed digitally KShs 1.2 Trillion

- Net Promoter Score – 71%
- >360 Scholarships provided
- >500 women supported towards economic empowerment

- 40% uptake of KShs 6 Billion - Green energy lending scheme
- 3.5 tons of e-waste recycled
- 8.5 tons Co2 emissions mitigated
- >420,000 trees grown

Strategic Highlights

Customers

	Dec 2020	Dec 2023
Customer Numbers	<250,000	>560,000
Net Promoter Score	34%	71%
Digitally Active Customers	<50%	78%

Business

	Dec 2020	Dec 2023
Revenue from New Business	<10%	22%
Subsidiary PBT Contribution	5%	24%
Cyber Security Maturity Score	<75%	93%

Employees

	Dec 2020	Dec 2023
Employee Engagement Score	75%	78%

Shareholder Value

	Dec 2020	Dec 2023
Dividend Per Share (KShs)	1.13	2.55

Review of our Strategy - iMara 2.0

I&M Group's second phase of iMara strategy which started in 2021 came to an end in 2023. iMara 2.0 was focused on growing emerging businesses through revenue diversification and scaling new businesses. The business had several key focus areas among them being expansion into segments i.e. MSME and personal banking, expansion into new markets, delivering through the ecosystem and strategic partnerships and roll-out and embedding of the Group Operating Model. Below we give an overview of our performance in executing the strategy as we serve our stakeholders.

Aspiration: Eastern Africa's Leading Financial Partner for Growth

Strategic Pillars And initiatives:

1. Driving Business Growth
2. Building a Resilient Organisation
3. Optimising the operating model

Enablers:

- **Customer Experience** – Design and delivery with customer at top of mind
- **Cultural Transformation** – Transforming to a digital and agile culture
- **Strategic Partnerships** – Collaborations to deliver efficient and profitable growth
- **Data Analytics** – Data driven decision making

KPIs: % growth of new business revenue | PBT | ROE | % of Digitally Active customers | Net Promoter Score | Employee Engagement

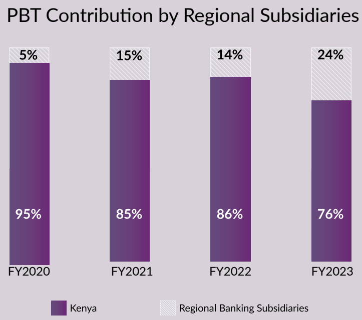
Strong Execution Against Our Strategy: Performance Against Priority KPIs

KPI	2020	2023
Return on Equity	12%	15%
Profit Before Tax (KShs Bn)	10.95	16.7
Net Promoter Score	34%	71%
Revenue from New Business Initiative	<10%	22%
Percentage of Digitally Active Customers	<50%	78%
Employee Engagement Score	75%	78%

Pillar 1: Driving Business Growth

<table>
<tr><th>Strategic Imperative</th><th>Target</th><th>Outcome</th></tr>
<tr>
<td>Geographic Expansion</td>
<td>Increase PBT contribution from Regional Subsidiaries to >20%</td>
<td>

- With the acquisition of Orient Bank Uganda (rebranded as I&M Bank Uganda) in 2021, the Group solidified its presence in East Africa. Our regional footprint is now up to 5 countries.
- PBT from Regional subsidiaries grew from KShs 0.6B in 2020 to KShs 4.6 Billion in 2023 at a CAGR of 11.1% with contribution increasing from an average of 13% pre 2020 to 24% in 2023.
- USD 7 Million in revenue was mobilized from previously untapped regional customers.



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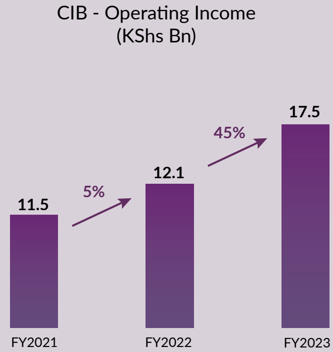
<tr>
<td rowspan="2">Segment and Product Expansion</td>
<td>Growth by Strengthening our Corporate and Institutional Banking (CIB) Leadership</td>
<td>

- Over the planning period, our CIB business grew at a CAGR of 34%
- Operating income of 17.5B up 45% from 20222 primarily driven by our continued investments in building a compelling and differentiated proposition.
- Robust balance sheet growth with 33% growth in Loans and advances and 44% growth in customer deposits.
- Our diversification into new sectors such as Oil and Gas and Public Sector have allowed us to match our high LC volumes to the trade income.



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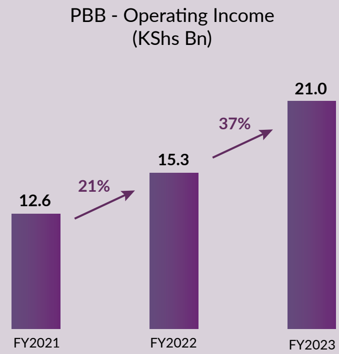
<tr>
<td>Deliver Industry Leading Growth in Personal and Business Banking (PBB)</td>
<td>

- Strong income growth of 37% in 2023 with a 3-year CAGR of 29% to close at KShs 21 Billion.
- Accelerated (2.3 times) retail and business banking customer growth from 248K in 2020 to 560k in 2023. Customer growth supported by a mix of targeted marketing and customer led propositions.
- Balance sheet yoy growth of 24% and 28% on Loans and deposits respectively.
- Entry into new segments such as unsecured digital lending, supply chain and stock financing.
- Mix of Physical & Digital Distribution to continue supporting aggressive growth prospects.



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Pillar 2: Building a Resilient Organisation

Strategic Imperative	Target	Outcome

Strategic Imperative: Enhancing Enterprise Risk Management Framework

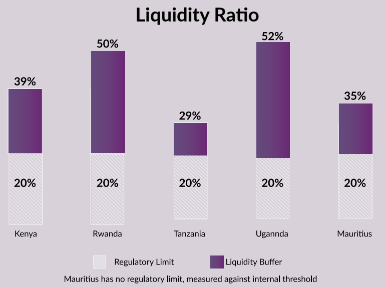
Target: Grow exposures prudently, aligned to risk appetite

- Net loans and advances up by 30% year on year driven by the growth in each of our segments in all our subsidiaries.
- Increase in the NPLs is reflective of the difficult macro-economic environment in Kenya. Gross NPL Ratio below Industry rate of 15.5%

Key Metrics (Kshs Bn)	FY 2023	FY 2022	FY 2021
Net Loans & Advances	211	239	311
Cost of Risk	2.5%	2.3%	2.1%
Gross NPLs	11.4%	10.5%	10.2%

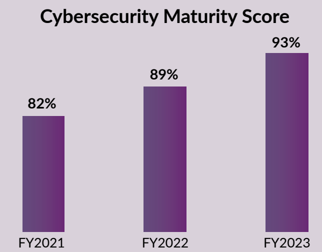
Target: Enhance Funding and Liquidity Management

- We have made meaningful progress in our liquidity management with a focus on CASA deposit mobilization. CASA deposits grew by 49% year on year; CASA ratio stood at 47% (2022:42%)
- We continue to maintain Strong capital adequacy and liquidity ratios with sufficient buffers across all our presence markets.



Target: Embedding cyber security

- Despite facing a deteriorating cyber threat as geopolitical tensions escalated, the Group remained resilient, and we were able to successfully protect our people, information, network, and applications. We remain vigilant and our cyber maturity score indicate our continued focus on staying ahead of the cyber threat curve.



Target: Champion efforts in responsible banking, responsible business practices and impact beyond banking

Environmentally, the Group is committed towards reducing its carbon footprint, promoting energy efficiency, and ensuring sustainable resource use.

Socially, the focus extends to fostering a diverse, inclusive, and equitable workplace and environment for our stakeholders.

The subsidiaries and I&M Foundation, supported by I&M Kenya's 2% contribution of its Profit Before Tax, approximately KShs 245 Million in 2023, sustained its efforts towards enriching livelihoods with remarkable impact toward areas critical to societal development, including education, economic empowerment, and environment conservation.

Impact Initiatives	Outcomes
Investment in impact initiatives	KShs 832 Mn
Trees Planted	>420K
Co2 emissions mitigated	8.5 tons
Lives impacted through the Foundation	13,600
Jobs created	>370
Women Supported/ economic empowerment	>500
Scholarship	>360
Talent Engagement	78%

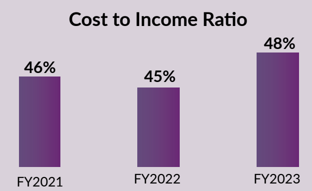
Pillar 3: Optimising the operating model

Strategic Imperative	Target	Outcome

Strategic Imperative: Core IT infrastructure resilience

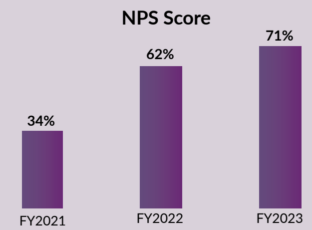
Target: Investment in digitization and automation

- We continue to be cost efficient as we unlock investment capacity for growth. Our Cost to income ratio is up to 48% as a Group but lowest in Kenya as Kenya has significantly completed the majority of investment required for growth



Target: Deliver differentiated customer experiences and superior outcomes

- We have achieved broad based increased in customer satisfaction with NPS at 71%, up from 34% in 2021.



Our People

In 2023, the human capital of the Group increased by 12% to reach 2827. The Group has substantially increased its talent pool as it furthered its retail and digital strategy and invested in information technology infrastructure and acquiring skills in retail requiring new skills and capabilities. The growth was driven by the branch expansion strategy across the Group which forms the foundation for the growth strategy to support the iMARA 3.0 journey ahead.

Gender Diversity

Gender diversity continues to be an area we monitor and track to ensure a good gender balance across all countries that constitute the Group. The gender statistics indicate a fairly good balance across board. Gender pay disparity is a new measure we seek to keep a track of to ensure equal pay for equal work across all grade levels. The gender ratio has a minimum gap amongst male and female across the various subsidiaries. The overall gender ratio remained at 52%:48% male to female in 2023.

Employee Engagement

Currently with a growing staff complement of over 2,500, the Group continues to focus on ensuring a highly engaged talent force. The 2023 Employee Engagement index has improved significantly across the Group based on all the people related initiatives in place to ensure best practice people management policies and initiatives. The Group Employee engagement score improved by 2 index points from 74 to 76. In four of the countries, employee engagement is above 70% which indicates a highly engaged work force across the Group.

Talent Management

The Top Talent programs at Senior Manager and Officer level continue to be a focus as we seek to build a strong talent pipeline across the Group. The first cohorts of Class of 2022/3 graduated in June and July 2023 and were re-deployed to new roles and responsibilities across the Group for the Officer level. A total of 39 Staff completed the talent programs for the year 2023 at Manager level and above and 15 at Officer level. This has served to strengthen the Group's talent pipeline for future managers and leaders and increase the bench strength from a leadership succession perspective.

Talent mobility across the Group will play a key role in how we grow and retain our talent going forward.

2023

Group

Total Employees	2827
Gender Diversity (M:F)	52%:48%
Women in Senior Roles	34%
Employee Engagement	78%
Talent Management Programme*	54

Kenya

Total Employees	1446
Gender Diversity (M:F)	49%:51%
Employee Engagement	76%
Talent Management Programme*	50

Rwanda

Total Employees	467 (+10%)
Gender Diversity (M:F)	55%:45%
Employee Engagement	80%
Talent Management Programme*	26

Tanzania

Total Employees	189
Gender Diversity (M:F)	51%:49%
Employee Engagement	76%
Talent Management (Management + Senior)	6

Uganda

Total Employees	296
Gender Diversity (M:F)	45%:55%
Employee Engagement	79%
Talent Management Programme*	6

Mauritius

Total Employees	417
Gender Diversity (M:F)	46%:54%
Employee Engagement	70%
Talent Management Programme*	20

*Number of Management and Senior staff

Learning and Development

Learning and development continues to play a key role in equipping the Bank's talent with the relevant skills to deliver on business goals and objectives. 2023 key focus areas have been upskilling and re-skilling our staff on Customer service, Sales, Business development, Anti-money Laundering, Environmental Social and Governance (ESG), Cyber Security, Productivity and Collaboration tools and professional certifications in Data Science, Banking, Credit, Credit Risk, Structured Trade Finance, Internal Audit, Digital Business, Insurance, Audit and Risk Management. 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 encouraged to make use of the E-learning platform to enhance their skills and ensure on the job training. During the year the Bank facilitated quarterly Branch Operations and Business Managers conferences to provide clarity on the business strategy and ensure alignment with business and operations and support teams. In addition, we have leveraged the skills set and experience across the Group to deliver on key technology systems and projects across the Group.

The I&M Leadership Competency framework was firmed up in line with the Culture transformation and aligned to the I&M Way in 2022. Training and upskilling of the Group's senior leadership commenced in 2023 to build adequate bench strength and create a working environment where we care for and grow the Group's talent and the right behaviors are encouraged and rewarded.

Pamoja

Together We Shine

Empowering our people through upskilling, learning and development and ensuring diversity and inclusion.

	2020		2023
Talent to Support Growth	<2,172	30%	2,814
Talent Engagement	75%	300bps	78%
Overall Gender Diversity Ratio M:F	50:50		52:48
Senior Management Gender Diversity Ratio M:F	77:23		66:34
Staff Average Age	35yrs		37yrs

2024 Outlook

Our People strategy for 2024 will focus on leadership and managerial development, upskilling and re-skilling staff to align to our growth strategy, continuing to develop a customer centric, performance driven and agile culture with a strong and positive employee experience to ensure a consistent employee value proposition and a continued great place to work.

Embedding Sustainable Solutions

To maintain our focus on fostering prosperity, we ensure that all stakeholder expectations are fulfilled in a structured and accountable manner. We attribute the sustainability of our business to the Group's ability to tackle emerging social and environmental challenges like climate change and inequality. Additionally, we rely on our culture transformation to mitigate any adverse effects on our investments and operations. Notably, through our enterprise risk management framework, we consistently identify environmental, social, and governance factors that can significantly impact our business, while we actively strive for positive environmental and social outcomes.

As we shape the Group's sustainability strategy, we recognize the tremendous opportunity to make meaningful and positive impacts on our stakeholders. This opportunity revolves around economic empowerment, community engagement through the I&M Foundation, and the promotion of sustainable business practices. In 2023, the Group took deliberate measures to come up with products and services that are inclusive, sustainable, and address both climate mitigation & adaptation. For instance, I&M Kenya partnered with Odyssey to provide comprehensive support to the Bank in origination, due diligence, and monitoring of distributed renewable energy projects for financing. This collaboration targets to strengthen the Bank's commitment to sustainable development and promote the transition to clean energy.

Progressing Sustainable Finance

The Group is committed to sustainable lending practices as a fundamental practice in its day-to-day operations, evident through the incorporation of Environmental and Social (E&S) risk screening into the comprehensive credit appraisal process. This approach ensures that E&S risk is systematically evaluated alongside other risks prior to credit facility disbursement, fostering heightened awareness of the Group's E&S standards among customers. Consequently, this awareness has contributed to an enhanced E&S performance in our operations, aligning with regulations and fortifying the Bank's relationship with customers. We actively assist our customers to address non-conformities as well as promote the adoption of best practice.

Furthermore, this commitment has resulted in business growth, with the Group developing customized products and services with positive social and environmental outcomes at the core. The Group's practical endeavours to sustainable finance include provision of facilities which support installation of Effluent Treatment Plants to address water treatment and recycling issues, as well as facilitation of solar-relate energy infrastructure that assures energy efficiency. This symbiotic relationship has led to mutual business growth and improved environmental practices, protecting natural resources, and utilizing renewable energy sources, while reducing overall environmental footprint and operational costs.

In our pursuit to being recognized a financial institution that promotes sustainable business growth and societal investments, we consistently conduct comprehensive Environmental and Social Management System (ESMS) training and capacity-building across the workforce. These trainings target key stakeholders involved in the credit appraisal process, encompassing Business teams (including Relationship Managers and Branch Managers), Credit Analysts and Legal departments, as well as the Risk and Compliance Departments. The objective is to disseminate the Group's minimum E&S Performance standards and enhance capacities across subsidiaries, enabling the assessment of E&S risks in overall due diligence processes during credit appraisals.

For instance, in 2023 a total of 141 staff members underwent sustainable finance related trainings.

Subsidiary	No. of Staff Trained
	85
	28
	15
	13
Total	**141**

We positively noted that our comprehensive training initiative had a transformative impact on the Group, highlighted in the establishment of an internal categorization of credit profile aligned with the associated E&S risk profiles. A significant outcome of this development was the systematic inclusion of Environmental and Social (E&S) risk reporting at Management and Board levels. This practice has ensured that E&S risk exposures across all subsidiaries are thoroughly examined, providing the Group with invaluable oversight and insights into the collective E&S risk landscape, enhancing its ability to effectively manage and mitigate such risks.

Embracing Resource Use Efficiency

As global concerns of environmental degradation and resource scarcity grow, the Group has fully embraced the concept of circular economy to limit and reduce negative environmental footprint from its operations. Embracing circularity in material acquisition and utilization allows us to endorse regenerative models, wherein our materials undergo continuous reuse, recycling, and repurposing, all while maintaining our commitment to customer-centric, high-efficiency service delivery.

Thoughtful utilization and management of resources throughout our branch networks and offices stands as a pivotal operational strategy. This approach not only aims to reduce costs but also embodies a shared responsibility among our workforce in addressing the impacts of climate change. In 2023, the Group remained committed to this strategy by advancing its adoption of LED lights, implementing water-efficient technologies, and establishing onsite waste segregation infrastructure at the I&M headquarters on First Parklands Avenue. As part of the Bank's strategic push into retail banking, the development of new branch facilities prioritizes sustainability in both design and operation. For example, out of the 8 branch networks opened by I&M Kenya in 2023, 3 were constructed using recycled container materials. Looking ahead to 2024, our focus extends to integrating sustainability considerations into the Group's supply chain. We recognize the potential to further reduce our environmental impact by evaluating vendor environmental performance as a key criterion in the vendor-selection process.

Notably, in 2023, the Group started to measure and track its environmental resource use to drive efficiencies, and responsible resource use, including reducing energy, water and resource use, and greenhouse gas emission.

Environmental Aspect	Unit of measure	Total Amount (2023)
Solar Energy Production & I&M HQ in Kenya & Rwanda	KwH	215,733
Purchased Electricity	KwH	4,031,830
Water	M3	199,926
Paper	Reams	14,102
Fuel Consumption Bank owned cars (Petrol)	Liters	47,289
Fuel Consumption Bank owned cars (Diesel)	Liters	9,643
Fuel used Generators	Liters	27,783

Our waste management practice is an all-inclusive drive that strengthen our bond with our customers, and the community. In March 2023, I&M Bank in Kenya partnered with WEE Centre, an accredited E-Waste Management company to be a collection center. The partnership allows our customers, the community, and staff to deposit their e-waste in line with national and international standards. We are keen to integrate at source waste segregation practices and responsive behaviors, that will allow us scale up our waste recycling, and re-use initiatives while exploring circularity-focused opportunities.

ESG-related data quality and management is a central focus to enhance the overall sustainability value proposition by the Group. Therefore, in 2023 the Group started investment in robust data collection and analytical process which allows us to determine our carbon footprint. Based on our material use, the Group Scope 1 & 2 emission baseline is as highlighted in the table below. Note that our emission baseline data will shift over the year due to more data points, as well as scale up data collection and analytics.

Emission Category	Unit of Measure	Total Amount (2023)
Scope One (Direct carbon emission from operations that are directly owned or controlled by the Group)	MtCO2e	292
Scope Two (Emissions from the generation of electricity purchased by the Group from the various power supplies companies)	MtCO2e	2,016

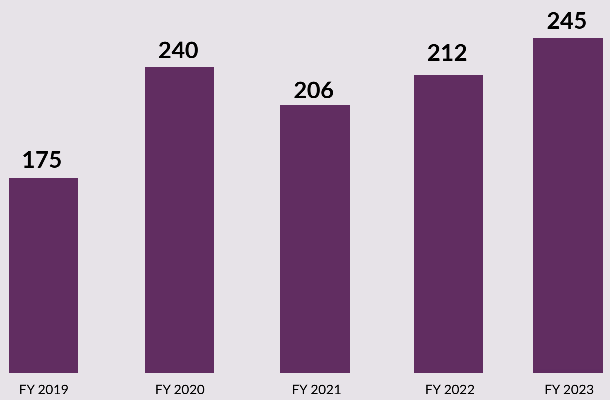
Our Shared Values

The Foundation remains key as the execution arm of the Group in delivering the Group's objective towards mitigating social and environmental impact to create positive value in the Society. Through the Foundation, we understand sustainability as fulfilling the needs of current generations without comprising the needs of future generations, while ensuring a balance between economic growth and viability, environmental protection and care, and equitable social wellbeing.

Group's Commitment

The Group remains committed to delivering on the Foundation's shared value agenda. In 2023, the Bank contributed KShs 245 Million (2022: KShs 212 Million). Over the last 5 years, this contribution cumulatively amounts to KShs 1.1 Billion.

I&M Bank's Annual Contribution to the Foundation



Pillar 1 – Environmental Pillar (SDG 7,3,15)

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

We continued to work with several local partners to implement our strategic objectives under the environmental pillar. Our objective remains to inculcate a culture of environmental conservation and sustainable management of resources.

Kenya Community Development Foundation (KCDF)

Miti Alliance

Kenya Wildlife Services

Nkoilale Community Development Foundation (NCDF)

Nguzo Africa

A Rocha Kenya

Malindi Education and Development Foundation (MEDA-F)

Environmental Pillar

How we are achieving impact

Growing trees in protective environments including institutions compounds, forests and fenced community land

Training young learners on the importance of trees, nurturing techniques and role in environment conservation

Transitioning communities to clean energy by providing energy saving devices

Our Local Partners

KCDF
Miti Alliance
KWS
Nkoilale Community Develpment Foundation
Nguzo Africa
A Rocha Kenya
Malindi Education & Development Foundation (MEDA-F)

2023 Achievement

- Equipping 167 institutions (64,537 learners) with environmental conservation
- 185,880 trees planted (67% survival rate)
- 209 Energy saving devices provided to communities and institutions
- 9,402 HH impacted
- Supported the construction of 5.5mn liters of dam at Nairobi National Park

3 Year Impact

- > 430,000 trees since 2020 with an average 78% survival rate
- Tree nurseries set up with >100,000 seedlings in three counties (Narok, Kilifi, Malindi)
- Positive impact on communities towards transitioning them to clean energy
- Positive impact on wildlife through extending our support to KWS

I&M Bank team that planted trees in Kereita Forest Reserve during the National Tree Growing Day

Ongoing Environmental Conservation training at Kanjeru Primary School

Construction of Ololo Dam (Lower section) Nairobi National Park

The Head of I&M Foundation hands over a water tank to Riu Nderi Primary School, through the Board Chairman

Pillar 2 – Education and Skills Development (SDG 4)

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

Our education pillar is focused on providing the best education opportunities to students who may have challenges to do so.

Strathmore University

Palmhouse Foundation

St. Ann Suresh Raja Girls' High School

Amara Trust

Moringa School

Kenya Wildlife Trust

Oshwal College

Alliance High School - Endowment Fund Trust

How we are achieving impact

Providing scholarships to bright, deserving students who have challenges
I&M Staff facilitating mentorship to students
Training students to pay forward
Introducing sustainable energy solutions and environmental conservation in the learning institutions

Our Local Partners

Strathmore University
PalmHouse Foundation
St Anns Suresh Raja Girls High School
Amara Trust
Moringa School
Kenya Wildlife Trust
Oshwal College
Alliance High Scholl Endowment Fund Trust

Education Pillar

2023 Achievement

- 243 students on scholarship in 2023 (Secondary & Tertiary)
- 100% of 24 KCSE scholars qualified for University Placements
- 25 Students supported in Moringa Access Program

3 Year Impact

- 360 scholarships have been provided (secondary and tertiary)
- School bus and solar water heating for St Anns

I&M Foundation convening for Strathmore University scholarship beneficiaries

I&M Foundation interaction with students during the Palmhouse Foundation mentorship session.

Pillar 3 – Economic Empowerment (SDG 1,8)

"Where we promote sustainable economic growth and transform livelihoods"

Our local partners

The Maa Trust

Jonathan Jackson Foundation

Economic Empowerment

How we are achieving impact

Promoting sustainable economic empowerment to communities to transform livelihoods
Supporting the empowerment of Maasai women through the Maa Beadwork Social Enterprise
Creating income-generating opportunities for the most vulnerable segments of - especially unemployed youth and women - especially those who are Not in Employment, Education or Training (NEET)

Our Local Partners

The MAA Trust
Jonathan Jackson Foundation

2023 Achievement

- 190 Beadwork artisans graduated to the top skills
- Indirect benefit to 9.100 households
- 37 jobs, 15 businesses launched and
- 199 direct beneficiaries gained from capital goods distribution

3 Year Impact

- 579 women in the Masai Mara Region
- Indirect benefit to 9.100 households

Maa Trust Women recieving payments at Olare Orok Village


Women Economic Empowerment in the Maasai Mara


Maa Beadwork Products at Mahali Mzuri Gift Shop

Jenga Bizna Mtaani Program – Distribution of a P.A Sound system to empower the Cultural Pioneer Eagles group at the Humama Grounds in Kayole

Pillar 4 – Enabling Giving (SDG 17)

"Where we strengthen partnership for sustainable community development"

Our local partners

KAMILI ORGANISATION
Supporting those with mental health issues

Kamili Organisation

Enabling Giving

How we are achieving impact

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

Our Local Partners

Kamili Organisation

2023 Achievement

- Supporting a dedicated lead nurse in Nairobi who offers clinical assessment, treatment and support to more than 10,000 mentally challenged patients and care givers across the country
- I&M Bank staff participated annual CSR activity that saw the staff enrich 8 children's homes and rehabilitation centers across the country, plant trees in three locations across the country, and facilitate two free medical camps in Nairobi and the coast.
- Organized a medical camp in Nairobi that benefited 1,358 individuals, with 251 of them being children

3 Year Impact

- Impact on 100 families in the village (922 children and 94 senior citizens) via Nyumbani Village.
- 80% reduction in diesel consumption & fossil fuel creating a direct positive impact on the environment and health of the residents.
- KShs 5 Million provided towards food relief packages to support
- humanitarian cause in Northern Kenya impacting 500 households (5000 beneficiaries)
- Helping more than 10,000 mentally challenged patients and care givers across the country

Free medical camp hosted at Muthurwa Primary School, Gikomba, Nairobi

Bringing joy to Tunyai Children's Center for orphaned, abandoned and vulnerable children, located in Tharaka Nithi.

