NCBA

GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMEMTS

FOR THE YEAR ENDED
31 DECEMBER 2022

NCBA GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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CORPORATE INFORMATION

DIRECTORS

J P M Ndegwa – Chairman
D A Oyatsi – Deputy Chairman
J Gachora – Group Managing Director
D Abwoga – Executive Director
Hon. A H Abdi
J S Armitage
I O Awuondo
P R Lopokoiyit
A S M Ndegwa
E N Ngaine
M K R Shah

AUDIT & RISK COMMITTEE

M K R Shah – Chairman
P R Lopokoiyit
Hon. A H Abdi

GOVERNANCE AND NOMINATIONS COMMITTEE

D A Oyatsi – Chairman
P R Lopokoiyit
E N Ngaine

EXECUTIVE / STRATEGY COMMITTEE

I O Awuondo – Chairman
J S Armitage
A S M Ndegwa

INFORMATION, COMMUNICATIONS AND TECHNOLOGY (ICT) COMMITTEE

J Somen – Chairman[1]
I O Awuondo
J Gachora

COMPANY SECRETARY

W G Mathenge
Certified Secretary (Kenya)
NCBA Centre
Mara and Ragati Roads, Upper Hill
P. O. Box 44599 – 00100
Nairobi, Kenya.

REGISTERED OFFICE

NCBA Centre
Mara and Ragati Roads, Upper Hill
P. O. Box 44599 – 00100
Nairobi, Kenya

REGISTRARS AND TRANSFERS OFFICE

Custody & Registrars Services Limited
1st Floor, Tower B, IKM Place
5th Ngong Avenue
P. O. Box 8484 - 00100
Nairobi, Kenya

AUDITOR

Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way
P. O. Box 40092 - 00100
Nairobi, Kenya

LEGAL ADVISORS

Various. A list is available at the Company premises.

[1] J Somen is a non-executive director of NCBA Bank Kenya PLC who was co-opted to the ICT Committee.

CORPORATE INFORMATION (Continued)

PRINCIPAL CORRESPONDENT BANKS

Name of Bank	Country
Citibank	United Kingdom, United States of America
JP Morgan Chase Bank	United Kingdom, United States of America
Standard Chartered Bank PLC	Hong Kong, United Kingdom, United States of America, Germany
Emirates NBD	United Arab Emirates
ABSA Bank	South Africa
Credit Suisse AG	Switzerland
Bank of China	China
Commerzbank AG	Germany
Oddo-BHF	Germany
Natixis Bank	France
HDFC Bank	India
Bank of Tokyo MUFG	Japan
Bangkok Bank	Thailand

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 December 2022.

INCORPORATION

The Group is domiciled in Kenya and is incorporated as a company limited by shares under the Kenya Companies Act, 2015. The address of registered office is set out in note 1.

DIRECTORATE

The directors who held office during the year and to the date of this report are shown on page 2.

PRINCIPAL ACTIVITIES

NCBA Group PLC (the "Company/Parent") and its subsidiaries (together, the "Group") provide retail, corporate and digital banking, brokerage, bancassurance and investment banking services.

RESULTS

	2022 Shs' 000	2021 Shs' 000
Profit before tax	22,491,526	15,034,989
Income tax expense	(8,713,501)	(4,811,346)
Profit for the Year	**13,778,025**	**10,223,643**

BUSINESS REVIEW

Financial Statements

The consolidated financial statements include the results of the entities owned by NCBA Group PLC (the "Company"). NCBA Group PLC and its subsidiaries / affiliates (together, the "Group") operate in Kenya, Tanzania, Uganda, Rwanda, Cote d'Ivoire and Ghana. The Group provides retail, corporate and digital banking, asset finance, securities brokerage, bancassurance, and investment banking services.

Performance for 2022

In the year 2022, the business showed sustained resilience riding on the economic rebound post the COVID pandemic. There was improved non funded income and net interest income from the growth in customer' numbers and transactions during the year.

Profit before income tax increased by Shs 7.5 billion to Shs 22.5 billion from Shs 15.0 billion in 2021. This growth was mainly a result of increased operating income by 27% (Shs 12.6 billion) principally driven by growth in business.

Operating expenses increased by 19% (Shs 4.0 billion) driven by a rise in staff costs, information technology costs as well as premises costs from expansion in our branch network.

Credit impairment was up by 11% (Shs 1.2 billion) mainly for identified non-performing loans.

On the balance sheet front, total assets grew by Shs 28.6 billion representing a 5.0% growth year on year to close at Shs 619.7 billion. Loans and advance to customers grew by Shs 34.6 billion to close at Shs 276.0 billion in 2022. Customer deposits also recorded a year on year growth of Shs 32.8 billion to close at Shs 502.7 billion as at December 2022. The additional liquidity was invested in Government securities which grew year on year by Shs 13 billion.