Encouraging the children at Precious Kids Centre based at Wamuini center in Kitale

Our Strategic Journey

iMara: Build a stable foundation (2016-2020)

Priorities
- Re-platforming
- Digital & system enhancements
- Group Operating Model

Key Successes:
- Corporate segment dominance
- IMKE- >85% of Group Profit before Tax
- Cost of income ratio ≥45

iMara 2.0: Invest in diversification (2021-2023)

Priorities
- Value proposition enhancements
- Enhanved share of wallet
- Sector diversification
- Digitization & Optimization

Key Successes:
- Corporate: Retail 50:50
- IMKE 2023: 76% of Group Profit before Tax
- Cost to income ratio: 48%

iMara 3.0: Scaling new buisiness (2024-2026)

Priorities
- Accelerating growth in priority segments

Key Successes:
- >1 million customers
- Impact >10 million lives
- Cost to Income ratio: ≤45%

iMara 3.0 - Building on our Strategic Achievements

Anchored in our proven business model, we look to reaffirm our collective vision – making a lasting impact in the lives of all our stakeholders.

Our new strategy iteration spans 2024 to 2026

Long Term Ambition

Eastern Africa's Leading Financial Partner for Growth

3 Year Impact Objective

+10 Mn Lives Impacted	Best Bank for Customer Experience (NPS>70%)	>85% Digitally Active Customers

Our Participation Choices

1. Develop Leadership in our core segments (Corporate & Commercial)
2. Build Relevance in Emerging Customer Segments (Retail & SMEs)*
3. Become a leader in Ecosystems

Where we are investing

Brand Relevance	Group Synergies	Business Resilience	Business Resilience	Digitization	Cultural Transformation

Key Focus

Embedding sustainability across our business and value chain to positively impact our stakeholders and leverages I&M Foundation to further sustainability initiatives

This corporate strategy fully embeds our sustainability agenda focusing on last-mile solutions, building sustainable businesses while leveraging on the foundation.

iMara 3.0 - Our North Star

Develop Leadership in our core Segments (Corporate & Commercial)

+

Build Relevance in Emerging Customer Segments (Retail & SMEs)

+

Become a leader in Ecosystems

→

Digitally Active Customers
+85%

Net Promoter Score
+70%

Grow to
>1
Million Customers

→

Impact
>10
Million Lives

Banking Subsidiaries Overview 2023

Kenya Overview

Macro-economic Environment

The Kenyan economy experienced several challenges in 2023, continuing from the previous year as a result of electioneering, increase in supply side shocks, and significant depreciation of the Kenya shilling. Despite this, the economy is expected to grow by 5.6% due to robust activity in the hospitality sector, real estate, information and communication, wholesale and trade. Inflation stood at 6.6% year on year in December 2023.

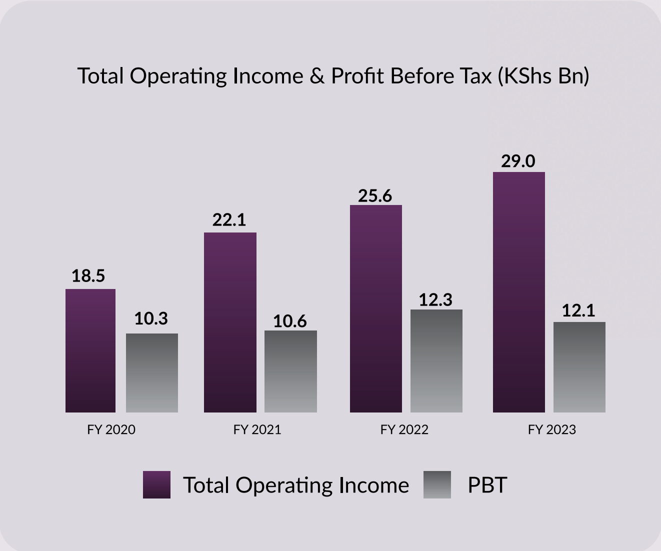
The Kenya shilling depreciated by close to 30% in 2023. The pressures on the economy led to tightening of the monetary policy leading to a significant higher interest rate environment.

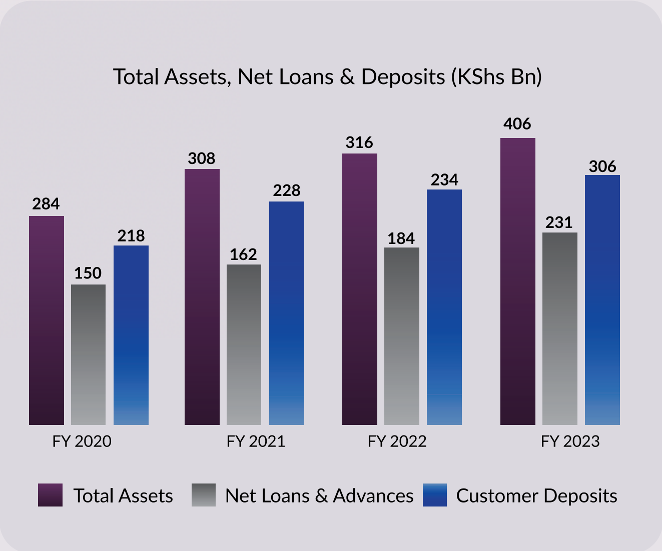
Financial Performance

During 2023, the Kenyan subsidiary continued making strides in the retail segment. Understanding the challenges being faced in the economy, the Bank waived the "Bank to wallet" charges to support the reduced incomes of the population. The introduction of the largest unsecured loan was also one of its kind in the economy.

While these initiatives are still nascent, the Kenyan subsidiary continues performing well with operating income having increased by 14% year on year, driven by both net interest and non-interest income. Overall, over the last three years, income has grown by a CAGR of 16% despite the challenges faced in the economy. Operating expenses increased by 27% year on year on the back of continued investments in IT platforms, marketing as we invest in the brand and staff complement to prepare us for the next iteration of the strategy. As a result, despite the strong growth in income, Profit before Tax remained flat during the year due to the higher operating expenses and increased loan loss provisions.

During the year, the Bank saw Total Assets increase by a 29%, driven by a 26% increase in the Loans and Advances and 31% increase in the Deposit book. CASA ratio improved to 40% (2022:34%) on the back of focused efforts to increase the mix of low-cost deposits.





Key Ratios	2021	2022	2023
Gross NPL	11.4%	10.8%	11.7%
Net NPL	2.9%	2.6%	5.1%
Loan to Deposit Ratio	71%	79%	76%
Cost to Income Ratio	39%	36%	40%
Cost of Risk	1.8%	2.3%	2.6%
ROE	13.5%	18.3%	17.4%
ROA	2.4%	3.1%	2.7%

Outlook

The outlook for the Kenyan economy remains challenging, with the continued increase in inflation, depreciation of the currency (although there has been a significant appreciation since the beginning of March 2024) and the high interest rate environment. The tighter fiscal space also points to lower disposable income. The Bank intends to continue growing while being prudent in its approach.

Banking Subsidiaries Overview 2023
Kenya Overview

Board of Directors

Daniel Ndonye
Independant Chairman
w.e.f July 2023

Suresh B R Shah
Non-Executive Director

Sarit S. Raja Shah
Group Executive Director

Gul Khan
Chief Executive Officer
w.e.f February 2023

Dr. Nyambura Koigi
Independent Director

M. Soundararajan
Independent Director

Nikhil Hira
Independent Director

Muchemi Wambugu
Independent Director

Alan James Dodd
Independent Director

Phyllis Wakiaga
Independent Director
w.e.f January 2024

Sachit Shah
Non-Executive Director

Stella Gacharia Kariuki
Company Secretary

Banking Subsidiaries Overview 2023
Kenya Overview

Senior Management

Gul Khan
Chief Executive Officer

AV Chavda
Director, Credit

Amit Budhdev
Group Executive GM, Finance Resigned Dec 2023

LA Sivaramakrishan
Group Director, Business Development

Ruma Shah
Group Executive GM, Audit

Zipporah Gitau
Group Executive GM, Risk & Compliance

Gauri Gupta
Group Executive GM, Corporate Advisory

Sandeep Sinha
Group Executive GM, Credit

Rohit Gupta
Group Executive GM, ICT

Mwihaki Wachira
Group Executive GM, Marketing

Josephine Mwaniki
Group Executive GM, Human Resources

Harish Thyagarajan
Group Executive GM, Treasury
Resigned 31 January 2024

Banking Subsidiaries Overview 2023
Kenya Overview

Senior Management

Kenneth Lukale
Group Head of Asset Liability Management (ALM)

Rocky Olonde
Group Head
Strategy & Transformation

Evans Odhiambo
Group Head of Products

Winnie Hunja
Executive GM,
Corporate Banking

Shameer Patel
Executive GM,
Personal & Business Banking

Joseph Njomo
Executive GM, Operations

Michael Mwangi
Executive GM,
Digital Business

Andrew Mwenje
Head of Internal Audit

Banking Subsidiaries Overview 2023

Tanzania Overview

Macro-economic Environment

The Tanzanian economy performed well in 2023, with growth projected to reach 5.6% year on year, underpinned by the strong growth in tourism, manufacturing, trade and financial services sector. By December 2023, inflation had declined to 3% year on year from 4.8% in the previous year, as a result of the tighter monetary policy stance by the Bank of Tanzania.

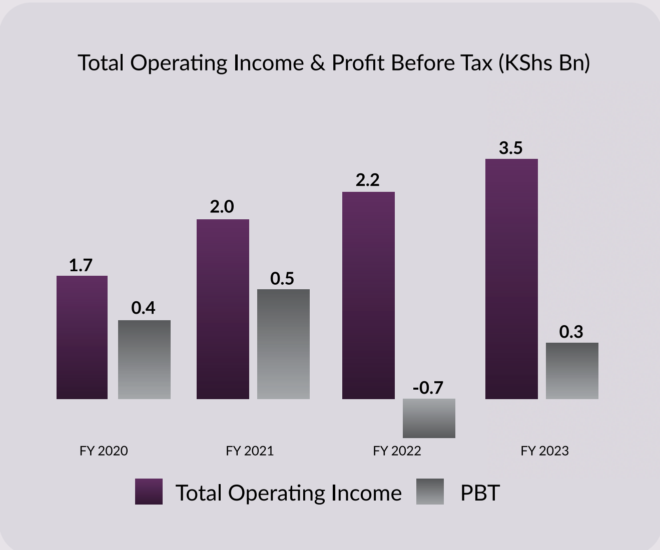
The Tanzania shilling remained under significant pressure throughout the year and depreciated by 8.8% to TZS 2,580/ USD in December 2023. This affected many sectors in the economy as accessing dollars remained a challenge.

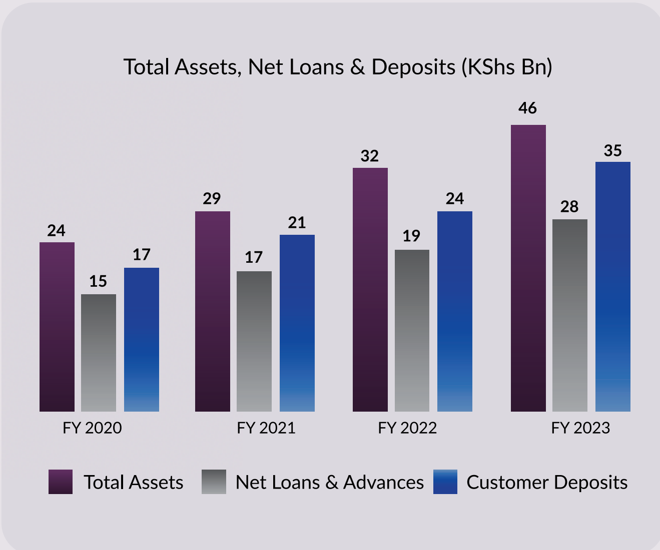
Financial Performance

I&M Tanzania posted positive performance for the year, with Profit before Tax growing by 145% to KShs 0.3 Billion. This was driven by strong growth in operating income of 56% year on year boosted by both net interest income and non-funded income growth. The Bank's efforts to continue containing costs also played an instrumental role in this positive performance.

Total Assets grew by 47% during the year, with net Loans and Advances increasing by 45% and Deposits increasing by 46%. CASA ratio stood at around 36%;

Since the start of iMara 2.0, Tanzania's performance has improved significantly with Total Assets, Loans and Deposits increasing by a 3-year CAGR of 24%, 23% and 27% respectively.





Key Ratios	2021	2022	2023
Gross NPL	9.2%	17.6%	17.5%
Net NPL	5.7%	11.0%	11.1%
Loan to Deposit Ratio	81%	80%	84%
Cost to Income Ratio	64%	73%	62%
Cost of Risk	1.2%	6.5%	5.4%
ROE	7.7%	-10.9%	4.8%
ROA	1.3%	-1.7%	0.7%

Outlook

Our Tanzania subsidiary continues to make strides towards positive performance. The subsidiary is currently ranked 4th or 5th in the market on several metrics. The entity will continue to deepen penetration in the market through agency banking, offering other products (such as bancassurance, custodial services and digital offerings) to the retail segment.

Banking Subsidiaries Overview 2023
Tanzania Overview

Board Management

Madabhushi Soundararajan
Independent Chairman
w.e.f January 2024

Zahid Mustafa
Executive Director
w.e.f September 2022

Pratul H Shah
Independent Director

Alan Mchaki
Independent Director

Emmanuel Johannes Chacha
Independent Director

Hon. Ambassador Amina Salum Ali
Independent Director

Paresh Manek
Independent Director
w.e.f April 2023

Jamhuri Ngelime
Independent Director
w.e.f October 2023

Christopher Kihara Maina
Non-Executive Director
w.e.f. June 2023

Shameer Patel
Non-Executive Director

Chrisitian Shirima
Non-Executive Director
w.e.f April 2023

Maria Gonzales
Company Secretary

Banking Subsidiaries Overview 2023
Tanzania Overview

Senior Management

Zahid Mustafa
Chief Executive Officer

Donald Aswani Mate
Chief Operating Officer

Patrick Richard Kapella
Head of Treasury

Emmanuel Wilson
Head of Credit

Deepali Ramaiya
Act. Head of Retail Banking

Krishnan Ramachand
Head of Corporate Banking

Veronica Magongo
Head of Finance

Aimtonga Adolph
Head of Internal Audit

Alan Mbangula
Head of ICT

Erica Mboya
Head of Human Resources

Gabriel Mlinga
Head of Risk & Compliance

Banking Subsidiaries Overview 2023

Rwanda Overview

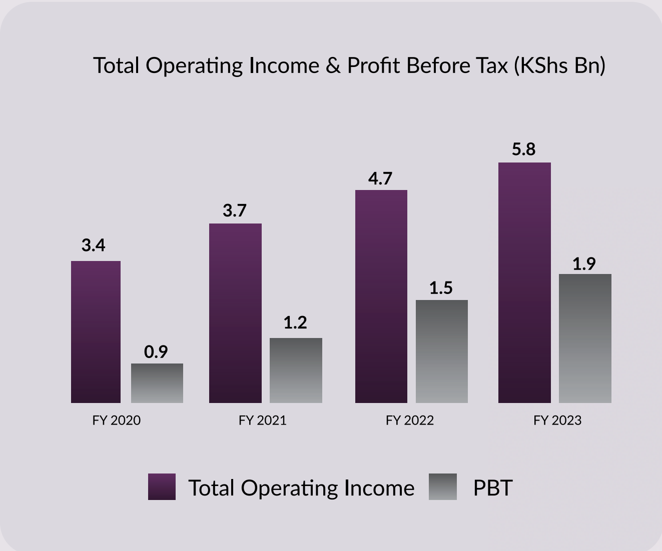
Macro-economic Environment

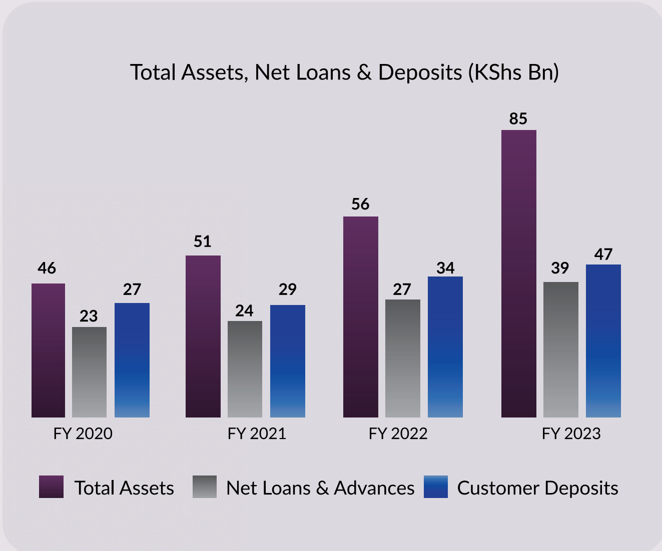
The Rwandan economy continued to perform well in 2023. According to the IMF, GDP grew by 8.2% year on year on the back of strong performance in services and construction, and recovery in agriculture. Inflation decelerated over 2023, with the annual average inflation rate at 14% as reported by the National Institute of Statistics, Rwanda, owning to tighter monetary policy as well as the recovery in the food production.
The Rwandan Franc depreciated by 18% against he US Dollar in 2023, while international reserves stood at 4.4 months cover.

Financial Performance

I&M Rwanda continued to perform well, with Total Assets growing by 23% over the last 3 years, driven by strong growth in the Net Loans (3-year CAGR of 20%) and Deposits (3-year CAGR of 20%). In 2023, Loans grew by 48% due to strong demand from all segments, while Deposits increased by 39%.

Operating income in 2023 increased by 23%, driven by strong growth in net interest and non-funded income. Operating expenses increased by 26% year on year, driven by an increase in the IT expenses and provisions. Profit before Tax during the year increased by 24%.





Key Ratios	2021	2022	2023
Gross NPL	4.4%	5.7%	2.4%
Net NPL	1.1%	1.6%	2.0%
Loan to Deposit Ratio	83%	79%	83%
Cost to Income Ratio	62%	60%	62%
Cost of Risk	0.7%	1.4%	1.4%
ROE	15.6%	13.9%	14.4%
ROA	2.1%	1.9%	1.8%

Outlook

The World Bank in its Rwanda Economic Update report, projects the Rwandan economy to grow by 7.2% between 2024 and 2026 supported by services sector, sustained domestic demand, and a rebound in industrial sector. I&M Rwanda is expected to continue focusing on penetrating in the MSME and retail space leveraging on the stronger economic prospects.

Banking Subsidiaries Overview 2023
Rwanda Overview

Board of Directors

Bonaventure Niyibizi
Independant Chairman

Benjamin Mutimura
Chief Executive Officer
w.e.f June 2023

Alice Nkulikiyinka
Independent Director

Alan Dodd
Independent Director

Crystal-Rugege
Independent Director

Nikhil Hira
Independent Director

Paul-Simon-Morris
Independent Director

Julius-Tichelaar
Non-Executive Director

Christopher Kihara Maina
Non-Executive Director
w.e.f. May 2023

Iddy Rugamb
Company Secretary

Banking Subsidiaries Overview 2023
Rwanda Overview

Senior Management

Benjamin Mutimura
Chief Executive Officer
w.e.f June 2023

Dederi Wimana
Chief Finance Officer

Paul Sagnia
Chief Operating Officer

Lise Mugisha
Chief Risk Officer

Pacifique Nkongoli
Chief Credit Officer

Aline Mutambuka
Chief Human Capital

Claudette Mukashyaka
Chief Audit Executive

Nicolas Uwimana
Head of Legal

Cynthia Rwamamara
Head of Internal Control
and Compliance

Banking Subsidiaries Overview 2023

Uganda Overview

Macro-economic Environment

The Ugandan economy did well in 2023, with economic growth expected to be about 5.3% year on year, underpinned by activities in the oil and gas sector, higher regional demand for exports, resilient remittances, and tourism activities.

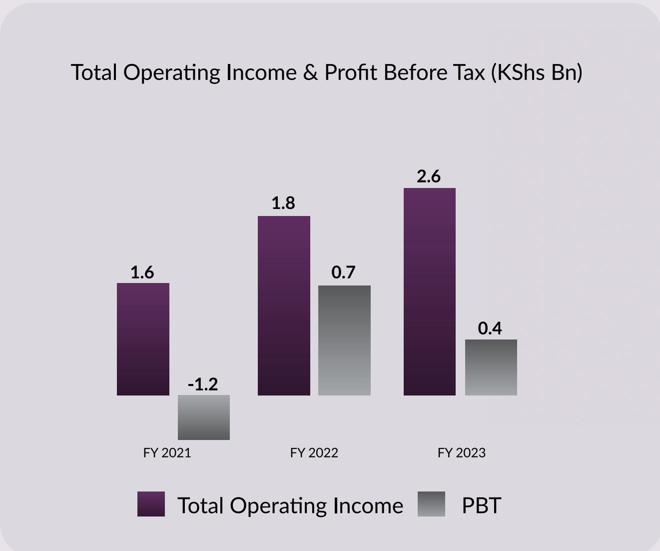
Inflation in Uganda also moderated during 2023 following the tighter monetary policy that the Bank of Uganda adopted. Core inflation averaged 4.8% in 2023 (compared to 6.0% in 2022).

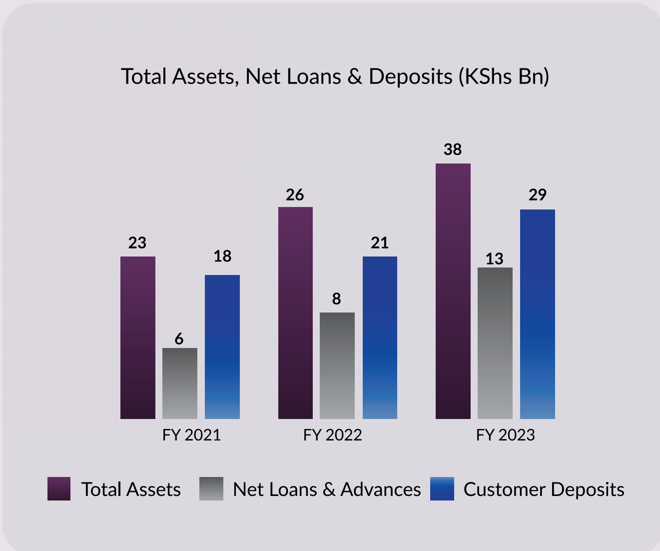
The Uganda shilling remained largely stable against the US Dollar. However, it came under pressure in the last quarter of the year as a result of higher corporate demand as well as expected outflows from proceeds of the Airtel Initial Public Offer (IPO).

Financial Performance

I&M Uganda posted a positive performance in 2023, albeit lower than in 2022. Operating income grew by 36% year on year, boosted by net interest and non-interest income increases. The expansion of the loan portfolio drove net Interest income. Operating expenses increased by 26% during the year due to investments being made to integrate the subsidiary into the Group, upgrade the core banking system, and align the staff costs to the Group. Loan loss provisions increased during the year in line with the growth in the loan portfolio.

Total Assets grew by 45% year on year, driven by a 58% increase in Net Loans and advances. Deposits grew by 38% year on year. The loan to deposit ratio increased from 38% to 48% during this period. We expect the ratio to continue improving as the brand entrenches itself in the Ugandan market.





Key Ratios	2021	2022	2023
Gross NPL	1.8%	20%	4.6%
Net NPL	0.1%	1.9%	3.8%
Loan to Deposit Ratio	34%	38%	48%
Cost to Income Ratio	100%	90%	80%
Cost of Risk		-7.0%	0.8%
ROE		7.3%	6.8%
ROA		1.2%	1.8%

Outlook

According to the Bank of Uganda, the Ugandan economy is expected to remain strong, growing between 6% and 6.4% despite elevated risks in the economy. The Uganda subsidiary will continue focusing on entrenching the brand in the country, while expanding its balance sheet.

Our Governance
Our Business
Our Financials

Banking Subsidiaries Overview 2023
Uganda Overview

Board Management

Suleiman Kiggundu
Independent Chairman

Robin Bairstow
Chief Executive Officer
w.e.f from October 2023

Francis Kamulegeya
Independent Director

Micheline Ntiru
Independent Director

Joram Kahenano
Independent Director

Francis Magamne Byaruhanga
Independent Director

Ketan Mojaria
Non-Executive Director

Christopher Kihara Maina
Non -Executive Director
w.e.f from August 2023

Sam Ntulume
Executive Director

Banking Subsidiaries Overview 2023
Uganda Overview

Senior Management

Robin Bairstow
Chief Executive Officer

Timothy Musiime
Chief Finance Officer

Sam Ntulume
Chief Operating Officer

Edward G. Nangono
Chief Business Officer

Joseph Fetaa
Head of Products & Channels

Duncan G. Karugaba
Head of Operations

Charles Kiirya
Head of Credit

Dennis Damba
Head of Treasury

Lucy Akech
Head of Human Resources

Banking Subsidiaries Overview 2023
Uganda Overview

Senior Management

Joseph Biryahwaho
Head of Risk

Oscar Karamagi
Head of Internal Audit

Srinallapa Kumar
Head of IT

Natalie Erina Kironde
Company Secretary
& Head, Legal

Banking Subsidiaries Overview 2023

Mauritius Overview

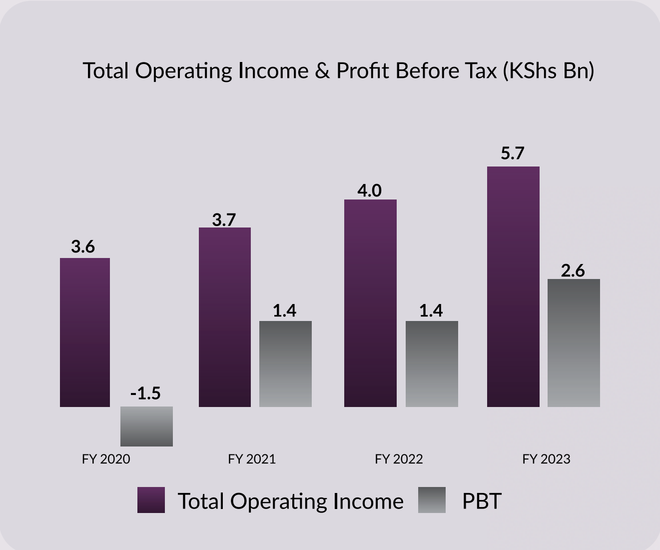
Macro-economic Environment

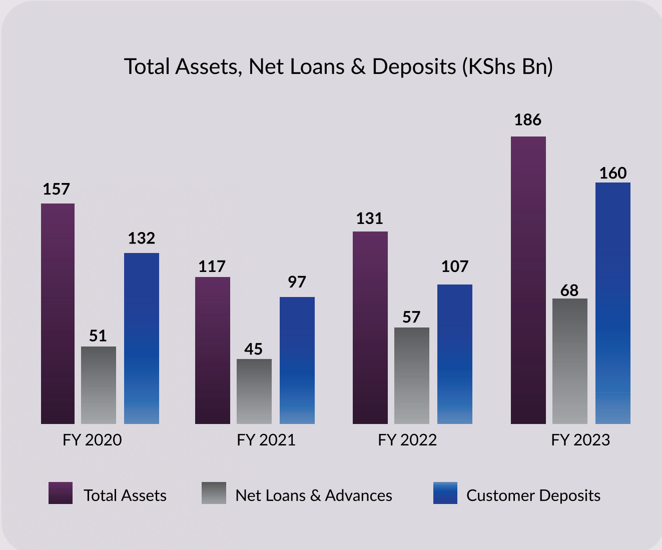
The Mauritian economy is projected to have grown by 5.1% year on year in 2023, driven by improvement in construction, accommodation, food services, agriculture, forestry & fishing, transport, and storage. Annual inflation stood at 7% in 2023, having dropped from 10.8% in 2022.

Financial Performance

Bank One continued its turnaround from 2021, with the balance sheet improving during the period. Total Assets increased by 42% year on year while Loans and Advances increased by 21%. International business divisions and mortgage offerings supported growth in Loans and Advances. Bank One also pushed the acquisition of Deposits during the year, leading to an increase of 49% year on year.

This led to operating income increasing by 41% in 2023, while total expenses increased as a result of an increase in staff costs and transformation related expenses gearing for the next iteration of the strategy.





Key Ratios	2021	2022	2023
Gross NPL	3.2%	3.1%	4.2%
Net NPL	0.6%	0.3%	2.3%
Loan to Deposit Ratio	46%	53%	43%
Cost to Income Ratio	66%	67%	62%
Cost of Risk	-0.4%	-0.2%	-0.7%
ROE	11%	14%	20%
ROA	0.8%	1.1%	1.5%

Outlook

The Mauritian economy is expected to continue growing over the medium term. Bank One is expected to execute its strategy, leveraging its presence and relationships in Sub-Saharan Africa and targeting structured finance, trade, cash management, and treasury opportunities.

Banking Subsidiaries Overview 2023
Mauritius Overview

Board of Directors

Roselyne Renel
Independent Chairperson

Mark Watkinson
Chief Executive Officer

Leonard C. Mususa
Independent Director

Marc Israel
Independent Director

Ignacio Serrahima Arbestain
Independent Director

Tchang Fa Wong Sun Thiong
Independent Director
w.e.f August 2023

Lakshman Bheenick
Non-Executive Director

Jérôme de Chasteauneuf
Non-Executive Director

Christopher Kihara Maina
Non-Executive Director
w.e.f September 2023

Gauri A. Gupta
Non-Executive Director

Christopher (Chris) M. Low
Non-Executive Director
Resigned w.e.f August 2023

Kareen Ng
Company Secretary

Banking Subsidiaries Overview 2023
Mauritius Overview

Senior Management

Mark Watkinson
Chief Executive Officer

Eric Hautefeuille
Chief Operations Officer

Ranjeevesingh (Ranjeeve) Gowreesunkur
Chief Financial Officer

Guillaume Passebecq
Head of Private Banking & Wealth Management

Philippe Peritamby
Acting Head of Corporate Banking
(In 2023; Not an EXCO member)

Thavin Audit
Acting Head of International Banking
(In 2023; not an EXCO member)

Bhavya Shah
Head of Personal Financial Services

Rishyraj (Rishy) Lutchman
Head of Treasury

Normela Maunick
Interim Chief Risk Officer

Banking Subsidiaries Overview 2023
Mauritius Overview

Senior Management

John Alfred (Kenny) Morton
Head of Regulatory Affairs

Valerie Duval
Head of Legal

Priscilla Mutty
Head of Human Resources

Clement Jeremiah Muteuro Chamboko
Head of Corporate and Investment Banking w.e.f March 2024

Non-Banking Subsidiaries

I&M Burbidge Capital Ltd, Kenya

Board of Directors

Mr. Pratul H. D. Shah
Chairman

Mr. Edward Burbidge
Chief Executive Officer

Naval Sood
Independent Director

Arun S Mathur
Non-Executive Director

Gauri A. Gupta
Non-Executive Director

I&M Burbidge Capital (Uganda) Limited

Board of Directors

William Kalema
Chairman

Kumaran Pather
Non Executive Director

Mr. Edward Burbidge
Non Executive Director

Non-Banking Subsidiaries

I&M Bancassurance Intermediary Limited

Board of Directors

Christopher Kihara Maina
Chairman

L A Sivaramakrishnan
Non Executive Director

Gul Khan
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

Non-Banking Subsidiaries

I&M Reality Limited

Board of Directors

Arun S Mathur
Chairman

Mr. Shameer Patel
Non Executive Director

Giro Limited

Board of Directors

Sarit S Raja Shah
Chairman

Christopher Kihara Maina
Non-Executive Director

Investment & Mortgages Nominees

Board of Directors

Suresh B R Shah, MBS
Chairman

Sarit S Raja Shah
Non-Executive Director

Sachit S Raja Shah
Non-Executive Director

Non-Banking Subsidiaries

I&M Foundation

Board of Trustees

Eric Kimani
Chairman

Suresh B R Shah, MBS
Trustee

Sarit S Raja Shah
Trustee

Janet Mawiyoo
Trustee

Gul Khan
Trustee

Overview of the Group Results

Message from Finance

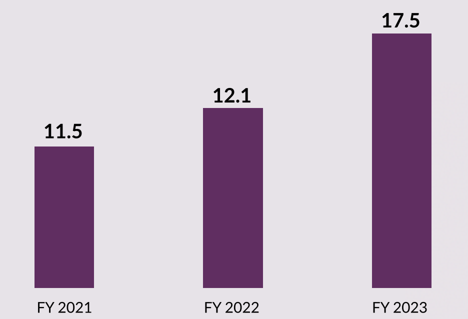
As we end the iMara 2.0 strategy, we have discussed the various initiatives and the strides we have made in being a more diversified bank, both from our business segments and geographical presence. Our financial performance is a testament to the strides we have made in our strategy despite the macro challenges.

Banking Business Unit Performance

Corporate and Institutional Banking (CIB)

Over the last three years, we have grown our traditional Corporate & institutional (CIB) business through our focused initiatives. Up to 31 December 2023, operating income from CIB grew at a Compounded Average Growth Rate (CAGR) of 34%. CIB contributed 41% to our total operating income.

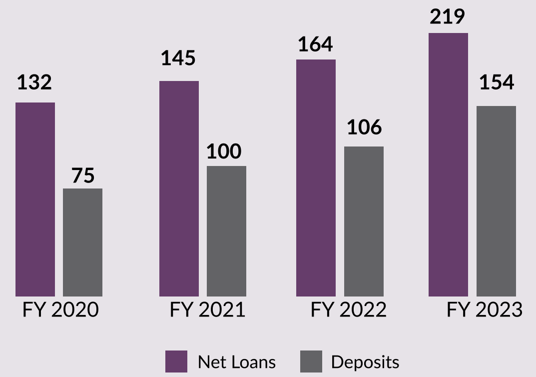
Corporate & Institutional Banking Operating Income (KShs Bn)



Our Corporate and institutional segment saw growth in net loans and advances, increasing by 33% in 2023 and an 18% CAGR over the last 3 years. Our positioning in new sectors such as the public and oil & gas sectors, has supported this growth. Corporate loans comprised 70% of the total loan book of the Group.

The deposit book grew in tandem with the loan portfolio, increasing by 44% year on year and at a CAGR of 27% over the last three years. Corporate deposits made up 37% respectively of the total deposit base.

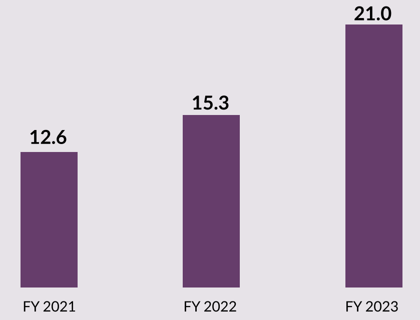
Corporate & Institutional Banking
Net Loans & Customer Deposits (KShs Bn)



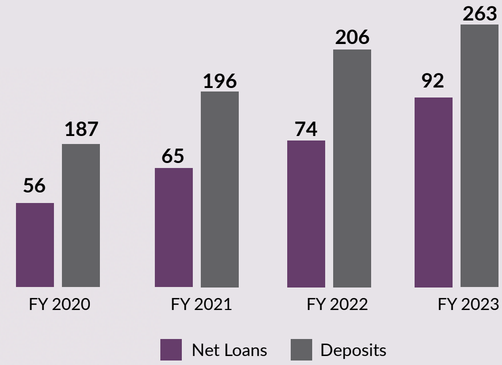
Personal and Business Banking (PBB)

And while CIB has largely continued to grow, our deepened focus on our retail unit has yielded fruit. Our PBB book grew by 37% year on year, driven by continued growth in our digital propositions, such as unsecured lending, supply chain, and stock financing. PBB now contributed 49% to the overall operating income in 2023, growing at a CAGR of 29% over the last 3 years.

Personal & Business Banking
Total Operating Income (KShs Bn)



Personal & Business Banking
Net Loans & Customer Deposits (KShs Bn)

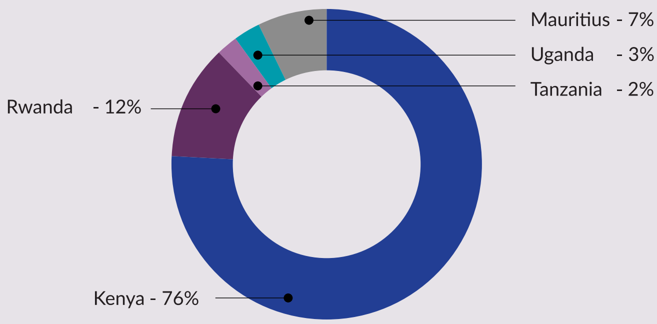


Geographic Performance

Our banking subsidiaries contributed 30% to the total operating income. Over the last three years, subsidiary contributions to Profit before Tax have increased from 5% to 24%. While Kenya remains key to our business growth, subsidiaries exhibit strong growth as they mature in their operations

Further, we are seeing positive profitability traction from each of the subsidiaries. Tanzania, a challenging market over the last few years, turned positive in 2023, contributing 2% to Profit before Tax. The integration of our Uganda subsidiary, which entered its second year as part of the Group in 2023, has been on track. As the rebranded entity, IMU performed within our expectations.

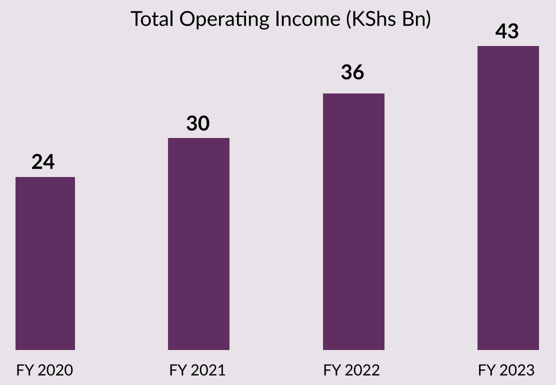
Banking Subsidiaries PBT Contribution



Group Income Statement Analysis

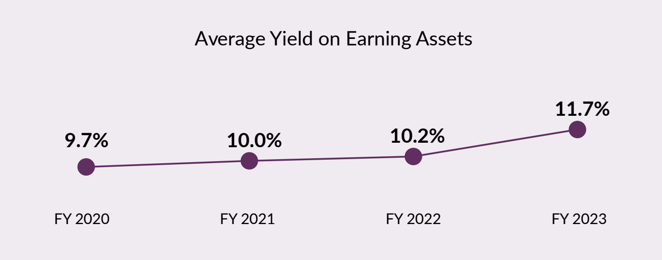
Operating Income

Our operating income increased by 20% year on year in 2023 and represented a 3-year CAGR of 21%. This has been driven by net interest income growth of 25% in 2023 [3-year CAGR of 21%] and non-interest income growth of 10% year on year in 2023 [3-year CAGR of 18%]. Our diversification strategies have contributed to this growth.



Evolution Of Interest Income

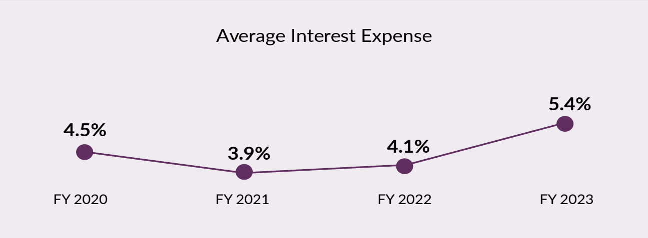
In 2023, interest income increased by 35%, supported by an increase in interest income from advances on the back of strong loan growth and placement of deposits. Further, the continued efforts to increase our loan portfolio contributed to this improvement.

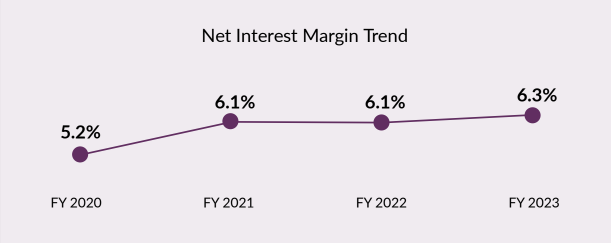


Interest Expense

Interest expense also increased during the period due to higher interest rates and expectations of higher yields from our customers, especially in our main market, Kenya, as the yields on government securities increased significantly, which was underpinned by the less accommodative monetary policy.

The average cost of funds stood at 5.4%. Over the last three years, the cost of funds has averaged 4.5% as a result of our strategic move to improve our deposit mix from a CASA ratio of 36% in 2020 to 47% at the end of 2023.

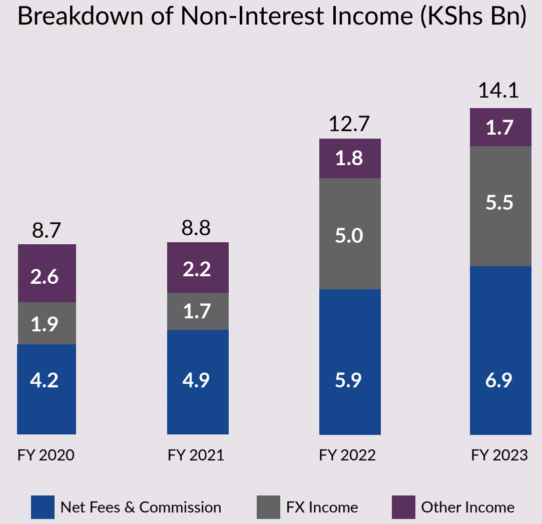




Non-Interest Income

Non-interest income increased by 10% during the year and a 3-year CAGR of 17%. Non-interest income contributed 33% to the total income generated in 2023.

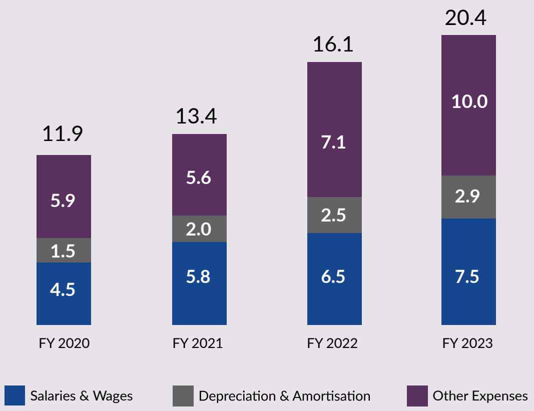
While the Group experienced losses on mark-to-market instruments driven by the increase in yields and market volatility in 2023, non-interest income growth was supported by several initiatives such as revamp of our card propositions, continued growth in our trade finance business, and pickup in our banca-assurance services and wealth management business.



Expenses

Continuous investments in our people, our systems and processes, and our technology have supported our strong growth trajectory over the last three years. As a result, the 3-year CAGR for total expenses stood at 20%, with 2023 expenses increasing by 26%.

Breakdown of Total Operating Expenses (KShs Bn)



Staff Expenses

Our key costs are related to our staff, without whom delivering cutting-edge service would be almost impossible. Staff costs comprise 37% of the total expenses and have grown at a 3-year CAGR of 19%. Over the last three years, our staff complement has increased from 2,172 in 2020 to 2,814 in 2023. In 2023, staff costs increased by 16%, while the total staff numbers increased by 11%. The increase in staff costs across the subsidiaries was driven by the investments in talent and job realignments to steer the Group towards its next strategy iteration. In Uganda, our most recent investment, we aligned our staff proposition with the rest of the Group, leading to higher staff costs. Overall, we continue to ensure staff compensation remains competitive within the Group.

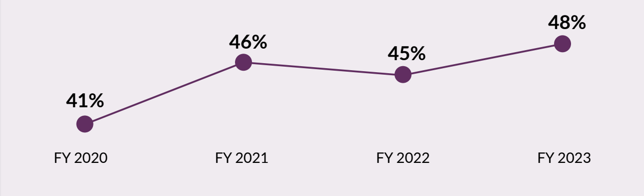
Other Expenses

Other expenses increased by 34% year on year in 2023, and a 3-year CAGR of 20%. Under the iMara 2.0 strategy, significant investments were made to support deepening our customer product proposition, creating a strong digital platform, and investing heavily in our brand. We also incurred costs as we focused on integrating I&M Uganda into the Group, including upgrading their core banking system.

The key cost growth areas include depreciation and amortization, which increased by 16% in 2023. The 3-year CAGR on depreciation and amortization stood at 25%, which is reflective of the platform and systems investments we have made over the last 3 years.

While we have frontloaded costs and investments, the return on these investments is yet to be fully realized, thus leading to a higher cost-to-income ratio of 48% as of the end of 2023.

Cost to Income Ratio

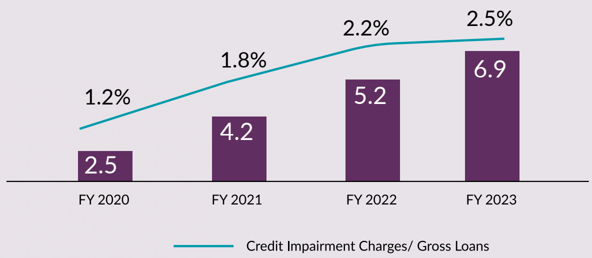


Impairment Charges

Over the last few years, our countries have experienced significant macro and microeconomic challenges. The COVID-19 pandemic, conflict in Eastern Europe and the Middle East, supply-side shocks, currency devaluations, and interest rate hikes have all contributed significantly to our business and customers. Considering this, we have continuously assessed our borrowers' strengths and resilience, taking necessary measures to support them while protecting our portfolio's quality. As a result, to reflect these challenges, we have remained prudent and increased provision charges over the last 3 years by a CAGR of 40%. In 2023, this increased by 31%, mainly due to the challenges faced in Kenya. During this period, our cost of risk has increased from 1.2% in 2020 to 2.5% in 2023.

While we recognize the increasing risk in the markets we operate in and remain prudent, we continue to support the growth of our customers following our motto, *"We are on Your Side."*

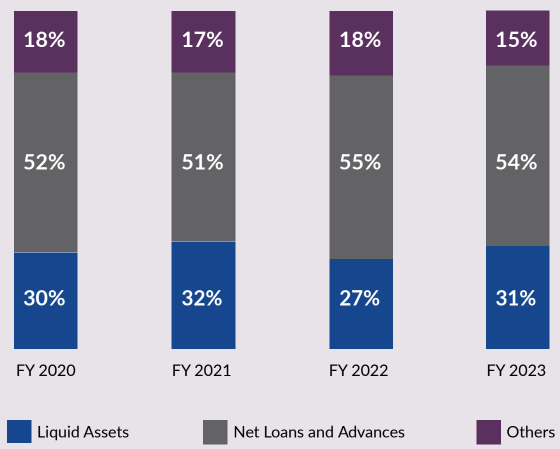
Credit Impairment Charges (KShs. Bn)



Group Financial Position

The Group's balance sheet has continued to expand through our iMara 2.0 strategy. Total Assets have grown by a 3-year CAGR of 17% during this period, with strong growth experienced in 2023 at 33% year on year. The asset mix has remained stable throughout the period, with loans and advances making up 54% of the total assets, while liquid assets make up over 30%.

Asset Mix



Gross Loans

Gross Loans increased by 27% in 2023 as the Group accelerated the strategies implemented since the start of the iMara 2.0. Over the last three years, gross loans have increased by 15% (3-year CAGR). This growth has been supported by our penetration into the retail segment and the introduction of digital lending in several markets.

At the end of December 2023, digital loans comprised less than 5% of the total loan book. Although still a small portion of the overall portfolio, digital lending significantly increases access, especially to the MSMEs.

Despite this strong growth, the Group NPL ratio increased to 11.4% from 10.5% in 2022 but down from 12.6% in 2020. Deteriorating asset quality in Kenya largely drove this NPL ratio due to the challenging economic conditions our clients faced throughout 2023. The NPL ratio improved for the rest of the subsidiaries.

Customer Deposits

Customer deposits increased by 33% during 2023 and grew at a CAGR of 17% over the last 3 years. The loan to deposit remains at around 75%. Our efforts to diversify away from high-cost deposits continue to bear fruit. As of 31 December 2023, the CASA ratio stood at 47% (compared to 42% in 2022 and 36% in 2020);

Customer Deposits KShs (Bn)

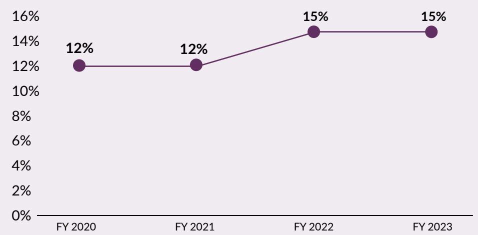
Liquidity

Liquid assets remain within the 30% range of Total Assets. The total liquidity position of the Group remains healthy at 45% (above the 20% regulatory requirement).

Return on Equity

Based on the growth in the business, Shareholders' Funds grew by 15% to reach KShs 88 Billion. The Return on Equity (ROE) stood at 15%. The Return on Assets (ROA) stood at 2.6%

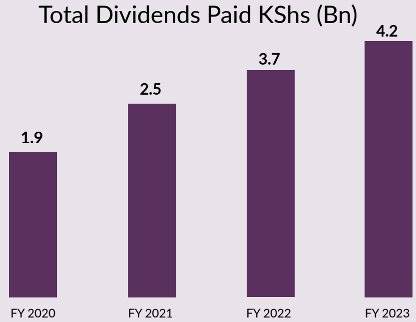
Return on Equity



Dividends

The Board recommended a KShs 4.2 billion dividend for 2023, a 14% increase from 2022, leading to a 33% dividend payout ratio.

Total Dividends Paid KShs (Bn)



Outlook

As we embark on our new strategy, iMara 3.0, we remain confident of our growth trajectory as we leverage the investments we have made. While the macroeconomic environment has not been fully supportive of our business environment, we have created a resilient organisation and foundation to support an accelerated growth momentum.

Our Governance
Our Business
Our Financials

Financials

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

Oliver Fowler	Chairman (Appointed on 13 June 2024)
Suresh B R Shah, MBS	
Sarit S Raja Shah	
Sachit S. Raja Shah	
Dr A Nyambura Koigi	
Rose Wanjiru Kinuthia	
Naval Sood	Appointed on 15 August 2023
Risper Genga Ohaga	Appointed on 7 February 2023
Christopher Kihara Maina	Appointed on 1 March 2023
Daniel Ndonye	Retired on 25 May 2023
Michael Turner*	Retired on 1 August 2023
Suleiman Kiggundu Jr. **	Resigned on 15 June 2023
Christopher Allan Low	Resigned on 28 February 2023

* British
** Ugandan

Company Secretaries

Bilha Wanjiru Mwangi (CS Kenya)
12th Floor, One Padmore Place
PO Box 51922, 00100 GPO
Nairobi, Kenya

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

Auditor

KPMG Kenya
Certified Public Accountants
8th Floor, ABC Towers
Waiyaki Way
PO Box 40612, 00100 GPO
Nairobi, Kenya

Registered Office

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

Bankers

I &M Bank LIMITED
PO Box 30238, 00100 GPO
Nairobi

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

KN 03 Avenue
9, Kigali City
PO BOX 354

I&M Bank (Uganda) Limited

Kingdom Kampala
1st Floor, Nile Avenue
P. O. Box 3072

Bank One Limited

16, Sir William Newton Street,
Port Louis, Mauritius

Company Registrars

Image Registrars Limited
5th Floor, ABSA Towers
Loita Street
P.O Box 9287 – 00100 GPO
Nairobi, Kenya

Report of the Directors for the Year Ended 31 December 2023

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 2023, 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-operating holding company.

2. RESULTS/BUSINESS REVIEW

The Group and Company results for the year are as follows:

	Group		Company	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
Profit before income tax	16,680,326	14,992,332	7,269,660	6,149,719
Income tax expense	(3,335,107)	(3,408,634)	(88,441)	(7,075)
Net profit for the year after tax	**13,345,219**	**11,583,698**	**7,181,219**	**6,142,644**

The Group's profit after tax closed at KShs 13.4 billion, an increase of 15% compared to prior year. Revenue grew by 22% whilst loan provisions grew by 31% to cater for increased credit risk. Operating expenses were up by 25%. The Company's profit after tax closed at 7.2 billion, an increase of 17% compared to prior year. Dividend income grew by 14% compared to prior year. 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 4 to the consolidated and separate financial statements.

3. DIVIDENDS

The Directors recommend payment of a first and final dividend of KShs. 2.55 per share amounting to KShs 4,216,734,764 for the year ended 31 December 2023. A dividend of KShs 2.25 per share amounting to KShs 3,720,648,321 in respect of the year ended 31 December 2022 was paid on the 26 May 2023.

The dividend will be payable to shareholders registered on the Company's Register at the close of business on Thursday, 18 April 2024 and will be paid on or around Friday, 24 May 2024. The Register of Members will be closed from Friday, 19 April 2024 to Monday, 22 April 2024 (both days inclusive) for the purpose of processing the dividend.

4. DIRECTORS

The Directors who served during the year and up to the date of this report are set out on page 88.

5. RELEVANT AUDIT INFORMATION

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

(i) There is no relevant audit information of which the Company's auditor is unaware; and
(ii) Each director has taken all the steps that they ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

6. 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.

7. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue at a meeting of the Board of Directors held on **22 March 2024.**

BY ORDER OF THE BOARD

Secretary

Bilha Wanjiru Mwangi
Reg. No. 2356
CPS (K)
P. O. Box 51922 - 00100, NAIROBI

Date: 22 March 2024

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 99 to 196 which comprise the consolidated and company statements of financial position at 31 December 2023, and the consolidated and company statements of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements including material accounting policies and other explanatory information, in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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 Accounting 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 and its profit or loss of the Group and the Company.

The Directors accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of annual financial statements, as well as adequate systems of internal financial control. The Directors are of the opinion that the financial statements give a true and fair view of the financial position and the profit or loss of the Group and the Company.

The Directors accept responsibility for the consolidated and separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS Accounting Standards in the manner required by the Kenyan Companies Act, 2015.

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 **22 March 2024.**

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Oliver Fowler - Chairman

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Rose Wanjiru Kinuthia - Director

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Suresh B R Shah

Date: 22 March 2024

Directors' Remuneration Report

The Board Nomination, Remuneration & Governance Committee (BNRGC) of I&M Group PLC is pleased to present the Directors' remuneration report for the year ended 31 December 2023. 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, the Companies Act, 2015 and the Group Board Director's Remuneration Policy. 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-operating holding company. I&M Group PLC's Board is therefore comprised of Executive and Non-Executive directors as detailed out on the 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 BNRGC 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 BNRGC adopted the following retainer fees:

Particulars	Annual retainer fees 2023	Annual retainer fees 2022
	KShs	KShs
Chairman	1,320,400	1,071,200
Director	466,250 – 966,250	798,250 - 865,000

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. 28 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
Oliver Merrick Fowler	Non-Executive, Independent	13-June-23	-	3 months
Suresh Bhagwanji Raja Shah, MBS	Non-Executive	14-June-13	25-May-23	3 months
Sarit S Raja Shah	Non-Executive	14-June-13	25-May-23	3 months
Sachit S Raja Shah	Non-Executive	10-July-15	20-May-21	3 months
Alice Nyambura Koigi	Non-Executive, Independent	28-October-15	26-May-22	3 months
Rose Kinuthia	Non-Executive, Independent	03-Mar-20	26-May-22	3 months
Risper Genga Ohaga	Non-Executive, Independent	7-Feb-23	25-May-23	3 months
Naval Sood	Non-Executive, Independent	15-Aug-23	-	3 months
Christopher Kihara Maina	Regional Chief Executive Officer	1-Mar-23	-	3 months

Daniel Ndonye, Independent Non-Executive Director, retired from the Board of I&M Group PLC effective 25 May 2023. Michael Turner, Independent Non-Executive Director, retired from the Board effective 1 August 2023. Suleiman Kiggundu, Independent Non-Executive Director, resigned from the Board effective 15 June 2023. Allan Christopher Michael Low resigned from the Board effective 28 February 2023.

DIRECTORS SHAREHOLDING:

Directors' direct and indirect interests as at 31 December 2023 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%
Mr. Christopher Kihara Maina	448,112	0.03%

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 fee is payable after the occurrence of the meetings. The Non-Executive Directors do not receive any performance-based remuneration.

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 2022, are summarised below:

	2023				2022			
Director	Annual retainer	Attedance fees	Fees earned in subsidiaries	Total	Annual retainer	Attendance fees	Fees earned in subsidiaries	Total
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
Oliver Fowler	700,000	462,500	940,126	2,102,626	-	-	-	-
Daniel Ndonye	620,400	364,500	1,110,000	2,094,900	1,071,200	831,700	1,080,000	2,982,900
Suresh Bhagwanji Raja Shah, MBS	966,250	369,600	1,683,375	3,019,225	798,250	408,800	-	1,207,050
Sarit S Raja Shah	966,250	369,600	427,664	1,763,514	798,250	668,500	1,312,275	2,779,025
Michael Turner	466,250	595,600	-	1,061,850	856,750	1,128,000	1,302,425	3,287,175
Sachit S Raja Shah	966,250	369,600	2,477,250	3,813,100	798,250	408,800	2,891,125	4,098,175
Dr A Nyambura Koigi	966,250	669,600	3,173,190	4,809,040	798,250	866,000	1,664,250	3,328,500
Suleiman Kiggundu	466,250	321,600	3,925,040	4,712,890	856,750	1,088,500	3,453,800	5,399,050
Rose Kinuthia	966,250	1,071,600	-	2,037,850	856,750	1,184,400	-	2,041,150
Risper Genga Ohaga	750,000	570,000	-	1,320,000	-	-	-	-
Naval Sood	500,000	622,000	975,000	2,097,000	-	-	-	-
	8,334,150	**5,786,200**	**14,711,645**	**28,831,995**	**6,834,450**	**6,584,700**	**11,703,875**	**25,123,025**

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	2023	2022
	KShs	KShs
Salary	35,980,954	33,449,033
Bonus	15,824,514	5,746,011
Pension	3,418,295	3,167,303
Insurance	5,167,310	4,274,622
Total	**60,391,073**	**46,636,969**

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

Details	2023	2022
	KShs	KShs
Salary	3,783,903	43,112,702
Bonus	7,500,000	-
Pension	1,280	2,400
Insurance	169,834	226,062
Total	**11,455,017**	**43,341,164**

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

Details	2023	2022
	KShs	KShs
Salary	52,512,427	49,575,263
Bonus	18,094,681	6,854,046
Pension	4,179,194	3,950,330
Insurance	1,954,932	1,334,571
Total	**76,741,234**	**61,714,210**

In the AGM held on 25 May 2023, the Directors' remuneration was approved unanimously.

Information on aggregate amount of emoluments and fees paid to directors are disclosed in Note 14 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

I&M Group PLC provides professional indemnity for all the Directors in line with best practice in the market.

Approval of the directors' remuneration report

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

Oliver Fowler

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For Dr A Nyambura Koigi

Chairman, Board Nomination and Remuneration Committee

Date: 22 March 2024.

Independent Auditor's Report to the Members of I&M Group Plc

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT

Opinion

We have audited the consolidated and separate financial statements of I&M Group PLC (the "Group" and "Company") set out on pages 99 to 196, which comprise the consolidated and company statements of financial position as at 31 December 2023, 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 material accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of I&M Group PLC as at 31 December 2023, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the Group and Company in accordance with the *International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 of the current period. 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 at amortised cost 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) – Material accounting policies, *Impairment on financial assets*
- Note 4 (a) – Financial risk management, *Credit risk*
- Note 20 (b) – Impairment loss on loans and advances and other financial assets at amortised costs

The key audit matter	How the matter was addressed in our audit
Subjective Estimate The estimation of expected credit losses ("ECL") on loans and advances and off-balance sheet elements, involves significant judgement and estimates. The key areas where we identified greater levels of management judgement in the Group's financial statements and therefore increased levels of audit focus in the estimation of ECLs are: • Forward looking Information – IFRS 9 Financial Instruments (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 applied. • 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"), based on historical loan performance data and loss given default ("LGD") estimated based on historical default experience and exposures at default ("EAD"). The PD and LGD models are a key driver of complexity in the Group's and Bank's ECL modelling approach. 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: • 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: › Selecting a sample of outstanding loans from the Group's loan book and comparing these to the details in the customers' credit files in order to establish whether facilities are correctly staged/classified and valued based on IFRS 9 as well as regulatory considerations; › 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 internal specialists in the reperformance of the economic forecasts and PD calculations; › Evaluating the appropriateness of the Group's assessment of the SICR criteria used by assessing the qualitative factors such as increasing operating risks in some sectors by evaluating the increase in costs of raw materials, labour costs and regulatory compliance costs that squeeze profit margins and quantitative factors such as days past due by re-aging of the loans to assess accuracy of 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 by assessing the valuations of related collateral and recomputing the discounted amounts given time to realise the collateral. • 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 challenging the probability weightings applied to the scenarios. › 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. • Evaluating the adequacy of the financial statements disclosures, including disclosures of key assumptions and judgements in accordance with IFRS 9.

Independent Auditor's Report to the Members of I&M Group Plc

KPMG

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT - (Continued)

Impairment of goodwill in the consolidated financial statements	
The key audit matter (continued)	**How the matter was addressed in our audit**
The disclosure on goodwill is set out in the financial statements in the following notes: • Note 3 (i) (ii) – Material accounting policies, *Goodwill* • Note 25(a) – Intangible assets – *Goodwill*	
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 in determination of the recoverable amount where key inputs such as forecast cash flows, discount rates applied, forecast growth rates and terminal growth rates are applied in management's assessment of goodwill 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: • Evaluating the forecasting process undertaken by the Group by assessing the precision of prior year forecast cash flows by comparing with actual outcomes to assess the reliability of the forecasts used by the Group. • 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 for the sectors' weighted average cost of capital. • Assessing the adequacy of the financial statements disclosures, including disclosures of key assumptions and judgements in accordance with IAS 36 *Impairment of Asset*

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 *I&M Group Plc Annual Integrated Report and Financial Statements for the year ended 31 December 2023*, 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 and will 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 other information 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 Accounting 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 the Company or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

Independent Auditor's Report to the Members of I&M Group Plc

KPMG

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT - (Continued)

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

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 consolidated and separate financial statements, that in our opinion:

(i) The information given in the *Report of the Directors* on pages 90 is consistent with the consolidated and separate financial statements; and

(ii) The auditable part of the directors' remuneration report on pages 94 and 95 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 40602 – 00100
Nairobi

Date: 26 March 2024

OUR FINANCIALS (Continued)

Consolidated and company statements of profit or loss and other comprehensive income

For the year ended 31 December 2023

		Group		Company	
	Note	2023	2022	2023	2022
		KShs '000	KShs '000	KShs '000	KShs '000
Interest income calculated using effective interest rate	8	50,458,574	37,351,197	267,262	119,396
Interest expense	9	(21,828,108)	(14,406,676)	-	-
Net interest income		**28,630,466**	**22,944,521**	**267,262**	**119,396**
Fee and commission income	10	6,868,831	5,886,471	-	-
Fee and commission expense	10	(918,506)	(594,470)	-	-
Net fee and commission income	10	**5,950,325**	**5,292,001**	**-**	**-**
Revenue		**34,580,791**	**28,236,522**	**267,262**	**119,396**
Net trading income	11	6,369,910	5,909,485	132,594	10,768
Other operating income	12	812,524	927,595	6,929,595	6,073,676
Net operating income before change in expected credit losses and other credit impairment charges		**41,763,225**	**35,073,602**	**7,329,451**	**6,203,840**
Change in expected credit losses and other credit impairment charges	20(b)	(6,869,542)	(5,245,020)	-	-
Net operating income		**34,893,683**	**29,828,582**	**7,329,451**	**6,203,840**
Staff costs	13	(7,654,549)	(6,587,195)	-	-
Premises and equipment costs	13	(818,821)	(716,283)	-	-
Other expenses	13	(8,071,390)	(5,723,896)	(59,791)	(54,121)
Depreciation and amortisation expenses	13	(2,872,241)	(2,471,026)	-	-
Operating expenses		**(19,417,001)**	**(15,498,400)**	**(59,791)**	**(54,121)**
Operating profit		**15,476,682**	**14,330,182**	**7,269,660**	**6,149,719**
Share of profit of joint venture	23(a)	1,203,644	662,150	-	-
Profit before income tax	14	**16,680,326**	**14,992,332**	**7,269,660**	**6,149,719**
Income tax expense	15(a)	(3,335,107)	(3,408,634)	(88,441)	(7,075)
Profit for the year		**13,345,219**	**11,583,698**	**7,181,219**	**6,142,644**

(Continued page 100)

The notes set out on pages 107 to 196 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 2023

	Note	Group 2023	Group 2022	Company 2023	Company 2022
		KShs '000	KShs '000	KShs '000	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	33(g)	(60,203)	(20,526)	-	-
Revaluation surplus on property and equipment net of deferred tax charge		**88,145**	**120,230**		
Movement in fair value reserve for FVOCI - Equity Instruments	21	58,465	48,863	-	-
Items that may be classified to profit or loss:					
Movement in fair value reserve for FVOCI debt instruments		(1,389,888)	(3,055,876)	(48,344)	(41,101)
Foreign operations-foreign currency translation differences		5,367,493	1,365,147	-	-
Total other comprehensive income for the year		**4,064,012**	**(1,542,162)**	**(48,344)**	**(41,101)**
Total comprehensive income for the year		**17,409,231**	**10,041,536**	**7,132,875**	**6,101,543**
Profit attributable to:					
Equity holders of the Company		12,615,177	11,193,489	7,181,219	6,142,644
Non-controlling interest	23	**730,042**	**390,209**	-	-
		13,345,219	**11,583,698**	**7,181,219**	**6,142,644**
Total comprehensive income attributable to:					
Equity holders of the Company		**15,829,555**	**9,406,664**	**7,132,875**	**6,101,543**
Non-controlling interest		1,579,676	634,872	-	-
		17,409,231	**10,041,536**	**7,132,875**	**6,101,543**
Basic and diluted earnings per share - (KShs)	16	**7.63**	**6.77**	**4.34**	**3.71**

The notes set out on pages 107 to 196 form an integral part of these consolidated and separate financial statements.

Our Governance
Our Business
Our Financials

OUR FINANCIALS (Continued)

Consolidated and company statements of financial position

For the year ended 31 December 2023

		Group		Company	
	Note	2023	2022	2023	2022
		KShs '000	KShs '000	KShs '000	KShs '000
ASSETS					
Cash and balances with central banks	17	41,275,497	22,818,302	-	-
Items in the course of collection	18	399,994	446,526	-	-
Loans and advances to banks	19	59,176,989	21,467,182	312,326	-
Loans and advances to customers	20(a)	311,330,840	238,590,143	-	-
Financial assets at fair value through profit or loss (FVTPL)	21(a)	2,779,798	16,402,892	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	21(b)	60,287,145	52,991,148	876,832	925,055
Other financial assets at amortised cost	21(c)	54,350,036	43,718,321	-	-
Assets held for sale	22	307,501	751,728	-	-
Due from group companies	37(b)(iii)	-	-	3,264,319	864,255
Tax recoverable	15(b)	690,697	445,655	-	7,695
Other assets	27	7,349,298	5,528,057	2,318	80,927
Investment in Joint Venture	23(a)	7,878,467	5,570,240	2,515,591	2,515,591
Investment in subsidiaries	23(b)	-	-	32,298,390	31,336,158
Property and equipment	24	14,487,824	12,514,594	-	-
Intangible assets - Goodwill	25(a)	4,315,881	3,986,814	-	-
Intangible assets - Software	25(b)	3,176,250	2,898,730	-	-
Deferred tax assets	26	11,913,221	9,206,853	523	-
TOTAL ASSETS		**579,719,438**	**437,337,185**	**39,270,299**	**35,729,681**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Deposit from banks	28	39,499,089	18,153,329	-	-
Deposits from customers	29	416,674,435	312,335,932	-	-
Items in course of collection	18	769,041	614,020	-	-
Tax payable	15(b)	219,406	208,832	71,095	-
Other liabilities	30	8,109,564	7,052,064	148,744	91,448
Deferred tax liabilities	26	476,359	528,707	-	-
Long term debt	31	5,739,099	5,763,128	-	-
Subordinated debt	32	12,532,190	11,031,585	-	-
		484,019,183	**355,687,597**	**219,839**	**91,448**
Shareholders' equity					
Share capital	33(a)	1,653,621	1,653,621	1,653,621	1,653,621
Share premium	33(a)/(b)	17,561,629	17,561,629	17,561,629	17,561,629
Retained earnings		57,859,356	53,674,183	19,925,168	16,464,597
Revaluation reserve	33(c)	1,241,566	1,154,325	-	-
Fair value reserve	33(d)	(5,046,809)	(3,749,563)	(89,958)	(41,614)
Translation reserve	33(e)	3,838,683	(645,903)	-	-
Statutory credit risk reserve	33(f)	11,249,371	6,993,268	-	-
Defined benefit reserve	33(g)	(184,268)	(124,065)	-	-
Equity attributable to Owners of the Company		**88,173,149**	**76,517,495**	**39,050,460**	**35,638,233**
Non-controlling interest	23	7,527,106	5,132,093	-	-
TOTAL SHAREHOLDERS' EQUITY		**95,700,255**	**81,649,588**	**39,050,460**	**35,638,233**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**579,719,438**	**437,337,185**	**39,270,299**	**35,729,681**

The consolidated and separate financial statements set out on pages 99 to 196 were approved and authorised for issue by the Board of Directors on 22 March 2024 and were signed on its behalf by:

Bilha Wanjiru Mwangi
Reg. No. 2356
CPS (K)
P. O. Box 51922 - 00100, NAIROBI

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Oliver Fowler Director	Rose Wanjiru Kinuthia Director	Suresh B R Shah Director	Bilha Wanjiru Mwangi Secretary

OUR FINANCIALS (Continued)

Consolidated statement of changes in equity

For The Year Ended 31 December 2023

	Share capital	Share premium	Retained earnings	Defined benefit reserve	Statutory credit risk reserve	Revaluation reserve	Fair value reserve	Translation reserve	Total	Non-controlling interest	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January 2023	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
Comprehensive income for the year											
Net profit after tax	-	-	12,615,177	-	-	-	-	-	12,615,177	730,042	13,345,219
	-	-	12,615,177	-	-	-	-	-	12,615,177	730,042	13,345,219
Other comprehensive income											
Translation reserve	-	-	-	-	-	-	-	4,484,586	4,484,586	882,907	5,367,493
Fair value reserve (Note 21)	-	-	-	-	-	-	(2,037,506)	-	(2,037,506)	(47,638)	(2,085,144)
Deferred tax charge - fair value reserve	-	-	-	-	-	-	740,260	-	740,260	13,461	753,721
Revaluation reserve	-	-	-	-	-	123,085	-	-	123,085	-	123,085
Deferred tax charge - revaluation reserve	-	-	-	-	-	(35,844)	-	-	(35,844)	904	(34,940)
Defined benefit plan	-	-	-	(60,203)	-	-	-	-	(60,203)	-	(60,203)
Statutory credit risk	-	-	(4,254,989)	-	4,254,989	-	-	-	-	-	-
Total other comprehensive income	-	-	(4,254,989)	(60,203)	4,254,989	87,241	(1,297,246)	4,484,586	3,214,378	849,634	4,064,012
Total comprehensive income	-	-	8,360,188	(60,203)	4,254,989	87,241	(1,297,246)	4,484,586	15,829,555	1,579,676	17,409,231
Transactions with owners											
Issue of shares - I&M Bank (T) Limited	-	-	(148,394)	-	1,114	-	-	-	(147,280)	147,280	-
Issue of shares - I&M Bank (Uganda) Limited	-	-	(305,973)	-	-	-	-	-	(305,973)	851,526	545,553
Redemption of preference shares - I&M Bank (Uganda) Limited	-	-	-	-	-	-	-	-	-	(31,375)	(31,375)
Dividends paid - 2022	-	-	(3,720,648)	-	-	-	-	-	(3,720,648)	(152,094)	(3,872,742)
Total transactions with owners for the year	-	-	(4,175,015)	-	1,114	-	-	-	(4,173,901)	815,337	(3,358,564)
At 31 December 2023	1,653,621	17,561,629	57,859,356	(184,268)	11,249,371	1,241,566	(5,046,809)	3,838,683	88,173,149	7,527,106	95,700,255

The notes set out on page 107 to 196 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 2023

	Share capital	Share premium	Retained earnings	Defined benefit reserve	Statutory credit risk reserve	Revaluation reserve	Fair value reserve	Translation reserve	Total	Non-controlling interest	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	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 21)	-	-	-	-	-	-	(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											
Acquisition of I&M Bank (Uganda) Limited	-	-	(1,768)	-	-	-	-	-	(1,768)	(25,232)	(27,000)
Issue of shares - I&M Bank (T) 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 107 to 196 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 2023

2023:	Share capital	Share premium	Retained earnings	Fair value reserve	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January 2023	**1,653,621**	**17,561,629**	**16,464,597**	**(41,614)**	**35,638,233**
Comprehensive income for the year					
Profit for the year	-	-	**7,181,219**	-	**7,181,219**
	-	-	7,181,219	-	7,181,219
Other comprehensive income					
Fair value reserve (Note 21)	-	-	-	**(48,344)**	**(48,344)**
Total other comprehensive income	-	-	-	**(48,344)**	**(48,344)**
Total comprehensive income for the year	-	-	7,181,219	(48,344)	7,132,875
Transactions with owners recorded directly in equity					
Dividends paid - 2022	-	-	(3,720,648)	-	(3,720,648)
Total transactions with owners for the year	-	-	**(3,720,648)**	-	**(3,720,648)**
At 31 December 2023	**1,653,621**	**17,561,629**	**19,925,168**	**(89,958)**	**39,050,460**

2022:	Share capital	Share premium	Retained earnings	Fair value reserve	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January 2022	**1,653,621**	**17,561,629**	**12,802,385**	**(513)**	**32,017,122**
Comprehensive income for the year	-	-	6,142,644	-	6,142,644
Profit for the year	-	-	**6,142,644**	-	**6,142,644**
Other comprehensive income	-	-	-	(41,101)	(41,101)
Fair value reserve (Note 21)	-	-	-	**(41,101)**	**(41,101)**
Total other comprehensive income	-	-	**6,142,644**	**(41,101)**	**6,101,543**
Total comprehensive income for the year					
Transactions with owners recorded directly in equity	-	-	-	-	-
Dividends paid - 2021	-	-	-	-	-
Total transactions with owners for the year	-	-	(2,480,432)	-	(2,480,432)
At 31 December 2022	-	-	(2,480,432)	-	(2,480,432)
	1,653,621	**17,561,629**	**16,464,597**	**(41,614)**	**35,638,233**

The notes set out on page 107 to 196 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 2023

		Group		Company	
	Note	2023	2022	2023	2022
		KShs'000	KShs'000	KShs'000	KShs'000
Profit before income tax		16,680,326	14,992,332	7,269,660	6,149,719
Adjustments for:					
Depreciation on property and equipment	24	1,230,941	1,132,882	-	-
Depreciation on right of use asset	24	542,773	464,416	-	-
Amortisation of intangible asset	25(b)	1,098,527	873,728	-	-
Interest on lease liabilities	30	180,528	176,459	-	-
Net loss/(gain) on sale of property and equipment		(623)	9,822	-	-
Net interest income		(28,630,466)	(22,944,521)	-	-
Profit on sale of FVOCI		(885,164)	(866,858)	-	-
Effects of exchange rate changes on cash and cash equivalents		(2,793,165)	(1,033,644)	-	-
Profit from joint venture	23(a)	(1,203,644)	(662,150)	-	-
Exchange reserves		6,976,672	3,283,296	-	-
		(6,803,295)	**(4,574,238)**	**7,269,660**	**6,149,719**
(Increase)/decrease in operating assets					
Movement in loans and advances to customers		(72,740,697)	(27,153,522)	-	-
Financial assets at fair value through profit or loss (FVTPL)		14,460,620	817,669	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)		(9,210,418)	6,900,495	25,127	(913,889)
Other financial assets at amortised cost		(10,631,715)	1,438,389	-	-
Assets held for sale		444,227	262,923	-	-
Loans and advances to banks		979,051	(664,360)	-	-
Cash and balances with Central Banks					
– Cash Reserve Ratio	17	(6,178,373)	1,304,756	-	-
Other assets		(2,004,855)	(2,688,204)	(258,965)	123,611
		(84,882,160)	**(19,781,854)**	**(233,838)**	**(790,278)**
Increase/(decrease) in operating liabilities					
Customer deposits		104,338,503	19,060,230	-	-
Deposits from banks		21,345,760	14,338,051	-	-
Other liabilities		1,032,412	2,153,299	57,296	(5,975)
Amounts due to group company		-	-	-	(1,931,640)
		126,716,675	**35,551,580**	**57,296**	**(1,937,615)**
Cash flows generated from operating activities		**35,031,220**	**11,195,488**	**7,093,118**	**3,421,826**

(Continued page 106)

The notes set out on page 107 to 196 form an integral part of these consolidated and separate financial statements.

OUR FINANCIALS (Continued)

Consolidated and company statements of cash flows - (Continued)

For the year ended 31 December 2023

	Note	Group 2023	Group 2022	Company 2023	Company 2022
		KShs'000	KShs'000	KShs'000	KShs'000
Cash flows generated from operating activities		**35,031,220**	**11,195,488**	**7,093,118**	**3,421,826**
Tax paid		(4,787,644)	(4,254,197)	(10,174)	(11,307)
Interest on lease liabilities		(180,528)	(176,459)	-	-
Interest received		50,458,574	36,534,237	-	-
Interest paid on deposits		(21,828,108)	(17,877,483)	-	-
Interest paid on long term and subordinate debt		(1,070,314)	(758,854)	-	-
Net cash flows generated from operating activities		**57,623,200**	**24,662,732**	**7,082,944**	**3,410,519**
Cash flows used in investing activities					
Purchase of property and equipment (excluding right of use assets)	24	(1,384,935)	(861,459)	-	-
Purchase of intangible assets	25(b)	(1,272,378)	(1,019,142)	-	-
Investment in subsidiaries	23(b)	-	-	(962,232)	(900,263)
Proceeds from disposal of property and equipment		53,841	65,648	-	-
Net cash used in investing activities		**(2,603,472)**	**(1,814,953)**	**(962,232)**	**(900,263)**
Cash flows used in financing activities					
Payment of principal on long term borrowings	31	(1,076,978)	(4,760,734)	-	-
Payment of principal on subordinated debt	32	(1,741,298)	(98,019)	-	-
Dividend paid to shareholders of the company		(3,720,648)	(2,480,432)	**(3,720,648)**	**(2,480,432)**
Dividend paid to non-controlling interests		(152,094)	(23,844)	-	-
Non-controlling interest buyout - I&M Burbidge Capital Limited		-	(27,000)	-	-
Issue of shares - I&M Bank (Uganda) Limited		545,553	-	-	-
(Redemption)/issue of preference shares - I&M Bank (Uganda) Limited		(31,375)	31,375	-	-
Rights issue -I&M Bank (T) Limited		-	59,876	-	-
Payment of lease liabilities	30	(869,926)	(162,229)	-	-
Net cash used in financing activities		**(7,046,766)**	**(7,461,007)**	**(3,720,648)**	**(2,480,432)**
Net increase/(decrease) in cash and cash equivalents		**47,972,962**	**15,386,772**	**2,400,064**	**29,824**
Cash and cash equivalents at start of the year		**27,082,130**	**10,661,714**	**864,255**	**834,431**
Effect of exchange rate fluctuations on cash and cash equivalents held		2,793,165	1,033,644	-	-
Cash and cash equivalents at end of the year	34 (b)	**77,848,257**	**27,082,130**	**3,264,319**	**864,255**

The notes set out on page 107 to 196 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 2023

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 2023 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 Investment & Mortgages Nominees 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% Shareholding;
(vii) Giro Limited – 100% Shareholding
(viii) I&M Bank (Uganda) Limited – 79.29% (2022 – 90%) Shareholding, and;
(ix) Investment & Mortgages Nominees Limited – 100% Shareholding.

Through I&M Bank LIMITED, the Company has:

(i) 78.51% (2022 - 77.8%) shareholding in I&M Bank (T) Limited, and;
(ii) 100% shareholding in I&M Bancassurance Intermediary Limited (incorporated on 23 July 2014).

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 2023 have been prepared in accordance with IFRS Accounting 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 material 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 2023

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 5.

3. MATERIAL 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.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES- (Continued)

(a) Basis of consolidation - (Continued)

(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.

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.

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2023
3. MATERIAL ACCOUNTING POLICIES- (Continued)

(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.

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)(iv).

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).

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES- (Continued)

(d) Income Recognition- (Continued)

(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 rental income and gain on disposal of property and equipment. Rental income is recognised in the profit or loss on a straight-line basis over the term of the lease.

(v) 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.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES- (Continued)

(e) Income Tax Expense - (Continued)

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 instruments

(i) Initial recognition and initial measurement of financial assets

The Group recognises a financial asset in its statement of financial position when it becomes party to the contractual provisions of the instrument. Financial asset (except for certain trade receivables) is measured at initial recognition at its fair value plus, for financial assets not subsequently measured 'at fair value through profit or loss' transaction costs that are directly attributable to the acquisition of the financial asset. The Group's Trade receivables that do not have a significant financing component (determined in accordance with IFRS 15- Revenue from Contracts with Customers) are not initially measured at fair value, rather they are initially measured at their transaction price. The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

(ii) Classification and measurement of financial assets

After initial recognition, the Group's financial assets are measured at:

(i) amortised cost;
(ii) fair value through other comprehensive income (FVOCI); or
(iii) fair value through profit or loss (FVPL).

Except for the Group's financial assets that are designated at initial recognition as at fair value through profit or loss, the Group's financial asset is classified on the basis of both:

(a) the Group's business model for managing the financial assets; and
(b) the contractual cash flow characteristics of the financial asset.

(i) *amortised cost;*

Except for the Group's financial assets that are designated at initial recognition as at fair value through profit or loss the Group's financial assets are measured at amortised cost only if both of the following conditions are met:

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

If the Group's financial asset satisfies both of these conditions, the Group measures the financial asset at amortised cost unless it is designated as at fair value through profit or loss (FVPL) on initial recognition. Any of the Group's Financial assets that do not meet the conditions stated above, are required to be subsequently measured at fair value through profit or loss except for investments in equity instruments not held for trading that are elected at initial recognition to be measured at fair value through other comprehensive income. Financial assets of the Group that meets the condition in (b) above but do not meet the condition in (a) above, may meet the criteria to be measured at fair value through other comprehensive income.

Because both conditions (the business model test and the contractual cash flows characteristics test) must be met for amortised cost measurement, the order in which the tests are performed is irrelevant for the Group. The Group classifies its financial assets into the following categories: financial assets at fair value through profit and loss (FVPL); equity investments designated as at fair value through other comprehensive income (FVOCI) and financial assets at amortised cost. Management determines the appropriate classification of its investment at initial recognition.

The classification of financial instruments can be seen in the table below.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES- (Continued)

(f) Financial instruments - (Continued)

(i) *amortised cost; (continued)*

Category	Classification	Financial statement caption	Class
Financial assets	Fair value through profit or loss	Financial assets at fair value through profit or loss	Debt securities Derivative assets
	Amortised cost	Loans and advances to banks	
		Due from group companies	
		Loans and advances to customers	
		Other assets	
		Cash and balances with Central Bank of Kenya	
	Fair value through other comprehensive income	Fiancial assets at fair value through other comprehensive income	Investment securities designated at FVOCI
Financial liabilities	Financial Liabilities at amortised cost	Deposits from banks	
		Deposits from customers	
		Borrowings	
		Due to group companies	
		Other liabilities	
	Fair value through profit or loss	Financial assets at fair value through profit or loss	Derivative liabilities
Off-balance sheet financial instruments	Loan commitments Guarantees, acceptances and other financial liabilities		

Business model assessment for amortised cost measurement

For amortised cost measurement, the Group's financial assets are held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows.

Financial assets of the Group that are held within a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. That is, the Group manages the assets held within the portfolio to collect those contractual cash flows (instead of managing the overall return on the portfolio by both holding and selling assets).

In determining whether cash flows are going to be realised by collecting the Group's financial assets' contractual cash flows, the Group considers the frequency, value and timing of sales in prior periods, the reasons for those sales and expectations about future sales activity. However, sales in themselves do not determine the business model of the Group and therefore cannot be considered in isolation. Instead, information about the Group's past sales and expectations about future sales provide evidence related to how the Group's stated objective for managing the financial assets is achieved and, specifically, how cash flows are realised. The Group considers information about past sales within the context of the reasons for those sales and the conditions that existed at that time as compared to current conditions.

(ii) *Fair value through other comprehensive income (FVOCI)*

Except for financial assets of the Group that are designated at initial recognition as at fair value through profit or loss the Group's financial asset is measured at fair value through other comprehensive income (FVOCI) if both of the following conditions are met:

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

Financial assets of the Group that do not meet the condition in (b) above, are required to be subsequently measured at fair value through profit or loss or in the case of certain investments in equity instruments may be elected at initial recognition to be measured at fair value through other comprehensive income. Financial asset of the Group that meets the condition in (b) above but does not meet the condition in (a) above, may meet the criteria to be measured at amortised cost.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES- (Continued)

(f) Financial instruments - (Continued)

(ii) Classification and measurement of financial assets - (Continued)

(ii) *Fair value through other comprehensive income (FVOCI) - (Continued)*

Designation of equity instruments as at FVOCI

At initial recognition, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3-Business Combinations applies. The Group's financial asset is held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

The election by the Group to designate an investment in an equity instrument at FVOCI is made on an instrument-by-instrument (i.e., share-by-share) basis. If the election is made, only dividend income that does not clearly represent a recovery of part of the cost of the investment is recognised in profit or loss, with all other gains and losses (including those relating to foreign exchange) recognised in other comprehensive income. These gains and losses remain permanently in equity and are not subsequently reclassified to profit or loss, even on derecognition. However, the Group may transfer the cumulative gain or loss within equity as a reserve movement.

Business model assessment for FVOCI measurement

Fair value through other comprehensive income measurement financial assets must be held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The Group may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the Group's key management personnel have made a decision that both collecting contractual cash flows and selling financial assets are integral to achieving the objective of the business model. There are various objectives that may be consistent with this type of business model.

For example, the objective of the Group's business model may be to manage everyday liquidity needs, to maintain a particular interest yield profile or to match the duration of the financial assets to the duration of the liabilities that those assets are funding. To achieve such an objective, the Group will both collect contractual cash flows and sell financial assets.

Compared to the Group's business model whose objective is to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. This is because selling financial assets is integral to achieving the business model's objective instead of being only incidental to it. However, there is no threshold for the frequency or value of sales that must occur in this business model because both collecting contractual cash flows and selling the Group's financial assets are integral to achieving its objective.

(iii) *Fair value through profit or loss (FVPL)*

The Group classifies assets that do not qualify for amortised cost measurement or measurement at FVOCI to be measured subsequently to initial recognition at FVPL (except if it is an investment in an equity instrument designated at FVOCI).

The Group may irrevocably elect on initial recognition to designate a financial asset that meets the conditions for amortised cost measurement or FVOCI as at FVPL if that designation eliminates or significantly reduces accounting mismatch that would have occurred if the financial asset had been measured at amortised cost or FVOCI.

Gains and losses that arise between the end of the last annual reporting period and the date an instrument is derecognised do not constitute a separate 'profit/loss on disposal'. Such gains and losses will have arisen prior to disposal, while the item is still being measured at FVPL, and should be recognised in profit or loss when they occur.

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

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES- (Continued)

(f) Financial instruments - (Continued)

(ii) Classification and measurement of financial assets - (Continued)

(iii) *Fair value through profit or loss (FVPL)- (Continued)*

(iv) *Classification and measurement of financial assets- (Continued)*

Business model assessment - (Continued)

- 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 measured at amortised 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.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES- (Continued)

(f) Financial instruments - (Continued)

(ii) Classification and measurement of financial assets - (Continued)

Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI).

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 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.

Reclassification of financial assets

The Group reclassifies financial assets when it changes its business model for managing financial assets.

Reclassifications are expected to be very infrequent. Such changes are determined by the Group's senior management as a result of external or internal changes and must be significant to the Group's operations and demonstrable to external parties. Accordingly, a change in Group's business model will occur only when the Group either begins or ceases to perform an activity that is significant to its operations; for example, when the Group has acquired, disposed of or terminated a business line.

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2023
3. MATERIAL ACCOUNTING POLICIES- (Continued)
(f) Financial instruments - (Continued)
(ii) Classification and measurement of financial assets - (Continued)

Reclassification of financial assets- (Continued)
The following are not considered to be changes in the Group's business model:
- a change in intention related to particular financial assets (even in circumstances of significant changes in market conditions);
- a temporary disappearance of a particular market for financial assets; or
- a transfer of financial assets between parts of the Group with different business models

When the Group's financial asset converts into a different financial asset during the instrument's life, the Group considers whether the original asset should continue to be recognised or whether, on conversion, the old instrument is derecognised and a new one is recognised.

If the Group reclassifies its financial assets, it applies the reclassification prospectively from the reclassification date, defined as the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

The reclassification applies prospectively from the reclassification date and therefore previous recognised gains, losses (including impairment gains or losses) or interest are not restated. Changes in the objective of the Group's business model are usually effected before the reclassification date.

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.

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 4(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. Trade receivables are considered fully impaired if they are over 360 days past due.

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.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES- (Continued)

(f) Financial instruments - (Continued)

(iii) *Impairment on financial assets- (Continued)*

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'. The Group has however carried ECL assessment on investment securities and bank placements and the charge has been considered to be immaterial.

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;
- 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 4(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 4a(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.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES- (Continued)

(f) Financial instruments - (Continued)

(iii) *Impairment on financial assets- (Continued)*

Restructured financial assets - (Continued)

- 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.

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.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES- (Continued)

(f) Financial instruments - (Continued)

(iv) *De-recognition*

Financial assets

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

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

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

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

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

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

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

Financial liabilities

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

(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 Group Credit Committee regularly reviews reports on forbearance activities. For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action.

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2023
3. MATERIAL ACCOUNTING POLICIES- (Continued)
(f) Financial instruments - (Continued)

(v) *Modifications of financial assets and financial liabilities - (Continued)*

Financial assets - (Continued)

As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators. 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 (see Note 2). 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 Stage 1.

The impact of modifications of financial assets on the expected credit loss calculation is discussed in Note 3(f)(iv) and Note 4(a)(v).

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 derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

An input is deemed to be significant if it is shown to contribute more than 10% to the fair value of an item. Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations as well as through employing other analytical techniques.

(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.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES- (Continued)

(g) Fair value measurement - (Continued)

- 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.

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

– Leasehold improvements	8 – 10 years or over the period of Lease if shorter than 8 years
– Computer equipment and computer software	3 – 4 years
– Furniture, fittings and fixtures	8 years
– Motor vehicles	4- 5 years

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.

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2023
3. MATERIAL ACCOUNTING POLICIES- (Continued)

(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.

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.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES- (Continued)

(k) Leases - (Continued)

Group acting as a lessor - (Continued)

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.

(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.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES- (Continued)

(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.

(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

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES- (Continued)

(w) Operating segments - (Continued)

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 7.

(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 2023, including consequential amendments to other standards with the date of initial application by the Group and Company being 1 January 2023. The nature and effects of the changes are as explained here in.

New standards or amendments	Effective for annual period beginning
IFRS 17 Insurance Contracts, including amendments to Initial Application of IFRS 17 and IFRS 9 Comparative Information	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
International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12	23 May 2023

The Group did not early adopt new or amended standards in the year ended 31 December 2023. None of the standards had a material effect on the financial statements of the Group and Company.

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2023

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2023 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
Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements)	1 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures)	Optional
Lack of Exchangeability – Amendments to IAS 21	1 January 2025

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

None of the standards is expected to have a material effect on the financial statements of the Group and Company.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

4. 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.

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.

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.

OUR FINANCIALS (Continued)

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For the year ended 31 December 2023

4. FINANCIAL RISK MANAGEMENT - (Continued)

(a) Credit risk- (Continued)

Exposure to credit risk - (Continued)

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.

2023:	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total 31 December
Risk classification	KShs'000	KShs'000	KShs'000	KShs'000
Loans and advances to Customers at amortised cost				
Normal (Stage 1)	264,215,244	-	-	264,215,244
Watch (Stage 2)	-	25,279,007	-	25,279,007
Non-performing loans (Stage 3)	-	-	35,711,022	35,711,022
Gross carrying amount	**264,215,244**	**25,279,007**	**35,711,022**	**325,205,273**
Loss allowance	(1,528,832)	(1,388,143)	(10,957,458)	(13,874,433)
Net carrying amount	**262,686,412**	**23,890,864**	**24,753,564**	**311,330,840**

2022:	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total 31 December
Risk classification	KShs'000	KShs'000	KShs'000	KShs'000
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**

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

	2023	2022
Group: **Loans and advances to customers**	KShs '000	KShs '000
Identified impairment:		
Grade 3: Substandard	9,319,246	5,379,520
Grade 4: Doubtful	17,720,403	12,342,345
Grade 5: Loss	8,671,373	8,793,189
	35,711,022	**26,515,054**
Specific allowances for impairment	(10,957,458)	(13,580,191)
Carrying amounts	**24,753,564**	**12,934,863**
Unidentified impairment:		
Grade 2: Watch	24,649,346	28,178,751
Grade 1: Normal	264,844,905	201,334,032
	289,494,251	**229,512,783**
Portfolio allowances for impairment	(2,916,975)	(3,857,503)
Carrying amounts	**286,577,276**	**225,655,280**
Total carrying amounts	**311,330,840**	**238,590,143**

OUR FINANCIALS (Continued)

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For the year ended 31 December 2023

4. FINANCIAL RISK MANAGEMENT - (Continued)

(a) Credit risk- (Continued)

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

	Gross	Net
	KShs '000	KShs '000
Identified impairment:		
31 December 2023		
Grade 3: Substandard	9,319,246	10,645,036
Grade 4: Doubtful	17,720,403	10,983,588
Grade 5: Loss	8,671,373	3,124,940
	35,711,022	**24,753,564**
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**
Unidentified impairment:		
31 December 2023		
Grade 1: Normal	264,844,905	263,303,465
Grade 2: Watch	24,649,346	23,273,811
	289,494,251	**286,577,276**
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**

Probability of defaults (PDs) applicable during the year as shown below.

Kenya	2023	
Sector	Normal	Watch
Agriculture	2.18%	23.77%
Manufacturing	2.95%	30.45%
Building and construction	6.68%	39.15%
Mining & quarrying	2.67%	0.05%
Energy & water	7.60%	23.91%
Wholesale trade & retail trade	2.62%	20.33%
Tourism, restaurants and hotels	0.68%	19.23%
Transport & communication	2.01%	23.52%
Real estate	1.65%	24.96%
Financial services	1.22%	23.70%
Personal and household	2.59%	12.85%

Tanzania	2023	
Sector	Normal	Watch
Agriculture	0.05%	38.07%
Manufacturing	2.31%	34.11%
Building and construction	0.05%	0.05%
Mining & quarrying	0.05%	47.26%
Education	0.05%	0.05%
Wholesale trade & retail trade	0.07%	57.11%
Tourism, restaurants and hotels	0.05%	0.05%
Transport & communication	0.05%	0.05%
Real estate	0.36%	21.36%
Personal and household	2.09%	0.05%
Housing loan	4.21%	0.05%
Other services	1.67%	38.07%

Rwanda	2023	
Sector	Normal	Watch
Agriculture	0.12%	0.05%
Manufacturing	0.05%	23.65%
Building and construction	2.91%	11.54%
Mining & quarrying	0.05%	0.05%
Energy & water	0.53%	23.08%
Wholesale trade & retail trade	1.04%	11.74%
Tourism, restaurants and hotels	6.54%	37.02%
Transport & communication	2.68%	5.29%
Real estate	0.34%	8.53%
Financial services	0.05%	0.05%
Personal and household	3.30%	22.54%
Social community personal services	2.31%	47.60%

Uganda	2023	
Sector	Normal	Watch
Agriculture	0.05%	0.05%
Mining and Quarrying	0.05%	0.05%
Manufacturing	0.33%	5.62%
Trade	2.27%	10.17%
Transport and Communication	0.85%	11.05%
Electricity and Water	0.05%	0.05%
Building, Mortgage, Construction and Real Estate	0.46%	3.76%
Business Services	0.26%	2.71%
Community, Social and Other Services	0.17%	0.17%
Personal Loans and Household Loans	2.53%	20.34%

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

4. 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.

(ii) *Credit quality analysis – Trade receivables*

The Group's exposure to trade receivables credit risk is influenced mainly by the individual characteristics of each customer. The Group uses an allowance matrix, using the simplified approach, to measure the lifetime ECLs of trade receivables. Loss rates (Current -4%, 30-90days – 5%, 91-180days - 24%, 180-360days - 87% and Over 360days - 100%) are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off

2023:	Gross	Impairment	Net	Credit Impaired
	KShs'000	KShs'000	KShs'000	
Current	39,142	3,517	35,625	No
Past due:				
30-90 days	22,619	3,698	18,921	No
91-180 days	25,675	16,020	9,655	Yes
180-360 days	67,070	57,330	9,740	Yes
Over 360 days	21,208	21,208	-	Yes
	175,714	**101,773**	**73,941**	

2022:	Gross	Impairment	Net	Credit Impaired
	KShs'000	KShs'000	KShs'000	
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**	

Impairment loss movement on trade receivables

	2023	2022
	KShs '000	KShs '000
At 1 January	91,548	69,581
Charge for the year	12,422	22,174
Write off during the year	(2,927)	(243)
Translation difference	730	36
At 31 December	**101,773**	**91,548**

OUR FINANCIALS (Continued)

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For the year ended 31 December 2023

4. FINANCIAL RISK MANAGEMENT - (Continued)

(a) Credit risk- (Continued)

(ii) *Credit quality analysis – Trade receivables - (Continued)*

Loss rates are based on actual credit loss experience over the past three years. All trade receivables that are past due over 360 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.

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 – Financial instruments*

The table below best represents the Group's exposure to credit risk in regard to financial assets other than loans and advances to customers. as at 31 December 2023

	Group		Company	
	2023	2022	2023	2022
	KShs '000	KShs'000	KShs '000	KShs '000
Balances with central banks (Note 17)	34,774,324	17,632,125	-	-
Items in the course of collection (Note 18)	399,994	446,526	-	-
Loans and advances to banks (Note 19)	59,176,989	21,467,182	312,326	-
Financial assets at fair value through other comprehensive income (FVOCI) - Debt instruments (Note 21)	60,287,145	52,991,148	876,832	925,055
Other financial assets at amortised cost; Government securities (Note 21)	54,276,095	43,605,472	-	-
Due from group companies (Note 37)	-	-	3,264,319	864,255
	208,914,547	136,142,453	4,453,477	1,789,310

(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 2023 nor 2022.

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

Group	2023	2022
	KShs '000	KShs '000
Fair value of collateral held – against impaired loans	24,753,564	12,934,863

The Group routinely obtains collateral and security to mitigate credit risk. The Group ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed. Before attaching value to collateral, business holding approved collateral must ensure that they are legally perfected. Security structures and legal covenants are subject to regular review, at least annually, to ensure that they remain fit for purpose and remain consistent with accepted local market practice.

OUR FINANCIALS (Continued)

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For the year ended 31 December 2023

4. FINANCIAL RISK MANAGEMENT - (Continued)

(a) Credit risk- (Continued)

(iv) *Collateral and other security enhancements - (Continued)*

The principal collateral types held by the Group for loans and advances are:
- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities.

Valuation of collateral taken will be within agreed parameters and will be conservative in value. The valuation is performed by independent registered valuers only on origination or in the course of enforcement actions. Within the corporate sectors, collateral for impaired loans including guarantees and insurance is reviewed regularly and at least annually to ensure that it is still enforceable, and that the impairment allowance remains appropriate given the current valuation. The Group will consider all relevant factors, including local market conditions and practices, before any collateral is realized.

2023	Exposure relating to on SOFP	Physical collateral	Cash collateral	Other	Net Exposure
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cash and balances with central banks	41,275,497	-	-	-	41,275,497
Financial assets at fair value through other comprehensive income	60,287,145	-	-	-	60,287,145
Financial assets at fair value through profit or loss	2,779,798	-	-	-	2,779,798
Loans and advances to banks	59,176,989	-	-	-	59,176,989
Other assets	7,349,298	-	-	-	7,349,298
Loans and advances to customers	311,330,840	101,666,719	39,398,493	83,484,158	86,781,470
Credit exposures relating to off-balance sheet items	136,830,941	34,423,826	17,773,638	38,288,267	46,345,210
	619,030,508	136,090,545	57,172,131	121,772,425	303,995,407

2022	Exposure relating to on SOFP	Physical collateral	Cash collateral	Other	Net Exposure
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cash and balances with central banks	22,818,302	-	-	-	22,818,302
Financial assets at fair value through other comprehensive income	52,991,148	-	-	-	52,991,148
Financial assets at fair value through profit or loss	16,402,892	-	-	-	16,402,892
Loans and advances to banks	21,467,182	-	-	-	21,467,182
Other assets	5,528,057	-	-	-	5,528,057
Loans and advances to customers	238,590,143	93,895,433	15,762,156	62,089,644	66,842,910
Credit exposures relating to off-balance sheet items	99,245,139	29,464,370	6,182,247	25,532,978	38,065,544
	457,042,863	123,359,803	21,944,403	87,622,622	224,116,035

(v) *Amounts arising from ECL*

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3(f)(iii).before any collateral is realized.

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

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4. FINANCIAL RISK MANAGEMENT - (Continued)

(a) Credit risk- (Continued)

(v) Amounts arising from ECL- (Continued)

Significant increase in credit risk -(Continued)

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- a backstop of 30 days past due is applied; and
- quantitative indicators.

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).

OUR FINANCIALS (Continued)

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4. FINANCIAL RISK MANAGEMENT - (Continued)

(a) Credit risk- (Continued)

(v) Amounts arising from ECL - (Continued)

Modified financial assets - (Continued)

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

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

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

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

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behaviour over a period of time (at least one year) 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 2023 of all loans that have been modified (both substantial and non-substantial modifications):

	2023	2022
	KShs '000	KShs '000
Assistance package category		
Loan deferral package		
Corporate & Institutional Banking	7,300,099	13,311,271
Business Banking	448,557	884,283
Premium Banking	133,397	49,220
Personal Banking	1,762	36,354
Interest only		
Corporate & Institutional Banking	1,526,728	4,528,019
Business Banking	445,561	405,473
Premium Banking	52,613	74,753
Personal Banking	12,014	-
Term extensions		
Corporate & Institutional Banking	3,794,690	6,641,449
Business Banking	938,885	1,401,798
Premium Banking	3,246	-
Personal Banking	1,430,903	1,999,026
Total		
Corporate & Institutional Banking	**12,621,517**	**24,480,739**
Business Banking	**1,833,003**	**2,691,554**
Premium Banking	**189,256**	**123,973**
Personal Banking	**1,444,679**	**2,035,380**
	16,088,455	**29,331,646**

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4. FINANCIAL RISK MANAGEMENT - (Continued)

(a) Credit risk- (Continued)

(v) Amounts arising from ECL - (Continued)

Modified financial assets - (Continued)

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

Definition of default

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

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

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

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

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

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

Incorporation of forward-looking information

For banking subsidiaries, the Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the respective 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.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

4. FINANCIAL RISK MANAGEMENT - (Continued)

(a) Credit risk- (Continued)

(v) Amounts arising from ECL - (Continued)

Incorporation of forward-looking information - (Continued)

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.

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 63% (base case), 21% (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 2023 included the following ranges of key indicators based

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

4. 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 - (Continued)

Agriculture	Weighting			
	Coefficients	Base	Upside	Downside
		63%	**21%**	**17%**
Central Bank Rate	33.96840	12.88%	13.53%	12.23%
GDP	(7.00500)	4.61%	3.88%	5.33%
Constant	(5.16420)	-	-	-

Building & Construction	Weighting			
	Coefficients	Base	Upside	Downside
		63%	**21%**	**17%**
Three Sixty-Four-day T-bills	11.55120	13.76%	14.85%	12.67%
Inflation	6.97240	6.84%	7.84%	5.84%
Constant	(3.30380)	-	-	-

Financial Services	Weighting			
	Coefficients	Base	Upside	Downside
		63%	**21%**	**17%**
Central Bank Rate	17.51410	11.94%	12.59%	11.30%
GDP	(3.01930)	4.61%	3.88%	5.33%
Constant	(3.35450)	-	-	-

Mining & Quarrying	Weighting			
	Coefficients	Base	Upside	Downside
		63%	**21%**	**17%**
Inflation	15.97420	6.84%	7.84%	5.84%
GDP	(7.05390)	4.61%	3.88%	5.33%
Constant	(3.80050)	-	-	-

Transport & Communication	Weighting			
	Coefficients	Base	Upside	Downside
		63%	**21%**	**17%**
Three Sixty-Four-day T-bills	16.09630	14.67%	15.76%	13.57%
Constant	(3.98150)	-	-	-

Wholesale & Retail Trade	Weighting			
	Coefficients	Base	Upside	Downside
		63%	**21%**	**17%**
Three Sixty-Four-day T-bills	14.37680	13.99%	15.08%	12.90%
Constant	(3.58050)	-	-	-

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2023
4. 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 - (Continued)

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

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

In determining the likelihood of each of the macroeconomic scenarios based on sectors, a weighting of 58.3% (base case), 29.7% (upside case) and 12.0% (downside case) was applied for Tanzania.

Agriculture		Weighting		
	Coefficient/ sensitivity	Base	Upside	Downside
		%	%	%
Weighting		**58.3%**	**29.7%**	**12%**
Interbank rate	67.285	2.49%	2.73%	2.25%
Public Debt to GDP	38.455	34.96%	35.27%	34.65%
Constant rate	(17.359)			

Hotel and Restaurant		Weighting		
	Coefficient/ sensitivity	Base	Upside	Downside
		%	%	%
Weighting		**58.3%**	**29.7%**	**12.0%**
Interbank rate	36.923	2.43%	2.67%	2.19%
Savings rate	(67.541)	7.25%	7.51%	6.99%
Constant rate	2.896			

Trade		Weighting		
	Coefficient/ sensitivity	Base	Upside	Downside
		%	%	%
Weighting		**58.3%**	**29.7%**	**12.0%**
Interbank rate	14.146	2.43%	2.67%	2.19%
Public debt to GDP	71.155	35.53%	35.84%	35.22%
Constant rate	(29.399)			

Services		Weighting		
	Coefficient/ sensitivity	Base	Upside	Downside
		%	%	%
Weighting		**58.3%**	**29.7%**	**12.0%**
Interbank rate	170.852	7.26%	7.00%	7.52%
Constant rate	(7.788)			

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

4. 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 - (Continued)

Personal loan		Weighting		
	Coefficient/ sensitivity	Base	Upside	Downside
		%	%	%
		58.3%	**29.7%**	**12.0%**
364 Day T-bills	27.992	7.87%	8.79%	6.95%
Constant	(5.124)	-	-	-

In Rwanda, the Bank has 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 2023, the likelihood of different economic scenarios was adjusted to reflect changing circumstances. A moderate economic outcome (base case) was assigned a 54.17% chance, with a stronger economic performance (upside case) at 29.17% and a weaker performance (downside case) at 16.67%. This differed slightly from 2022's weighting, which placed more emphasis on the base case (62.5%).

To predict how these scenarios might impact investments, analysts examined historical data (3-5 years) on key economic indicators and their relationship to defaults and losses across various financial assets.

The economic scenarios used as at 31 December included the following ranges of key indicators:

Macro-Economic variable	2023		
	Base	Upside	Downside
	%	%	%
Weighting	**54.17%**	**29.17%**	**16.67%**
Public debt to GDP	78.00%	79.00%	77.00%
T-Bills 91 days	8.70%	9.10%	8.20%
Reverse REPO	7.00%	7.30%	6.80%

The backward elimination multiple regression model led to the following macro-economic factors per sector for the year ended 31 December 2023;

2023	
i) Building & construction	Public debt to GDP
ii) Personal & household	Ninety-one-day Treasury bills
iii) Social, community and personal	Reverse REPO
iv) Tourism, restaurants and hotels	Reverse REPO
v) Trade	Reverse REPO
	Public debt to GDP

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.

There have been changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year.

The Bank's historical Probabilities of Default (PDs) for purposes of incorporating forward looking information were modelled at portfolio sector level using transition matrices that analysed the movements of loans from one classification (stage) to another over the past 5 years.

Linear correlations between the macroeconomic factors and the Bank's Sector NPL Ratios (Non- Performing Loans to Gross Loans (NPL %) were individually tested. Macro-economic variables to be used for regression were then selected based on:

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

4. 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 - (Continued)

- Correlation Coefficient of at least 40% (Guildford's criterion)
- No counter intuitive relationship with the NPL ratios

A backward elimination multiple regression model was then performed between the Bank NPL Ratios and all the macro-economic factors selected.

Two approaches were considered to compute the Macro-adjusted PDs using the Forecasted NPL ratios above i.e linear model approach and direct inference approach.

Probabilities of default from the linear model take precedence over Direct Inference subject to the set conditions in the analysis.

If the Direct inference approach and linear model present significant deviation from recent trends and Historical PDs, the historical PD was adjusted by an average of the macro-adjustments from the sectors where modelling was possible.

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

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

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.

OUR FINANCIALS (Continued)
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For the year ended 31 December 2023
4. 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 - (Continued)

Measurement of ECL - (Continued)

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

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

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

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

ECL - Sensitivity analysis

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 2023:

2023	ECL	Impact
	KShs '000	KShs '000
If 1% of stage 1 facilities were included in Stage 2	4,295,970	201,227
If 1% of stage 2 facilities were included in Stage 1	4,081,311	(13,089)
100% upside scenario	3,457,358	(291,926)
100% base scenario	3,790,583	(27,047)
100% downside scenario	4,121,346	369,634

2022	ECL	Impact
	KShs '000	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)

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 2023
4. FINANCIAL RISK MANAGEMENT - (Continued)
(a) Credit risk- (Continued)

(v) Amounts arising from ECL -(Continued)

ECL - Sensitivity analysis – (Continued)

Loans and advances to customers at amortised cost

Group	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Balance at 1 January 2023	**401,363**	**3,456,140**	**13,580,191**	**17,437,694**	**201,334,032**	**28,178,751**	**26,515,054**	**256,027,837**
Transfer from 12 months ECL (Stage 1)	(35,127)	23,712	11,415	-	(15,277,835)	11,545,259	3,732,576	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	110,862	(410,344)	299,482	-	4,844,247	(17,869,870)	13,025,623	-
Transfer from Lifetime ECL credit impaired (Stage 3)	32,656	21,436	(54,092)	-	195,881	208,314	(404,195)	-
Net remeasurement of loss allowance	656,072	(1,805,753)	7,234,992	**6,085,311**	25,000,766	3,127,428	4,378,107	**32,506,301**
New financial assets originated or purchased	345,818	83,261	311,999	**741,078**	54,519,226	1,760,390	840,136	**57,119,752**
Financial assets derecognised	(18,120)	(23,144)	(466,525)	**(507,789)**	(12,618,406)	(2,735,646)	(1,767,204)	**(17,121,256)**
Write off	-	-	(10,703,395)	**(10,703,395)**	(82,472)	(3)	(11,837,338)	**(11,919,813)**
Translation difference	35,308	42,835	743,391	**821,534**	6,299,805	1,064,384	1,228,263	**8,592,452**
Balance at 31 December 2023	**1,528,832**	**1,388,143**	**10,957,458**	**13,874,433**	**264,215,244**	**25,279,007**	**35,711,022**	**325,205,273**

Group	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Balance at 1 January 2022	**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**

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4. FINANCIAL RISK MANAGEMENT - (Continued)
(a) Credit risk- (Continued)
(v) Amounts arising from ECL - (Continued)

ECL - Sensitivity analysis – (Continued)

Loan commitments and financial guarantee contracts

Group	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Balance at 1 January 2023	**73,065**	**51,371**	**60,189**	**184,625**	**94,996,286**	**3,617,634**	**631,219**	**99,245,139**
Transfer from 12 months ECL (Stage 1)	(1,578)	1,536	42	-	(2,342,984)	2,061,039	281,945	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	40,010	(41,618)	1,608	-	1,984,990	(2,023,918)	38,928	-
Transfer from Lifetime ECL credit impaired (Stage 3)	4,025	-	(4,025)	-	7,000	-	(7,000)	-
Net remeasurement of loss allowance	82,715	14,953	(123)	**97,545**	7,905,151	(360,423)	(60,109)	**7,484,619**
New financial assets originated or purchased	65,269	1,455	-	**66,724**	45,954,640	61,389	25,169	**46,041,198**
Financial assets derecognised	(17,866)	(10,536)	(11,481)	**(39,883)**	(17,057,332)	(1,189,311)	(526,846)	**(18,773,489)**
Translation difference	343	3,680	-	**4,023**	2,745,925	41,665	45,884	**2,833,474**
Balance at 31 December 2023	**245,983**	**20,841**	**46,210**	**313,034**	**134,193,676**	**2,208,075**	**429,190**	**136,830,941**

Group	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Balance at 1 January 2022	**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**

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4. FINANCIAL RISK MANAGEMENT - (Continued)

a. Liquidity risk

Liquidity refers to the efficiency or ease with which an asset or security can be converted into ready cash to meet obligations as they fall due. 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 31 and Note 32.

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

	Kenya		Tanzania		Rwanda		Uganda	
	2023	2022	2023	2022	2023	2022	2023	2022
At 31 December	39%	39%	29%	26%	50%	42%	52%	52%
Average for the period	39%	42%	27%	32%	45%	46%	52%	57%
Highest for the period	42%	47%	35%	29%	50%	54%	57%	63%
Lowest for the period	37%	39%	23%	24%	39%	39%	46%	52%

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	Contractual cash flow						
31 December 2023	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total	Carrying Value
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
LIABILITIES							
Deposits from banks	10,772,362	17,759,986	6,741,866	3,480,663	3,783,513	**42,538,390**	**39,499,089**
Items in the course of collection	56,011	769,041	-	-	-	**825,052**	**769,041**
Deposits from customers	152,244,711	135,017,470	100,448,952	21,916,806	12,797,291	**422,425,230**	**416,674,435**
Other liabilities	1,639,950	5,129,248	628,634	397,624	-	**7,795,456**	**5,524,424**
Long term debt	65,795	-	225,416	5,113,066	377,322	**5,781,599**	**5,739,099**
Subordinated debt	-	-	406,924	5,285,852	10,872,250	**16,565,026**	**12,532,190**
Contractual off-balance sheet financial liabilities	47,037,060	19,623,820	116,618,156	4,774,346	5,177	**188,058,559**	**188,058,559**
Capital commitments	-	-	1,593,075	-	-	**1,593,075**	**1,593,075**
Lease liabilities	200,636	149,155	673,224	1,760,923	394,627	**3,178,565**	**2,585,140**
Balance at 31 December 2023	**212,016,525**	**178,448,720**	**227,336,247**	**42,729,280**	**28,230,180**	**688,760,952**	**672,975,052**

OUR FINANCIALS (Continued)

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For the year ended 31 December 2023

4. FINANCIAL RISK MANAGEMENT - (Continued)

b. Liquidity risk - (Continued)

Group	Contractual cash flow						
31 December 2022	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total	Carrying Value
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	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**

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

c. Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spread (not relating to changes in the obligator's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. 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 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.

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.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

4. FINANCIAL RISK MANAGEMENT - (Continued)

c. Market risk - (Continued)

Exposure to interest rate risk- (Continued)

Group 31 December 2023	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Non-interest bearing	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
ASSETS							
Cash and balances with central banks	-	-	-	-	-	41,275,497	**41,275,497**
Items in the course of collection	-	-	-	-	-	399,994	**399,994**
Loans and advances to banks	29,667,211	24,294,188	5,215,590	-	-	-	**59,176,989**
Loans and advances to customers	16,146,904	232,632,597	16,088,729	35,547,987	10,914,623	-	**311,330,840**
Financial assets at fair value through profit or loss (FVTPL)	-	-	2,229,196	433,116	117,486	-	**2,779,798**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	7,837,460	4,227,408	11,296,989	36,765,572	159,716	**60,287,145**
Other financial assets at amortised cost	1,962,145	3,689,380	10,463,718	20,809,231	17,425,562	-	**54,350,036**
Other assets	-	-	-	-	-	7,349,298	**7,349,298**
At 31 December 2023	**47,776,260**	**268,453,625**	**38,224,641**	**68,087,323**	**65,223,243**	**49,184,505**	**536,949,597**
LIABILITIES							
Deposits from banks	18,376,893	16,386,706	4,735,104	-	-	386	**39,499,089**
Items in the course of collection	-	-	-	-	-	769,041	**769,041**
Deposits from customers	138,149,476	138,211,706	90,720,438	8,795,737	-	40,797,078	**416,674,435**
Other liabilities	-	197,681	523,449	-	-	7,388,434	**8,109,564**
Long term debt	1,832	-	4,672,089	204,921	860,257	-	**5,739,099**
Subordinated debt	-	12,532,190	-	-	-	-	**12,532,190**
At 31 December 2023	**156,528,201**	**167,328,283**	**100,651,080**	**9,000,658**	**860,257**	**48,954,939**	**483,323,418**
Interest rate gap	**(108,751,941)**	**101,125,342**	**(62,426,439)**	**59,086,665**	**64,362,986**	**229,566**	**53,626,179**

OUR FINANCIALS (Continued)
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For the year ended 31 December 2023
4. FINANCIAL RISK MANAGEMENT - (Continued)
c. Market risk - (Continued)

Exposure to interest rate risk- (Continued)

Group 31 December 2022	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Non-interest bearing	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	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**

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 2023
4. FINANCIAL RISK MANAGEMENT - (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 2023 200 basis points	Profit or loss Increase/decrease in basis points	Equity net of tax Increase/decrease in basis points
	Kshs '000	Kshs '000
Assets	9,755,302	6,828,711
Liabilities	(8,687,370)	(6,081,159)
Net position	**1,067,932**	**747,552**

31 December 2022	Profit or loss Increase/decrease in basis points	Equity net of tax Increase/decrease in basis points
	Kshs '000	Kshs '000
Assets	7,462,322	5,223,625
Liabilities	(6,442,098)	(4,509,469)
Net Position	**1,020,224**	**714,156**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

4. 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 2023 and 31 December 2022.

Group 31 December 2023	USD	GBP	Euro	Other	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
ASSETS					
Cash and balances with central banks	14,237,867	793,167	1,274,128	5,884,479	**22,189,641**
Items in the course of collection	59,362	-	862	-	**60,224**
Loans and advances to banks	49,575,710	3,746,744	2,942,872	1,299,181	**57,564,507**
Loans and advances to customers	95,672,266	3,913,010	8,882,860	5,525,175	**113,993,311**
Financial assets at fair value through profit or loss (FVTPL)	987,889	-	-	1,689,007	**2,676,896**
Other financial assets at amortised cost	24,412,098	-	-	8,967,156	**33,379,254**
Other assets	9,875,822	351,515	289,115	596,337	**11,112,789**
At 31 December 2023	**194,821,014**	**8,804,436**	**13,389,837**	**23,961,335**	**240,976,622**
LIABILITIES					
Deposits from banks	9,563,208	50,887	602,245	73	**10,216,413**
Deposits from customers	166,487,017	10,127,498	6,351,273	16,105,513	**199,071,301**
Other liabilities	797,518	15,784	93,138	1,459,140	**2,365,580**
Long-term debt	3,899,020	-	6,265	-	**3,905,285**
Subordinated debt	6,612,366	342,113	247,780	7,823	**7,210,082**
At 31 December 2023	**187,359,129**	**10,536,282**	**7,300,701**	**17,572,549**	**222,768,661**
Net on statement of financial position	**7,461,885**	**(1,731,846)**	**6,089,136**	**6,388,786**	**18,207,961**
Net notional off balance sheet position	**14,760,292**	**1,903,452**	**(5,697,132)**	**233,519**	**11,200,131**
Overall net position – 2023	**22,222,177**	**171,606**	**392,004**	**6,622,305**	**29,408,092**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2023
4. FINANCIAL RISK MANAGEMENT - (Continued)
c. Market risk - (Continued)

Group 31 December 2022	USD	GBP	Euro	Other	Total
	KShs'000	KShs'000	KShs'000	KShs'000	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
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 2023

4. FINANCIAL RISK MANAGEMENT - (Continued)

c. Market 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 2023	Profit or loss Strengthening/ weakening of currency	Equity net of tax Strengthening/ weakening of currency
	KShs'000	KShs'000
USD (± 2.5% movement)	555,554	388,888
GBP (± 2.5% movement)	4,290	3,003
EUR (± 2.5% movement)	**9,800**	**6,860**

At 31 December 2022	Profit or loss Strengthening/ weakening of currency	Equity net of tax Strengthening/ weakening of currency
	Kshs '000	Kshs '000
USD (± 2.5% movement)	306,236	214,365
GBP (± 2.5% movement)	226	158
EUR (± 2.5% movement)	**83,946**	**58,762**

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.
-

The Group and 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.

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2023
4. FINANCIAL RISK MANAGEMENT - (Continued)
d. Capital management- (Continued)

Regulatory capital – Kenya - (Continued)

- Tier 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.

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.

I&M Group PLC

The consolidated regulatory capital position for the Group as per the requirement of the Central Bank of Kenya was as follows:

		2023	2022
		KShs '000	**KSsh '000**
Core capital (Tier 1)			
Share capital		1,653,621	1,653,621
Share premium		17,561,629	17,561,629
Retained earnings		57,864,315	53,672,896
Other reserves		7,376,124	1,765,754
		84,455,689	**74,653,900**
Less: Goodwill		(4,315,881)	(3,986,814)
Total Core capital		**80,139,808**	**70,667,086**
Supplementary capital (Tier 2)			
Revaluation reserves		310,392	288,581
Term subordinated debt		12,532,190	11,031,585
Statutory loan loss reserve		11,249,371	6,993,268
		24,091,953	**18,313,434**
Total capital		**104,231,761**	**88,980,520**
Risk weighted assets			
Credit risk weighted assets		459,192,097	352,383,224
Market risk weighted assets		24,716,756	25,381,337
Operational risk weighted assets		67,476,448	55,948,709
Total risk weighted assets		**551,385,301**	**433,713,270**
Deposits from customers		**416,674,435**	**312,335,932**
Capital ratios	**Minimum***		
Core capital/Total deposit liabilities	**8.0%**	**19.23%**	**22.63%**
Core capital /Total risk weighted assets	**10.5%**	**14.53%**	**16.29%**
Total capital /Total risk weighted assets	**14.5%**	**18.90%**	**20.52%**

As defined by the Central Bank of Kenya

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

4. FINANCIAL RISK MANAGEMENT - (Continued)

d. Capital management- (Continued)

Regulatory capital – Kenya - (Continued)

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

		2023	2022
		KShs '000	KShs '000
Core capital (Tier 1)			
Share capital		3,000,000	3,000,000
Share premium		5,531,267	5,531,267
Retained earnings		39,478,199	37,144,898
		48,009,466	**45,676,165**
Less: Deferred tax		(1,180,242)	(43,261)
Less: Investment in subsidiary		(3,882,612)	(3,057,585)
Total Core capital		**42,946,612**	**42,575,319**
Supplementary capital (Tier 2)			
Term subordinated debt		7,917,524	7,870,156
Statutory loan loss reserve		9,341,350	6,008,653
		17,258,874	**13,878,809**
Total capital		**60,205,486**	**56,454,128**
Risk weighted assets			
Credit risk weighted assets		276,325,122	220,987,952
Market risk weighted assets		19,737,672	20,940,394
Operational risk weighted assets		45,448,696	37,840,940
Total risk weighted assets		**341,511,490**	**279,769,286**
Deposits from customers		**312,370,291**	**236,775,189**
Capital ratios	**Minimum***		
Core capital/Total deposit liabilities	**8.0%**	**13.75%**	**17.98%**
Core capital /Total risk weighted assets	**10.5%**	**12.58%**	**15.22%**
Total capital /Total risk weighted assets	**14.5%**	**17.63%**	**20.18%**

As defined by the Central Bank of Kenya

OUR FINANCIALS (Continued)

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4. FINANCIAL RISK MANAGEMENT - (Continued)

d. Capital management- (Continued)

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.

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.

		2023	2022
		TZS'000	TZS'000
Core capital (Tier 1)			
Share capital		23,954,016	23,192,000
Share premium		31,528,228	18,090,228
Retained earnings		27,152,132	39,190,834
		82,634,376	**80,473,062**
Less: Prepaid expenses		(1,809,906)	(1,767,587)
Deferred tax asset		(12,332,516)	(11,331,444)
Total Core capital		**68,491,954**	**67,374,031**
Supplementary capital (Tier 2)			
General provisions in equity		21,685,733	4,879,194
Fair value reserve		285,747	335,150
		21,971,480	**5,214,344**
Total capital		**90,463,434**	**72,588,375**
Risk weighted assets			
On balance sheet		419,307,628	355,449,168
Off balance sheet		36,534,619	54,713,906
Capital charge for market risk		38,082,325	30,141,488
Operational risk weighted assets		**1,505,646**	**2,485,731**
Total risk weighted assets		**495,430,218**	**442,790,293**
	Minimum*		
Capital ratios			
Core capital /Total risk weighted assets	**12.5%**	**13.82%**	**15.22%**
Total capital /Total risk weighted assets	**14.5%**	**18.26%**	**16.39%**

**** As defined by the Bank of Tanzania***

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

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For the year ended 31 December 2023

4. 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.

		2023	2022
		Frw'000	Frw'000
Core capital (Tier 1)			
Share capital		15,150,000	15,150,000
Share premium		6,249,832	6,249,832
Retained earnings		52,363,857	46,350,495
		73,763,689	**67,750,327**
Less: Other reserves		(261,956)	327,213
Less: Intangible assets		(2,392,033)	(1,853,297)
Total Core capital (Tier 1 Capital)		**71,109,700**	**66,224,243**
Supplementary capital			
Revaluation reserves		5,905,599	4,736,212
Term subordinated debt		-	-
		5,905,599	**4,736,212**
Total capital (Tier 2 Capital)		**77,015,299**	**70,960,455**
Total risk weighted assets		**433,529,860**	**339,978,863**
Capital ratios	**Minimum***		
Core capital /Total risk weighted assets	**13.0%**	**16.40%**	**19.48%**
Capital /Total risk weighted assets	**15.0%**	**17.76%**	**20.87%**

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 2023

4. 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 Bank maintains a ratio of common equity tier 1 capital to its risk weighted assets and total regulatory capital to its risk-weighted assets above the minimum levels of 12.5% and 14.5% as established under the Financial Institutions (Capital Adequacy Requirements) Regulations, 2018 and the Financial Institutions (Capital Buffers and Leverage Ratio) Regulations, 2021.

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

- Common equity tier 1 capital of not less than 12.5% of its total risk weighted assets, plus sum of risk weighted off-balance sheet items and market risk.
- Total capital of not less than 14.5% of its total risk weighted assets, plus sum of risk weighted off-balance sheet items and market risk.
- Leverage ratio at a minimum of 6%, that is common equity tier 1 as a ratio of total assets plus off balance sheet items.

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.
-

As at December 31, 2023, the Bank was compliant with both the minimum paid up cash capital and the minimum capital funds unimpaired by losses as indicated below;

(i) Minimum paid-up capital requirement	**Ushs'000**
Required	120,000,000
Available	210,000,000
Surplus	**90,000,000**

OUR FINANCIALS (Continued)

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4. FINANCIAL RISK MANAGEMENT - (Continued)

d. Capital management- (Continued)

Regulatory Capital – Uganda- (Continued)

(ii) Minimum Capital funds unimpaired by losses	**Ushs'000**
Required	120,000,000
Available	134,852,109
Surplus	**14,852,109**

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2023 and 2022. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject.

		2023	2022
		Ushs'000	Ushs'000
Core capital (Tier 1)			
Share capital		210,000,000	150,000,000
Retained earnings		(11,500,093)	(22,994,335)
		198,499,907	**127,005,665**
Less: Intangible assets		(3,875,160)	(2,642,714)
Deferred income tax asset		(59,305,284)	(54,869,069)
Unrealised foreign exchange gains		(480,265)	(499,508)
Total Core capital (Tier 1 Capital)		**134,839,198**	**68,994,374**
Supplementary capital			
General provisions		2,949,880	2,338,087
Total capital (Tier 2 Capital)		**137,789,078**	**71,332,461**
Risk weighted assets:			
On-balance sheet		404,593,767	308,939,179
Off-balance sheet		59,928,066	50,444,874
Counterparty credit risk exposures		-	39,411
Market risk		9,160,245	10,133,616
Total risk weighted assets		**473,682,078**	**369,557,080**
Capital ratios	**Minimum***		
Core capital /Total risk weighted assets	**12.5%**	**28.47%**	**18.67%**
Total capital /Total risk weighted assets	**14.5%**	**29.09%**	**19.30%**

As defined by the Bank of Uganda

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

4. 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 with 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 2023 was 16.85% (2022 – 17.76%).

5. 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. (refer to Note 15 and Note 26)

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

5. USE OF ESTIMATES AND JUDGEMENT- (Continued)

Key sources of estimation uncertainty - (Continued)

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 25(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.

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).

Note 24: Impairment testing for CGUs containing goodwill: Key assumptions underlying recoverable amounts.

Note 36 and Note 37: Recognition and measurement of contingencies: Key assumptions about the likelihood and magnitude of an outflow of resources.

Note 5: measurement of fair value of financial instruments with significant unobservable inputs.

6. FAIR VALUE HEIRARCHY FOR ASSETS CARRIED AT FAIR VALUE

Accounting classifications at carrying amounts and fair values

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

The following sets out the Group's basis of establishing fair values of financial instruments: Investment securities with observable market prices including equity securities are fair valued using that information. Investment securities that do not have observable market data are fair valued either using discounted cash flow method or quoted market prices for securities with similar yield characteristics.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

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6. FAIR VALUE HEIRARCHY FOR ASSETS CARRIED AT FAIR VALUE- (Continued)

Accounting classifications at carrying amounts and fair values- (Continued)

Loans and advances to customers are net of allowance for impairment. The estimated fair value of loans and advances represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. A substantial proportion of loans and advances are on floating rates and re-price within 12 months, hence, their fair value approximates their carrying amounts. The estimated fair value of deposits with no stated maturity is the amount repayable on demand. Estimated fair value of fixed interest-bearing deposits without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with similar maturities and interest rates. A substantial proportion of deposits mature within 12 months and hence the fair value approximates their carrying amounts.

Cash and balances with Central Banks are measured at amortised cost and their fair value approximates their carrying amount.

A substantial proportion of deposits mature within 12 months and hence the fair value approximates their carrying amounts.

Category of asset/liability	Valuation techniques applied	Significant observable inputs
Cash and cash equivalents, items in course of collection, loans and advances to banks and due from group companies	Carrying amount since the amounts are receivable on demand as at the reporting date	
Loans and advances to customers	Discounted cash flow models	Interest rates, expected lifetime credit losses, prepayments rates and primary origination or secondary market spreads
Government trading securities/ Government securities	Prices quoted in an active market	Quoted yields and bid offer adjustment that management has estimated as the reasonable basis for applying the adjustment
Foreign exchange derivatives	Discounted cash flow techniques and/or option pricing models, such as the Black Scholes model	Spot price, interest rate and/ or volatility
Deposits	A substantial proportion of deposits mature within 12 months and hence the fair value approximates their carrying amounts.	

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

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6. FAIR VALUE HEIRARCHY FOR ASSETS CARRIED AT FAIR VALUE- (Continued)

Accounting classifications at carrying amounts and fair values

Group	Carrying amounts					Fair value			
31 December 2023	Financial assets at amortised cost	Financial assets at FVOCI	Financial assets at FVTPL	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cash and balances with central banks	41,275,497	-	-	-	**41,275,497**	-	-	-	-
Items in the course of collection	399,994	-	-	-	**399,994**	-	-	-	-
Loans and advances to banks	59,176,989	-	-	-	**59,176,989**	-	-	-	-
Loans and advances to customers	311,330,840	-	-	-	**311,330,840**	-	325,205,273	-	**325,205,273**
Financial assets at fair value through profit or loss (FVTPL)	-	-	2,779,798	-	**2,779,798**	2,779,798	-	-	**2,779,798**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	60,287,145	-	-	**60,287,145**	60,287,145	-		**60,287,145**
Other financial assets at amortised cost	54,350,036	-	-	-	**54,350,036**	52,933,884	-	-	**52,933,884**
Other assets	7,349,298	-	-	-	**7,349,298**	-	-	-	-
	473,882,654	**60,287,145**	**2,779,798**	-	**536,949,597**	**116,000,827**	**325,205,273**	-	**441,206,100**
Deposits from banks	-	-	-	39,499,089	**39,499,089**	-	-	-	-
Items in course of collection	-	-	-	769,041	**769,041**	-	-	-	-
Deposits from customers	-	-	-	416,674,435	**416,674,435**	-	-	-	-
Other liabilities	-	-	-	8,109,564	**8,109,564**	-	-	-	-
Long term debt	-	-	-	5,739,099	**5,739,099**	-	5,739,099	-	**5,739,099**
Subordinated debt	-	-	-	12,532,190	**12,532,190**	-	12,532,190	-	**12,532,190**
	-	-	-	**483,323,418**	**483,323,418**	-	**18,271,289**	-	**18,271,289**

Short term financial instruments carrying value reasonably approximates their fair values.

OUR FINANCIALS (Continued)

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6. FAIR VALUE HEIRARCHY FOR ASSETS CARRIED AT FAIR VALUE- (Continued)

Accounting classifications at carrying amounts and fair values- (Continued)

Group	Carrying amounts					Fair value			
31 December 2022	Financial assets at amortised cost	Financial assets at FVOCI	Financial assets at FVTPL	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	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**	-	-	-	-
Loans and advances to customers	238,590,143	-	-	-	**238,590,143**	-	256,027,837	-	**256,027,837**
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**	52,991,148	-	-	**52,991,148**
Other financial assets at amortised cost	43,718,321	-	-	-	**43,718,321**	36,368,082	-	-	**36,368,082**
Other assets	5,528,057	-	-	-	**5,528,057**	-	-	-	-
	332,568,531	**52,991,148**	**16,402,892**	-	**401,962,571**	**105,762,122**	**256,027,837**	-	**361,789,959**
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 borrowings	-	-	-	5,763,128	**5,763,128**	-	5,763,128	-	**5,763,128**
Subordinated debt	-	-	-	11,031,585	**11,031,585**	-	11,031,585	-	**11,031,585**
	-	-	-	**354,950,058**	**354,950,058**	-	**16,794,713**	-	**16,794,713**

OUR FINANCIALS (Continued)

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6. FAIR VALUE HEIRARCHY FOR ASSETS CARRIED AT FAIR VALUE- (Continued)

Accounting classifications at carrying amounts and fair values- (Continued)

Company	Carrying amounts				Fair value		
31 December 2023	Financial assets at amortised cost	Financial assets at FVOCI	Other financial liabilities at amortised cost	Total	Level 1	Level 3	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Financial assets							
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	876,832	-	876,832	876,832	-	876,832
Due from group companies	3,264,319	-	-	3,264,319	-	-	-
Other assets	2,318	-	-	2,318	-	-	-
	3,266,637	**876,832**	**-**	**4,143,469**	**876,832**	**-**	**876,832**
Financial liabilities							
Other liabilities	-	-	148,744	148,744	-	-	-
	-	**-**	**148,744**	**148,744**	**-**	**-**	**-**

Company	Carrying amounts				Fair value		
31 December 2022	Financial assets at amortised cost	Financial assets at FVOCI	Other financial liabilities at amortised cost	Total	Level 1	Level 3	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	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**	**-**	**-**	**-**

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6. FAIR VALUE HEIRARCHY FOR ASSETS CARRIED AT FAIR VALUE- (Continued)

Measurement of fair values

(i) *Valuation techniques and significant unobservable inputs*

Financial assets measured at fair value - At 31 December 2023 and 31 December 2022

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

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7. 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 2023.

	Kenya	Tanzania	Rwanda	Mauritius	Uganda	Elimination	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
2023							
Net interest income	19,734,989	2,720,748	4,224,085	-	1,950,644	-	28,630,466
Net fee commission and other income	10,374,004	744,430	1,587,183	-	689,881	(262,739)	13,132,759
Operating income	**30,108,993**	**3,465,178**	**5,811,268**	**-**	**2,640,525**	**(262,739)**	**41,763,225**
Staff costs	(4,599,058)	(843,357)	(1,436,151)	(14,626)	(804,381)	43,024	(7,654,549)
Operating expenses	(5,233,603)	(1,007,225)	(1,636,013)	(23,914)	(1,087,281)	97,825	(8,890,211)
Depreciation and Amortisation	(1,909,606)	(192,092)	(541,740)	-	(228,803)	-	(2,872,241)
Net impairment losses on loans and advances	(5,332,723)	(1,114,521)	(335,184)	-	(87,114)	-	(6,869,542)
Operating expenses	**(17,074,990)**	**(3,157,195)**	**(3,949,088)**	**(38,540)**	**(2,207,579)**	**140,849**	**(26,286,543)**
Results from joint venture	-	-	-	1,203,644	-	-	1,203,644
Profit before tax	**13,034,003**	**307,983**	**1,862,180**	**1,165,104**	**432,946**	**(121,890)**	**16,680,326**
Profit after tax	**10,336,184**	**273,901**	**1,278,106**	**1,147,101**	**431,815**	**(121,888)**	**13,345,219**
Loans and advances to customers	**231,552,758**	**28,135,317**	**39,141,631**	**-**	**12,501,134**	**-**	**311,330,840**
Deposits from customers	**305,995,191**	**35,159,399**	**46,954,317**	**-**	**28,565,528**	**-**	**416,674,435**
Total assets	**449,616,007**	**46,325,681**	**84,641,545**	**7,430,490**	**37,904,279**	**(46,198,564)**	**579,719,438**
Total liabilities	**346,128,317**	**39,734,777**	**74,834,157**	**2,483**	**29,645,712**	**(6,326,263)**	**484,019,183**
Capital expenditure	**1,951,291**	**77,599**	**295,290**	**-**	**333,133**	**-**	**2,657,313**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2023
7. OPERATING SEGMENTS - (Continued)

	Kenya	Tanzania	Rwanda	Mauritius	Uganda	Elimination	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
2022							
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**
Staff costs	(4,056,059)	(729,456)	(1,148,502)	-	(691,075)	37,897	(6,587,195)
Operating expenses	(3,724,428)	(677,384)	(1,231,960)	(1,413)	(799,777)	(5,217)	(6,440,179)
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	**357,645,457**	**31,598,347**	**56,220,275**	**5,203,325**	**26,198,937**	**(39,529,156)**	**437,337,185**
Total liabilities	**260,143,421**	**27,023,013**	**48,059,378**	**6,128**	**21,556,865**	**(1,101,208)**	**355,687,597**
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 2023

8. INTEREST INCOME CALCULATED USING EFFECTIVE INTEREST RATE

	Group		Company	
	2023	2022	2023	2022
	KShs '000	KShs '000	KShs '000	KShs '000
Loans and advances to customers	36,469,404	26,259,209	-	-
Loans and advances to banks	1,959,987	569,978	149,318	33,356
Investment securities:-				
- At amortised cost	6,029,835	4,857,964	-	-
- FVOCI - Debt instruments	5,999,348	5,664,046	117,944	86,040
	50,458,574	37,351,197	267,262	119,396

9. INTEREST EXPENSE

	Group 2023	Group 2022	Company 2023	Company 2022
Deposits from customers	17,622,668	11,597,717	-	-
Deposits from banks	2,365,188	1,430,228	-	-
Long term debt	502,585	457,152	-	-
Subordinated debt	1,157,139	745,120	-	-
Lease liabilities (Note 30)	180,528	176,459	-	-
	21,828,108	14,406,676	-	-

10. NET FEE AND COMMISSION INCOME

	Group 2023	Group 2022	Company 2023	Company 2022
Fee and commission income				
Commissions	5,109,058	4,326,132	-	-
Service fees	1,759,773	1,560,339	-	-
	6,868,831	5,886,471	-	-
Fee and commission expense				
Interbank transaction fees	(212,944)	(200,843)	-	-
Other	(705,562)	(393,627)	-	-
	(918,506)	(594,470)	-	-
Net fee and commission income	5,950,325	5,292,001	-	-

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/com-mission	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 pur-chase 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 2023

11. NET TRADING

	Group		Company	
	2023	2022	2023	2022
	KShs '000	KShs '000	KShs '000	KShs '000
Foreign exchange income	5,484,746	5,042,627	132,594	10,768
Net income on financial assets at fair value through profit or loss (FVTPL)	885,164	866,858	-	-
	6,369,910	**5,909,485**	**132,594**	**10,768**

12. OTHER OPERATING INCOME

	Group 2023	Group 2022	Company 2023	Company 2022
Rental income	352,680	306,430	-	-
Profit on sale of property and equipment	(138)	(8,365)	-	-
Other income	459,982	629,530	-	-
Dividend income	-	-	6,929,595	6,073,676
	812,524	**927,595**	**6,929,595**	**6,073,676**

13. OPERATING EXPENSES

	Group		Company	
	2023	2022	2023	2022
	KShs '000	KShs '000	KShs '000	KShs '000
Staff Costs				
Salaries and wages	6,309,176	5,414,981	-	-
Contribution to defined contribution plan	277,851	254,867	-	-
Statutory contribution	195,767	157,585	-	-
Other staff costs	871,755	759,762	-	-
	7,654,549	**6,587,195**	**-**	**-**
Premises and equipment costs				
Service charge	205,291	198,550	-	-
Electricity	494,818	404,222	-	-
Other premises and equipment costs	118,712	113,511	-	-
	818,821	**716,283**	**-**	**-**
Other expenses				
Deposit protection insurance contribution	552,788	495,364	-	-
Loss on disposal of property and equipment	(761)	1,457	-	-
Other general administrative expenses	7,519,363	5,227,075	59,791	54,121
	8,071,390	**5,723,896**	**59,791**	**54,121**
Depreciation and amortisation				
Depreciation on property and equipment (Note 24)	1,773,714	1,597,298	-	-
Amortisation of intangible assets (Note 25(b))	1,098,527	873,728	-	-
	2,872,241	**2,471,026**	**-**	**-**

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

	Group		Company	
	2023	2022	2023	2022
Management	2,057	1,730	-	-
Others	339	401	-	-
	2,396	**2,131**	**-**	**-**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

14. PROFIT BEFORE INCOME TAX

	Group		Company	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
Profit before income tax is arrived at after charging/(crediting):				
Depreciation	1,773,714	1,597,298	-	-
Amortisation of intangible assets	1,098,527	873,728	-	-
Directors' emoluments:				
Fees	28,832	25,123	11,360	11,360
Other	148,587	89,199	-	-
Auditor's remuneration	34,729	34,449	2,462	2,462
Net profit on disposal of property and equipment	623	(9,822)	-	-
Dividend income	-	-	6,929,595	6,073,676

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

(a) Income tax expense

	Group		Company	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
Current tax				
Current year's	4,770,300	4,599,417	83,286	7,075
(Over)/under provision in prior year	(5,200)	43,492	5,678	-
	4,765,100	**4,642,909**	**88,964**	**7,075**
Deferred tax (Note 26)	(1,381,689)	(1,542,317)	(1,664)	-
Current year	(48,304)	308,042	1,141	-
Prior year adjustment	**(1,429,993)**	**(1,234,275)**	**(523)**	**-**
Income Tax expense	**3,335,107**	**3,408,634**	**88,441**	**7,075**

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	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
Accounting profit before income tax	**16,680,326**	**14,992,332**	**7,269,660**	**6,149,719**
Computed tax using the applicable corporation tax rate 30%	5,004,098	4,497,700	2,180,898	1,844,916
Under(over) provision in the prior year	(5,200)	43,492	5,678	-
Impact of share of joint venture's loss/(profit)	**(361,093)**	**(198,645)**	-	-
Effect on non-deductible costs/non-taxable income	(1,254,394)	(1,241,955)	(2,099,276)	(1,837,841)
Over provision in prior year - deferred tax (Note 26)	(48,304)	308,042	1,141	-
	3,335,107	**3,408,634**	**88,441**	**7,075**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

15. INCOME TAX EXPENSE AND TAX (RECOVERABLE)/PAYABLE - (Continued)

(b) Tax (recoverable)/payable

	Group		Company	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January	(236,823)	(430,450)	(7,695)	(3,463)
Income tax expense (Note 15(a))	4,765,100	4,642,909	88,964	7,075
Effect of tax in foreign jurisdiction	(211,924)	(195,085)	-	-
Tax paid	(4,787,644)	(4,254,197)	(10,174)	(11,307)
At 31 December	**(471,291)**	**(236,823)**	**71,095**	**(7,695)**
Tax recoverable	(690,697)	(445,655)	-	(7,695)
Tax payable	219,406	208,832	71,095	-
Net (recoverable)/payable	**(471,291)**	**(236,823)**	**71,095**	**(7,695)**

Details on outstanding tax cases are disclosed on Note 41.

16. EARNINGS PER SHARE

	Group		Company	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
Profit for the year attributable to equity holders (KShs '000')	12,615,177	11,193,489	7,181,219	6,142,644
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)	**7.63**	**6.77**	**4.34**	**3.71**

There were no potentially dilutive shares outstanding at 31 December 2023 (2022 – Nil).

17. CASH AND BALANCES WITH CENTRAL BANKS

	Group		Company	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
Cash on hand	6,501,173	5,186,177	-	-
Balances with central banks				
-Restricted balances (CRR*)	22,234,535	16,056,162	-	-
-Unrestricted balances	12,539,789	1,575,963	-	-
	41,275,497	**22,818,302**	**-**	**-**

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 2023, the cash ratio requirement was 4.25% (2022 – 4.25%) in Kenya, Tanzania was 6% (2022 – 6%) and 5% (2022 – 5%) in Rwanda 5% 2022-4% and Uganda was 10% 2022-10% of eligible deposits.

18. ITEMS IN THE COURSE OF COLLECTION

	Group		Company	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
Assets	399,994	446,526	-	-
Liabilities	769,041	614,020	-	-

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

OUR FINANCIALS (Continued)

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19. LOANS AND ADVANCES TO BANKS

	Group		Company	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
Due within 90 Days	59,176,342	20,487,484	312,326	-
Due after 90 days	647	979,698	-	-
	59,176,989	**21,467,182**	**312,326**	-

20. LOANS AND ADVANCES TO CUSTOMERS

(a) Classification

	2023	2022
	KShs '000	KShs '000
Overdrafts	81,069,634	69,120,930
Loans	228,040,709	173,938,510
Bills discounted	4,942,452	2,926,684
Hire purchase- finance leases	11,152,478	10,041,713
Gross loans and advances	**325,205,273**	**256,027,837**
Less: Impairment losses on loans and advances	(13,874,433)	(17,437,694)
Net loans and advances	**311,330,840**	**238,590,143**

The movement in impairment loss reserves in compliance with IFRS 9 is disclosed on Note 4(a) (v).

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

20. LOANS AND ADVANCES TO CUSTOMERS - (Continued)

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

2023	Loans and advances to Customers at amortised cost	Loan commitments and financial guarantee contracts	Total banking related financial assets	Other financial assets at amortised cost - trade receivabl	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Net remeasurement of loss allowance	6,085,311	97,545	6,182,856	12,422	6,195,278
New financial assets originated or purchased	741,078	66,724	807,802	-	807,802
	6,826,389	**164,269**	**6,990,658**	**12,422**	**7,003,080**
Recoveries and impairment no longer required	(507,789)	(39,883)	(547,672)	-	(547,672)
Recoveries of loans and advances previously written off	(193,542)	-	(193,542)	-	(193,542)
Amounts directly written off during the year	607,676	-	607,676	-	607,676
	6,732,734	**124,386**	**6,857,120**	**12,422**	**6,869,542**

2022	Loans and advances to Customers at amortised cost	Loan commitments and financial guarantee contracts	Total banking related financial assets	Other financial assets at amortised cost - trade receivabl	Total
	KShs'000	KShs'000	KShs'000	KShs'000	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**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

20. LOANS AND ADVANCES TO CUSTOMERS - (Continued)

Non-performing loans and advances net of impairment losses and estimated value of securities are disclosed in Note 4(a):

Group	2023	2022
	KShs '000	KShs '000
Interest on impaired loans and advances which have not yet been received in cash	**1,870,339**	**1,429,920**

(d) Loans and advances to customers concentration by sector

Group	2023		2022	
	KSH '000	%	KSH '000	%
Manufacturing	86,959,365	27%	70,073,557	26%
Wholesale and retail trade	62,046,470	19%	49,739,755	19%
Building and construction	18,477,119	6%	15,644,039	6%
Agriculture	22,332,466	5%	12,863,927	4%
Real estate	31,247,929	13%	34,068,726	15%
Transport and communication	31,596,003	6%	16,468,187	7%
Business services	20,298,906	7%	17,431,112	8%
Electricity and water	1,643,701	1%	2,571,539	1%
Finance and insurance	9,844,149	3%	6,505,766	2%
Mining and quarrying	2,065,443	1%	2,009,133	1%
Others	38,693,722	12%	28,652,096	11%
	325,205,273	**100%**	**256,027,837**	**100%**

(e) Finance leases

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

Group	2023	2022
	KShs '000	KShs '000
Receivable no later than 1 year	718,204	490,992
Receivable later than 1 year and no later than 5 years	8,877,007	6,677,302
Receivable later than 5 years	1,557,267	2,873,419
	11,152,478	**10,041,713**

21. FINANCIAL ASSETS

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

Group	2023	2022
	KSH '000	KSH '000
Derivative assets	773,632	956,931
Government securities	2,006,166	15,445,961
	2,779,798	**16,402,892**

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

Group	2023	2022
	KSH '000	KSH '000
Equity investments	1,166,685	813,083
Corporate bonds	637,843	320,013
Government securities	58,482,617	51,858,052
	60,287,145	**52,991,148**
Company		
Government securities	**876,832**	**925,055**

OUR FINANCIALS (Continued)
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21. FINANCIAL ASSETS - (Continued)
(c) Other financial assets at amortised cost

Group	2023	2022
	KShs '000	KShs '000
Government securities	54,276,095	43,605,472
Trade receivables	73,941	112,849
	54,350,036	**43,718,321**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2023
21. FINANCIAL ASSETS - (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 co	Financial assets measured at fair value through other comprehensive income (FVOCI)			
2023	Government securities	Government securities	Government securities	Equity investments	Corporate bond	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
31 December 2023						
At 1 January	16,402,892	43,605,472	51,858,052	813,083	320,013	112,999,512
Additions	4,014,929	53,711,690	15,592,557	177,712	317,830	73,814,718
Disposals and maturities	(17,601,669)	(47,386,910)	(7,385,067)	-	-	(72,373,646)
Changes in fair value	(55,671)	-	(2,168,665)	83,521	-	(2,140,815)
Amortisation of discounts and premiums, unearned interest and interest receivable	(32,130)	927,596	22,394	82,536	-	1,000,396
Translation reserve	51,447	3,418,247	563,346	9,833	-	4,042,873
At 31 December	2,779,798	54,276,095	58,482,617	1,166,685	637,843	117,343,038

	Financial assets at fair value through profit or loss (FVTPL)	Other financial assets at amortised co	Financial assets measured at fair value through other comprehensive income (FVOCI)			
2022	Government securities	Government securities	Government securities	Equity investments	Corporate bond	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	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

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

21. 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)	2023	2022
	KShs '000	KShs '000
At 1 January	925,055	27,019
Additions	-	913,889
Changes in fair value	(48,344)	(41,101)
Amortisation of discounts and premiums, unearned interest and interest receivable	121	25,248
At 31 December	**876,832**	**925,055**

22. HELD FOR SALE ASSETS

Group	2023	2022
	KShs '000	KShs '000
Assets held for sale	307,501	751,728

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

23. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURE

The Company holds investments in subsidiaries in I&M Bank (T) Limited and I&M Bancassurance Intermediary Limited through I&M Bank LIMITED. All the two 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% (2022 – 50%) control over Bank One Limited with the other joint venture partner, 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	2023	2022
	KSH '000	KSH '000
Balance at start of the year	5,570,240	5,226,107
Share of:		
Profit/(loss) from operations	1,203,644	662,150
Dividends received	(391,995)	(643,324)
Other comprehensive income	1,496,578	325,307
Balance at end of the year	**7,878,467**	**5,570,240**
Percentage ownership	50.00%	50.00%
Total assets (including cash and cash equivalents)	186,073,155	131,283,266
Total liabilities	(171,267,033)	(121,093,598)
Net assets (100%)	**14,806,122**	**10,189,668**
Group's share of net assets (50%)	7,403,061	5,094,834
Goodwill	475,406	475,406
Carrying amount of interest in joint venture	7,878,467	5,570,240
Interest income	7,493,666	3,736,229
Interest expense	(3,452,143)	(1,071,098)
Other income	1,650,704	1,375,736
Operating expenses	(3,110,016)	(2,604,619)
Income tax credit/(expense)	(174,923)	(111,948)
Profit and total comprehensive income (100%)	**2,407,288**	**1,324,300**
Profit and loss (50%)	**1,203,644**	**662,150**
Group's share of total comprehensive income	**2,700,222**	**987,457**

OUR FINANCIALS (Continued)

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23. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURE - (Continued)

(a) Investment in joint venture - (Continued)

Company:	KShs'000	KShs'000
At 1 January	2,515,591	2,515,591
Additional investment in Bank One Limited	-	-
At 31 December	**2,515,591**	**2,515,591**

(b) Investment in subsidiaries

Company	Activity	Jurisdiction	Shareholding	2023	2022
				KShs'000	KShs'000
I&M Bank LIMITED	Banking	Kenya	100.00%	19,860,176	19,860,176
I&M Capital Limited	Wealth management	Kenya	100.00%	38,611	38,611
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	93,037
Giro Limited	Investment	Kenya	100.00%	4,115,023	4,115,023
I&M Bank (Uganda) Limited	Banking	Uganda	79.29%	6,066,483	5,105,276
Investment & Mortgages Nominees Limited	Nominees	Kenya	100.00%	1,025	-
				32,298,390	**31,336,158**

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%

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

Financial assets measured at fair value through other comprehensive income (FVOCI)	2023	2022
	KShs '000	KShs '000
At 1 January	**31,336,158**	**30,435,895**
Acquisition of Investment & Mortgages Nominees Limited	1,025	-
Additional investment in I&M Bank (Uganda) Limited	961,207	538,888
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	**32,298,390**	**31,336,158**

OUR FINANCIALS (Continued)
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23. 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	
	2023	2022	2023	2022	2023	2022	2023	2022
	KShs'Mn	KShs'Mn	KShs'Mn	KShs'Mn	KShs'Mn	KShs'Mn	KShs'Mn	KShs'Mn
Summarized statement of financial position								
Total assets	405,613	315,510	46,278	31,550	84,642	56,220	37,888	26,187
Total liabilities	348,858	260,877	39,735	27,023	74,834	48,059	29,643	21,554
Net assets	**56,755**	**54,633**	**6,543**	**4,527**	**9,808**	**8,161**	**8,245**	**4,633**
Summarized statement of profit and loss and other comprehensive income								
Net interest income	**19,272**	**16,238**	**2,721**	**1,622**	**4,224**	**3,584**	**1,951**	**1,221**
Profit before income tax	12,084	12,260	309	(689)	1,862	1,500	430	692
Income tax expense	(2,368)	(2,498)	(34)	183	(584)	(459)	-	(405)
Profit for the year	**9,716**	**9,762**	**275**	**(506)**	**1,278**	**1,041**	**430**	**287**
Summarised statement of cash flows								
Net cash generated from operating activities	34,564	10,528	944	1,324	12,494	(1,154)	352	(3,108)
Net cash used in investing activities	(2,202)	(1,123)	(569)	(111)	(503)	(266)	(764)	(252)
Net cash (used in)/generated from financing activities	(7,593)	(6,015)	216	(1,150)	(1,614)	(2,136)	1,970	833
Net increase/(decrease) in cash and cash equivalents	**24,769**	**3,390**	**591**	**63**	**10,377**	**(3,556)**	**1,558**	**(2,527)**
Cash and cash equivalents at beginning of year	**4,952**	**1,562**	**2,693**	**2,630**	**7,907**	**11,463**	**11,427**	**8,319**
Cash and cash equivalents at end of year	**29,721**	**4,952**	**3,284**	**2,693**	**18,284**	**7,907**	**12,985**	**5,792**

OUR FINANCIALS (Continued)
Notes to the consolidated and separate financial statements
For the year ended 31 December 2023
23. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURE - (Continued)

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

	I&M Bank (T) Limited		I&M Bank (Rwanda) PLC		I&M Bank (Uganda) Limited		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
NCI percentage	**21.49%**	**22.20%**	**45.53%**	**45.53%**	**20.71%**	**10.00%**		
	KShs'Mn	KShs'Mn	KShs'Mn	KShs'Mn	KShs'Mn	KShs'Mn	KShs'Mn	KShs'Mn
Summarized statement of financial position								
Loans and advances to customers	28,135	19,341	39,142	26,514	12,501	7,909		
Other assets	18,143	12,209	45,500	29,706	25,387	18,278		
Liabilities	(39,735)	(27,023)	(74,834)	(48,059)	(29,643)	(21,554)		
Net assets	**6,543**	**4,527**	**9,808**	**8,161**	**8,245**	**4,633**		
Carrying amount of NCI	1,406	1,005	4,465	3,715	1,707	463		
Transactions effected solely by NCI	4	4	(55)	(55)	-	-		
Total carrying amount of NCI	**1,410**	**1,009**	**4,410**	**3,660**	**1,707**	**463**	**7,527**	**5,132**
Summarized statement of profit and loss and other comprehensive income								
Net interest income	2,721	1,622	4,226	3,584	1,951	1,221		
(Loss)/profit for the year	275	(506)	1,278	1,041	430	287		
Total comprehensive income	275	(506)	1,278	1,041	430	287		
(Loss)/profit allocated to NCI	**59**	**(112)**	**582**	**473**	**89**	**29**	**730**	**390**
Summarised statement of cash flows								
Net cash generated from operating activities	944	1,324	12,494	(1,154)	352	(3,108)		
Net cash used in investing activities	(569)	(111)	(503)	(266)	(764)	(252)		
Net cash (used in)/generated from financing activities	216	(1,150)	(1,614)	(2,136)	1,970	833		
Net increase/(decrease) in cash and cash equivalents	**591**	**63**	**10,377**	**(3,556)**	**1,558**	**(2,527)**		
Cash and cash equivalents at beginning of year	**2,693**	**2,630**	**7,907**	**11,463**	**11,427**	**8,319**		
Cash and cash equivalents at end of year	**3,284**	**2,693**	**18,284**	**7,907**	**12,985**	**5,792**		

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

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24. PROPERTY AND EQUIPMENT

2023	Buildings	Leasehold improvements	Furniture, fittings, fixtures and office equipment	Computers	Motor vehicles	Right of use asset	Capital work in progress	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cost								
At 1 January	7,754,287	2,356,684	3,193,555	2,714,531	207,442	3,465,085	286,828	19,978,412
Additions	2,637	126,802	156,968	151,291	12,550	1,734,556	934,687	3,119,491
Revaluation reserve	20,945	-	-	-	-	-	-	20,945
On disposals	-	(23,523)	(102,082)	(34,699)	-	(168,896)	(26,237)	(355,437)
Reclassification/internal transfers	16,055	61,907	67,187	287,570	11,890	-	(414,801)	29,808
Translation difference	325,447	85,606	191,442	146,075	19,003	172,187	49,720	989,480
At 31 December	**8,119,371**	**2,607,476**	**3,507,070**	**3,264,768**	**250,885**	**5,202,932**	**830,197**	**23,782,699**
Depreciation								
At 1 January	255,484	1,658,559	1,786,038	1,888,988	177,927	1,696,822	-	7,463,818
Charge for the year	202,107	233,716	296,072	481,060	17,986	542,773	-	1,773,714
Reversal on revaluation	(102,141)	-	-	-	-	-	-	(102,141)
On disposals	-	(23,245)	(75,810)	(34,555)	-	(168,609)	-	(302,219)
Translation differences	28,016	53,766	123,990	114,920	15,639	125,372	-	461,703
At 31 December	**383,466**	**1,922,796**	**2,130,290**	**2,450,413**	**211,552**	**2,196,358**	**-**	**9,294,875**
Net book value at 31 December	**7,735,905**	**684,680**	**1,376,780**	**814,355**	**39,333**	**3,006,574**	**830,197**	**14,487,824**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

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24. PROPERTY AND EQUIPMENT - (Continued)

2022	Buildings	Leasehold improvements	Furniture, fittings, fixtures and office equipment	Computers	Motor vehicles	Right of use asset	Capital work in progress	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	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
Transfers to intangible assets	-	-	-	-	-	-	(45,504)	(45,504)
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)

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25. INTANGIBLE ASSETS

(a) Goodwill

	2023	2022
	KShs '000	KShs '000
I&M Bank LIMITED	1,195	1,195
I&M Bank (T) Limited	671,161	567,081
I&M Bank (Rwanda) PLC	495,314	454,505
I&M Burbidge Capital Limited	38,561	35,905
Giro Limited	1,944,139	1,944,139
Youjays Insurance Brokers Limited	232,284	232,284
I&M Bank (Uganda) Limited	933,227	751,705
	4,315,881	**3,986,814**
Movement of Goodwill		
At 1 January	3,986,814	3,986,814
Exchange differences	329,067	-
At 31 December	**4,315,881**	**3,986,814**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements
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25. 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:

2023	I&M Bank (T) Limited	I&M Bank (Rwanda) PLC	I&M Burbidge Capital Limited	Giro Limited	I&M Bancassurance Intermediary Limited	I&M Bank (Uganda) Limited
5 year risk free rate	11.16%	12.38%	11.95%	11.95%	11.95%	15.35%
Risk premium	12.30%	9.80%	9.49%	9.49%	9.49%	10.00%
Terminal growth rate	4.25%	3.00%	4.00%	4.50%	4.00%	6.25%
Pretax discount rate	21%	21%	20%	21%	21%	21%
Exchange rate	KShs 1 = Tzs 15.99	KShs 1 = Rwf 8.02	KShs 1 = KShs 1	KShs 1 = KShs 1	KShs 1 = KShs 1	KShs 1 = Ushs 24.08
Present value of the recoverable amounts KShs in billions	5.899	7.133	0.173	6.785	0.356	8.777
Goodwill impaired	Nil	Nil	Nil	Nil	Nil	Nil

2022	I&M Bank (T) Limited	I&M Bank (Rwanda) PLC	I&M Burbidge Capital Limited	Giro Limited	I&M Bancassurance Intermediary 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 = Ushs 30.16
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

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

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25. 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)

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25. 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	Value in use	Value in use exceeding carrying value	Pretax discount rate	Terminal growth rate	100bps increase in discount rate	100bps decrease in terminal rate	10% reduction in forecasted cash flows	Pretax dis-count rate	Terminal growth rate	Reduction in forecasted cash flows
	KShs'Mn	KShs'Mn	KShs'Mn	%	%	KShs'Mn	KShs'Mn	KShs'Mn	%	%	%
I&M Bank (T) Limited	5,808	5,899	91	21%	4%	(384.84)	(175.15)	(589.91)	(1%)	1%	(2%)
I&M Bank (Rwanda) PLC	5,837	7,133	1,296	21%	3%	(394.38)	(138.66)	(713.27)	(4%)	(17%)	(18%)
I&M Burbidge Capital Limited	35	173	138	20%	4%	(12.20)	(7.40)	(17.30)	204%	N/A	(80%)
I&M Bancassurance Intermediary Limited	232	356	124	21%	4%	(7.65)	(11.64)	(17.56)	(7%)	(24%)	(70%)
Giro Limited	1,944	6,785	4,841	21%	5%	(387.39)	(217.78)	(1,462.25)	(9%)	(28%)	(8%)
I&M Bank (Uganda) Limited	8,151	8,777	626	21%	6%	(379.56)	433.51	(289.15)	(1.6%)	(4.8%)	(6.7%)
Total	**22,007**	**29,123**	**7,116**								

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

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25. INTANGIBLE ASSETS - Continued

(b) Software

2023	Software	Other Intangible Assets	Capital work in progress	Total
	KShs'000	KShs'000	KShs'000	KShs'000
Cost				
At 1 January	6,894,636	-	399,029	7,293,665
Additions	438,100	-	834,278	1,272,378
Reclassification	785,424	-	(783,554)	1,870
Transfers from investment in subsidiary	-	45,516	-	45,516
Write offs	-	-	(22,570)	(22,570)
Translation differences	426,858	-	13,079	439,937
At 31 December	**8,545,018**	**45,516**	**440,262**	**9,030,796**
Amortisation				
At 1 January	4,394,935	-	-	4,394,935
Transfers from investment in subsidiary	-	9,103	-	9,103
Amortisation for the year	1,096,251	2,276	-	1,098,527
Translation differences	351,981	-	-	351,981
At 31 December	**5,843,167**	**11,379**	**-**	**5,854,546**
Carrying amount at 31 December	**2,701,851**	**34,137**	**440,262**	**3,176,250**

2022	Software	Other Intangible Assets	Capital work in progress	Total
	KShs'000	KShs'000	KShs'000	KShs'000
Cost				
At 1 January	5,624,355	-	517,536	6,141,891
Additions	45,504	-	-	45,504
Reclassification	100,836	-	918,306	1,019,142
Transfers from investment in subsidiary	1,040,958	-	(1,040,958)	-
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
Transfers from investment in subsidiary	873,728	-	-	873,728
Amortisation for the year	(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**

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26. DEFERRED TAX ASSETS/(LIABILITIES)

Group	Balance at 1 January	Prior year adjustment	Recognised in equity	Translation differences	Recognised in profit or loss	Balance at 31 December
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
2023:						
Property and equipment	(1,078,987)	81,211	(34,940)	(57,815)	85,439	(1,005,092)
Right of use of asset	(30,134)	2	-	3,516	51,357	24,741
General provisions	3,145,077	(33,097)	-	640,715	56,413	3,809,108
Other provisions	4,965,105	188	-	24,445	1,182,196	6,171,934
Fair value reserves	1,677,085	-	753,721	(919)	6,284	2,436,171
	8,678,146	**48,304**	**718,781**	**609,942**	**1,381,689**	**11,436,862**
2022:						
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**

Company	Balance at 1 January	Prior year adjustment	Recognised in equity	Translation differences	Recognised in profit or loss	Balance at 31 December
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
2023:						
General provisions	-	(1,141)	-	-	1,664	523
	-	**(1,141)**	**-**	**-**	**1,664**	**523**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

26. DEFERRED TAX ASSETS/(LIABILITIES) - (Continued)

	Group		Company	
	2023	2022	2023	2022
	KShs '000	KShs '000	KShs '000	KShs '000
Deferred tax asset	11,913,221	9,206,853	523	-
Deferred tax liabilities	(476,359)	(528,707)	-	-
	11,436,862	**8,678,146**	**523**	**-**

27. OTHER ASSETS

	Group		Company	
	2023	2022	2023	2022
	KShs '000	KShs '000	KShs '000	KShs '000
Prepayments	1,065,900	755,002	2,318	3,364
Other receivables	6,283,398	4,773,055	-	77,563
	7,349,298	**5,528,057**	**2,318**	**80,927**

28. DEPOSITS FROM BANKS

	Group		Company	
	2023	2022	2023	2022
	KShs '000	KShs '000	KShs '000	KShs '000
Due within 90 days	39,493,436	16,891,586	-	-
Due after 90 days	5,653	1,261,743	-	-
	39,499,089	**18,153,329**	**-**	**-**

29. DEPOSITS FROM CUSTOMERS

	Group		Company	
	2023	2022	2023	2022
	KShs '000	KShs '000	KShs '000	KShs '000
Government and parastatals	7,342,874	5,548,600	-	-
Private sector and individuals	409,331,561	306,787,332	-	-
	416,674,435	**312,335,932**	**-**	**-**

30. OTHER LIABILITIES

	Group		Company	
	2023	2022	2023	2022
	KSH '000	KSH '000	KSH '000	KSH '000
Bankers cheques payable	187,592	112,208	-	-
Accruals	2,797,449	2,388,152	51,010	18,168
Lease liabilities	2,585,140	1,392,034	-	-
Provisions for loan commitments*	313,034	184,625	-	-
Other accounts payable	2,124,040	2,901,846	(4,575)	81
Dividend payable	102,309	73,199	102,309	73,199
	8,109,564	**7,052,064**	**148,744**	**91,448**

*This represents impairment allowance for loan commitments and financial guarantee contracts.

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For the year ended 31 December 2023

30. OTHER LIABILITIES- (Continued)

Lease Liability

Group	2023	2022
	KShs '000	KShs '000
Expected to be settled within 12 months after the year end	1,023,015	497,844
Expected to be settled more than 12 months after the year end	1,562,125	894,190
	2,585,140	**1,392,034**

The total cash outflow for leases in the year was:

Group	2023	2022
	KShs '000	KShs '000
Payments of principal portion of the lease liability	869,926	162,229
Interest paid on lease liabilities	180,528	176,459
	1,050,454	**338,688**

Lease Liability Movement

Group	2023	2022
	KShs '000	KShs '000
Balance at 1 January	1,392,034	1,696,214
Additions	1,889,059	166,567
Interest expense	180,528	176,459
Lease payments	(1,050,454)	(338,688)
Disposal	(175,705)	(12,634)
Translation difference	349,678	(295,884)
Balance at 31 December	**2,585,140**	**1,392,034**

Amounts recognized in profit or loss

Group	2023	2022
	KShs '000	KShs '000
Interest on lease liabilities (Note 9)	180,528	176,459
Depreciation of right to use asset (Note 24)	542,773	464,416
	723,301	**640,875**

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.

31. LONG TERM DEBT

	Group		Company	
	2023	2022	2023	2022
	KShs '000	KShs '000	KShs '000	KShs '000
Less than one year	494,996	1,547,588	-	-
One to five years	5,244,103	4,215,540	-	-
	5,739,099	**5,763,128**	**-**	**-**

The fair value of the long term borrowings are disclosed in Note 6. Fair values, are based on discounted cash flows using a discount rate based upon the borrowing rate that the Directors expect would be available at the year-end date. The repricing of the borrowings is done either quarterly or biannually based on the individual agreed covenant.

OUR FINANCIALS (Continued)

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31. LONG TERM DEBT- (Continued)

Loan movement schedule

	Group		Company	
	2023	2022	2023	2022
	KShs '000	KShs '000	KShs '000	KShs '000
At 1 January	5,763,128	9,516,698	-	-
Payments on interest	(445,782)	(393,334)		
Interest payable	331,796	342,226	-	-
Payments on principal	(1,076,978)	(4,760,734)	-	-
Exchange differences	1,166,935	1,058,272	-	-
At 31 December	**5,739,099**	**5,763,128**	**-**	**-**

Long term borrowings constituted the following:

(i) TZS 3,250 million facility granted by Tanzania Mortgage Refinance Company Limited (TMRC) in two tranches. TZS 1,800 million granted on 12 August 2022 for a tenure of 5 years and TZS 1,450 million granted on 30 August 2022 for a tenure of 3 years. The interest on the facility repayable quarterly basis and the principal at maturity. The outstanding balance as at 31 December 2023 was TZS 3.25 billion (2022: TZS 3.25 billion). (Tanzania)

(ii) 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 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)

(iii) A senior unsecured debt from FMO of USD 25 million at 6.46% per annum with maturity up to July 10, 2027. (Rwanda)

(iv) During the year, BRD issued a new loan of Frw 11.5billion at average rate of 3.5% for access to finance for Recovery and resilience project. The loan is not secured. (Rwanda)

(v) Economic recovery fund from National Bank of Rwanda (Economic Recovery Fund facility) at maximum of 2% to establish the framework where I&M Bank (Rwanda) PLC will extend loans to business hardly affected by post-COVID-19 impact and economic distress. The entity has accounted the portion related to Government Grant in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance amounting to Frw 634Million (2022: Frw 634Million). The entity lends to its customers at average rate of 7%.

32. SUBORDINATED DEBT

	Group		Company	
	2023	2022	2023	2022
	KShs '000	KShs '000	KShs '000	KShs '000
Less than one year	388,240	1,490,462	-	-
One to five years	12,143,950	7,999,248	-	-
Over five years	-	1,541,875	-	-
	12,532,190	**11,031,585**	**-**	**-**

Subordinated debt movement schedule

	Group		Company	
	2023	2022	2023	2022
	KShs '000	KShs '000	KShs '000	KShs '000
At 1 January	11,031,585	10,029,375	-	-
Payments on principal	(1,741,298)	(98,019)	-	-
Payments on interest	(624,532)	(365,520)	-	-
Interest payable	538,816	359,880	-	-
Exchange differences	3,327,619	1,105,869	-	-
At 31 December	**12,532,190**	**11,031,585**	**-**	**-**

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

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32. SUBORDINATED DEBT - (Continued)

Subordinated debt movement schedule - (Continued)

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.

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.

The fair value of the subordinated debt are disclosed in Note 6. Fair values, are based on discounted cash flows using a discount rate based upon the borrowing rate that the Directors expect would be available at the year-end date. The repricing of the borrowings is done either quarterly or biannually based on agreed loan covenants.

33. SHARE CAPITAL AND RESERVES

a. Share capital and share premium – Group and Company

Group	2023	2022
	KShs '000	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

2023	Number of shares	Share capital	Share premium	Total
	KShs'000	KShs'000	KShs'000	KShs'000
1 January and 31 December	1,653,621	1,653,621	17,561,629	19,215,250

2022	Number of shares	Share capital	Share premium	Total
	KShs'000	KShs'000	KShs'000	KShs'000
1 January and 31 December	1,653,621	1,653,621	17,561,629	19,215,250

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 102-104.

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 102-104.

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 102-104.

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 102-104.

OUR FINANCIALS (Continued)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

33. SHARE CAPITAL AND RESERVES - (Continued)

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 102-104.

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.

	2023	2022
	KShs '000	KShs '000
At 1 January	(124,065)	(103,539)
Movement during the year	(60,203)	(20,526)
At 31 December	**(184,268)**	**(124,065)**

34. NOTES TO THE STATEMENT OF CASH FLOWS

Analysis of cash and cash equivalents

	Note	2023	2022	Change
		KShs'000	KShs'000	KShs'000
		a	b	c =(a – b)
Cash and balances with Central Banks – excluding Cash Reserve Ratio	17	19,040,962	6,762,140	12,278,822
Items in the process of collection	18	(369,047)	(167,494)	(201,553)
Loans and advances to banks	19	59,176,342	20,487,484	38,688,858
		77,848,257	**27,082,130**	**50,766,127**
*Cash Reserve Ratio				
Company				
Cash and bank balances	37(b)	**3,264,319**	**864,255**	**2,400,064**

35. 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 2023. No provisions have been made (2022 – Nil). Management view and professional advice indicates that it is unlikely that any significant loss will crystalize.

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	2023	2022
	KShs '000	KShs '000
Contingencies related to:		
Letters of credit	74,273,179	44,723,300
Guarantees	34,829,831	30,970,787
Other credit commitments	27,727,931	23,551,052
	136,830,941	**99,245,139**
Commitments related to:		
Outstanding spot/forward contracts	51,227,618	44,291,896
	188,058,559	**143,537,035**

OUR FINANCIALS (Continued)

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35. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS - GROUP

b. Commitments and financial guarantees - (Continued)

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.

36. Assets Pledged As Security - Group

The below are government securities held under lien in favour of the Central Banks.

	2023	2022
	KShs '000	KShs '000
Group	**4,000,000**	**3,703,421**

37. 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. Related parties within the Group are disclosed under Note 1.

Group	2023	2022
	KShs '000	KShs '000
a. Transactions with directors/shareholders		
(i) Loans to directors/shareholders	**21,597**	**1,064**
Interest income from loans to directors/shareholders	930	341
(ii) Deposits from directors/shareholder	**2,961,964**	**1,221,600**
Interest expense on deposits from directors/shareholders	164,424	40,533
(iii) The Directors remuneration is disclosed in Note 14		
b. Transactions with related companies		
(i) Loans to related companies	**2,701,672**	**1,879,746**
Interest income from loans to related companies	423,317	273,819
(ii) Deposits from related companies	**987,588**	**843,700**
Interest expense on deposits from related companies	22,683	25,629
(iii) Amounts due from subsidiaries and joint venture	**3,264,319**	**864,255**
Interest income on amounts due from subsidiaries and joint venture	-	-
(iv) Amounts due to subsidiaries and joint venture	-	-
Interest expense on amounts due from subsidiaries and joint venture	-	-
c. Transactions with employees		
Staff loans	**3,749,776**	**2,893,800**
Interest earned	30,101	159,700
d. Management compensation (Short term benefits)	**590,534**	**376,368**

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38. CAPITAL COMMITMENTS

	2023	2022
	KShs '000	KShs '000
Group	1,593,075	5,968,322

These are capital commitments on leasehold improvements and digitization initiatives being adopted by the Group.

39. 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.

As at 31 December 2023 outstanding shares for staff who had exited the bank prior to the completion of vesting period was Frw'000 – 149,961 (KShs'000 – 18,700) (2022 – Frw'000 – 149,961 (KShs'000 - 17,159)). The amounts will be cleared through rights or bonus issue to existing staff. No amount will be written off hence no profit or loss impact.

40. EVENTS AFTER REPORTING DATE

There are no material events or circumstances that have arisen between the reporting date and the date of this report.

41. CONTINGENT LIABILITIES

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 I&M Bank LIMITED on 17 January 2019. I&M Bank LIMITED 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. I&M Bank LIMITED 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. Based on the prevailing Tax Procedure Act that defines, inter alia, timeframes in conduct of tax assessments, the Directors in consultation with I&M Bank LIMITED's legal and tax advisors are of the opinion the ruling will be in I&M Bank LIMITED's favour.

On completion of 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 I&M Bank LIMITED on 14 December 2020. I&M Bank LIMITED objected on 13 January 2022 to all items which were in the Directors' view erroneously assessed. The KRA subsequently issued an invalidation notice on 27 May 2021. I&M Bank LIMITED lodged an appeal against this assessment to the Tax Appeal Tribunal. The tribunal issued a ruling in favour of I&M Bank LIMITED on 11 February 2022. The KRA has appealed the decision of the tax appeal tribunal and the matter is currently in 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 I&M Bank LIMITED's legal and tax advisors are of the opinion the ruling will be in I&M Bank LIMITED's favour.

42. OTHER DISCLOSURES

a. Operational risk

The overall responsibility of managing operational risks - the risk arising from failed or inadequate internal processes, people, systems and external events - is vested with the Board of Directors. The Board'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

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Notes to the consolidated and separate financial statements

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42. OTHER DISCLOSURES - (Continued)

a. Operational risk - (Continued)

- 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.

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 is acutely aware of the substantial impacts climate change can have on both the financial and non-financial aspects of our operations, strategic decisions, and planning. In response, we are purposefully aligning our efforts with both national and international climate goals, such as the Paris Agreement and Nationally Determined Contributions (NDC), across the regions where we operate.

With sustainability as a central focus, we are committed to implementing recommendations from the IFRS S2 on climate related risk management, while also staying responsive to evolving standards and frameworks, such as the Taskforce on Nature-related Financial Disclosures (TNFD).

Our governance of climate-related risks and opportunities is seamlessly integrated within the Group's enterprise risk management framework. This integration allows us to manage climate risks not only as standalone issues but also in their intersections with conventional risks. Through these efforts, we have developed comprehensive strategic objectives that incorporate climate risk considerations into decision-making processes across all business operations.

The Board of Directors plays a pivotal role in overseeing the implementation of our climate risk project for 2023/2024, underscoring our firm commitment to integrating climate-related risks and opportunities into the Group's business strategies. This commitment is evidenced by both Board oversight and management responsibility, ensuring proactive measures are in place to mitigate and adapt to the impacts of climate change across our value chain. Constant monitoring and performance assessment against climate-related targets further demonstrate our dedication to this cause.

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42. OTHER DISCLOSURES - (Continued)

e. Environmental, Social and Governance (ESG) Principles

The Group is committed to a profound understanding and active management of Environmental, Social, and Governance (ESG) risks and opportunities. This commitment stems from its recognition of the significant impact that nature, climate change, social inequalities, and environmental degradation have on its operations and the broader community. We see these factors not only as potential threats to business resilience but also as challenges to its capability to support and invest in vulnerable sectors.

This has led the Group to underscore the critical importance of sustainable business practices, emphasizing environmental stewardship, social responsibility, and ethical governance as core elements of its operational and strategic blueprint.

The integration of ESG and climate considerations into the enterprise risk management framework marks a significant step in reinforcing our dedication to cultivating a risk-aware culture. This is achieved through several key initiatives:

- Establishing a robust governance structure to oversee ESG risks and opportunities, ensuring accountability across our four lines of defense model.
- Formulating and refining guidelines to adeptly identify, assess, measure, and monitor ESG risks within the Group.
- Defining essential ESG risk metrics, alongside Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs), to ensure comprehensive risk monitoring and value enhancement.
- Enhancing the existing ESG risk assessment processes across our value chain, ensuring a deep integration of ESG considerations.
- Promoting an ESG-aware culture throughout the Group through targeted training and awareness initiatives.

Our strategic approach to mapping out and addressing ESG risks and opportunities is designed to support sustainable business practices fundamentally. This approach is aligned with our ambitious goal to positively impact 10 million lives from 2024 to 2026. At the heart of this goal is our commitment to providing financial products and services that bolster green investments, specifically focusing on renewable energy, energy efficiency, e-mobility, and agriculture, among other sectors.

Moreover, we are actively expanding our range of lending products, specifically tailored tvo address the needs of socially and demographically diverse groups, thereby enhancing financial inclusion for underserved communities.

A tangible manifestation of this commitment is the strategic expansion of I&M Bank Kenya's branch network, designed to improve accessibility to our banking services.

As we scale our operations, our focus is broadening to include the optimization of sustainable operations through careful resource management, the adoption of sustainable procurement practices, and the empowerment of communities via the I&M Foundation and CSR initiatives across our subsidiaries. To ensure positive environmental and social outcomes, we are investing in ongoing training programs to boost our staff's ability to effectively manage both emerging and existing ESG and climate-related risks and opportunities.

We adopt a collaborative approach to ESG and climate risk management, recognizing our collective responsibility towards social inclusivity and environmental sensitivity in every facet of our business operations. This collaborative stance is geared towards fostering information sharing, ensuring balanced and uniform reporting, and delivering tangible outcomes that contribute to sustainable development. Central to our strategy is the adherence to international standards and guidelines, including the UN Global Compact, IFC performance standards, ILO labor conventions, and established sustainability and climate risk reporting guidelines, such as the IFRS SI & S2. Moreover, our ESG and climate risk management objectives are in line with the Nationally Determined Contributions (NDCs) specific to our operational markets, the Paris Agreement, and other relevant national and international policy frameworks.

Sustainable Finance Practices

The Group recognizes sustainable lending practices as a cornerstone of our day-to-day operations. This recognition is evidenced by the integration of an Environmental and Social (E&S) risk management system into the credit appraisal process. Such integration ensures that E&S risks are systematically evaluated alongside other risks before any credit facility disbursement, heightening customer awareness of our E&S standards. This heightened awareness has led to improved E&S performance in our operations, aligning with regulations and strengthening our relationships with customers. We are committed to assisting our customers in addressing non-conformities and promoting the adoption of best industry practices.

The incorporation of E&S risk and opportunity management has spurred business growth, allowing us to develop customized products and services centered on positive social and environmental outcomes. Our sustainable finance initiatives include providing facilities to support the installation of Effluent Treatment Plants for water treatment and recycling, as well as facilitating solar-related energy infrastructure to ensure energy efficiency. This symbiotic relationship has fostered mutual business growth and enhanced environmental and social practices, contributing to the protection of natural resources, the utilization of renewable energy sources, and the reduction of our overall environmental footprint and operational costs.

Notice of the Annual General Meeting

Notice is hereby given that the Seventy Second Annual General Meeting of the Shareholders of I&M Group PLC will be held as a hybrid meeting (combined physical and electronic) on **Friday, 24th May 2024 at 10.30 a.m. at The Concord Hotel, 5th Parklands Avenue, Nairobi** for purposes of transacting the business set out below.

The Company will conduct the hybrid 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 ended 31st December 2023, 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 2023 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 2023.

3. To approve payment of a first and final dividend of Kshs. 2.55 per share amounting to Kshs. 4,216,734,763 for the year ended 31st December 2023. The dividend will be payable to the shareholders in the Company's Register of Members at the close of business on Thursday 18th April 2024 and will be paid on or around Friday, 24th May 2024.

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 Section 2.5 of the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, and Article No. 27.2 of the Company's Articles of Association, Mr. Oliver Merrick Fowler having attained the age of 70 years and being due to retire by rotation respectively retires and being eligible offers himself for re-election.
   iii. In accordance with Article No. 27.2 of the Company's Articles of Association Mr. Naval Kidar Nath Gurdittamal Sood, retires by rotation and being eligible offers himself for re-election.
   iv. In accordance with Article No. 27.2 of the Company's Articles of Association Mr. Sachit S 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. Ms. Risper Ohaga
   iii. Mr. Naval Sood

6. To note that the auditors Messrs. KPMG Kenya Certified Public Accountants (K), having expressed their willingness, and having obtained exemption from the Capital Markets Authority (CMA) on the rotation of auditors for the ensuing year, 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. 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.

24th April 2024

Notes

1. I&M Group PLC has convened and is conducting the 2023 Hybrid Annual General Meeting in accordance with Article 56 of its Articles of Association.
2. Shareholders wishing to participate in the meeting should register for the AGM by dialing ***483*486#** for all Kenyan telephone networks and following the various registration 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 Account Number at hand. For assistance, shareholders should dial the following helpline number: (+254) 709 170 000 from 9:00 am to 5:00 pm East African time from Monday to Friday. Any shareholder outside Kenya should send their details to IMBankAgm@image.co.ke
3. Registration for the AGM opens on Wednesday 3rd May 2024 at 8.00 a.m. and shall remain open to any Shareholder wishing to participate in the meeting.
4. 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 2023.
5. 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 IMBankAgm@image.co.ke
    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 Image Registrars Ltd, 5th; Floor, Absa Towers, Loita Street P. O. Box 9287-00100 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 21st May 2024 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
6. 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: Image Registrars Ltd, 5th Floor, Absa Towers, Loita Street P. O. Box 9287-00100 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 or delivered to Image Registrars Ltd, 5th Floor, Absa Towers, Loita Street P. O. Box 9287-00100 Nairobi, so as to be received not later than 21st May 2024 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 22nd May 2024 to allow time to address any issues.
7. 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 Image Registrars Ltd +254 709 170 000
8. 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.
9. 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.
10. 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 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 ...., 2024 at .... am and at any adjournment thereof.

Signed this... day of ...., 2024

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 2023 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, 2023			
3. Approval of the first and final dividend of Kshs. 2.55 per share amounting to Kshs.4,216, 734,763 for the year ended 31st December 2023. The dividend will be payable to the shareholders in the Company's Register of Members at the close of business on Thursday 18th April 2024 and will be paid on or around Friday 24th May 2024.			
4. Re-election of Mr. S B R Shah			
5. Re-election of Mr. Oliver M Fowler			
6. Re-election of Mr. Naval Kidar Nath Gurdittamal Sood			
7. Re-election of Mr. Sachit S. Shah			

RESOLUTION	FOR	AGAINST	WITHHELD
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) Ms. Risper Ohaga iii) Mr. Naval Sood			
9. Re-appointment of auditors: Messrs. KPMG Kenya Certified Public Accountants (K), having expressed their willingness, and having obtained exemption from the Capital Markets Authority (CMA) on the rotation of auditors for the ensuing year, 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.			