REPORT OF THE DIRECTORS (CONTINUED)

Proposed Dividend

The Board has resolved to recommend to the Shareholders for their approval at the forthcoming Annual General Meeting, scheduled for 31st May 2023, the payment of a final dividend for the year of Shs 2.25 per share which, together with the interim dividend of Shs 2 per share paid on 30th September 2022, brings the total dividend for the year 2022 to Shs 4.25 per share (2021: total dividend of Shs 3.00 per share). The dividend will be payable to Shareholders registered on the Company's register at close of business on 28th April 2023 (closing date for determination of entitlement to dividend) and will be paid on or after 31st May 2023.

Outlook for 2023

Economic growth will remain modest in 2023 owing to heightened headwinds including inflation rates above Central Bank's target, domestic and global interest-rate increases and slower global growth. The World Bank projects that Kenya is set to grow at a rate of 5.0% in 2023 as the country still grapples with high rates of inflation, subdued agricultural performance due to depressed rainfall, increased global risks including increase in food and fuel prices due to supply side shocks elevating the pressure on the economy.

The Board remains optimistic that the NCBA Group will achieve its strategic objectives and goals, including projected organic growth and regional expansion in the coming years supported by its strong asset and capital base, leadership and a robust strategy and operating model.

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to each director at the time this report was approved:

a) there is, so far as the person is aware, no relevant audit information of which the Group's auditor is unaware; and,
b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

TERMS OF APPOINTMENT OF AUDITOR

Deloitte & Touche LLP, continues in office in accordance with the Company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

By order of the Board

W Mathenge
Group Company Secretary

28 March 2023

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

This report describes the Group's remuneration policy and the remuneration paid to Directors in 2022. The remuneration policy, including all structures and policies related to remuneration, is in line with the Companies Act, No. 17 of 2015, the CMA Code of Corporate Governance Practices for issuers of Securities to the Public, 2015 and the Companies General Amendment Regulations No. 2 of 2017.

The first part of this report describes the remuneration policy, while the second part describes the implementation of the policy in 2022.

There were no changes to the structure and quantum of the Directors' remuneration in the year ended 31 December 2022.

The Board's composition during the course of the year is as detailed in the below table:

NCBA GROUP PLC BOARD OF DIRECTORS	
DIRECTOR	**DESIGNATION**
J P M Ndegwa	Group Chairman
D A Oyatsi	Deputy Group Chairman
J Gachora	Group Managing Director
D Abwoga	Executive Director
A H Abdi	Independent Non-Executive Director
J S Armitage	Non-Executive Director
I O Awuondo	Non-Executive Director
P R Lopokoiyit	Independent Non-Executive Director
A S M Ndegwa	Non-Executive Director
E N Ngaine	Independent Non-Executive Director
M K R Shah	Independent Non-Executive Director

Notes:

- All the Directors of the Company were resident in the Republic of Kenya during the year 2022.
- I O Awuondo is the current Non-Executive Chairman of NCBA Bank Kenya PLC and Executive Chairman of LOOP DFS Limited (formerly Banqtech Limited), a wholly owned financial technology subsidiary of NCBA Group PLC.

Background:

Members of the Board Governance and Nominations Committee for the period 1 January 2022 to 31 December 2022 were:

D A Oyatsi – Chairman
P R Lopokoiyit
E N Ngaine

DIRECTORS' REMUNERATION REPORT (CONTINUED)

PART 1

Remuneration Policy

The remuneration policy establishes guidelines on the remuneration criteria applicable for services rendered by directors to ensure transparency and equitability in implementation. The policy objective is to provide a framework that enables market competitive remuneration that will attract, retain and engage high calibre directors whilst ensuring that the remuneration structure protects, promotes and supports the Group's immediate and long-term strategy and objectives.

Remuneration of Executive Directors

Performance parameters for Executive Directors are drawn from the Group's Strategy. The Directors' targets and performance indicators are closely linked with the performance targets for the business, and are anchored on the short-term (annual) and long-term (5-year) strategic objectives of the Group. The targets are set by the Board and measured quarterly, half yearly and annually in line with the release of business performance reports.

The remuneration of the Executive Directors consists of:

- Salary
- Performance-based remuneration
- Deferred remuneration contingent on performance-based remuneration
- Other Benefits – including company car, housing and utilities, support staff, service subscriptions, medical and life cover, retirement benefits and loan benefits subject to contractual terms as determined by the Board

Remuneration of Non-Executive Directors

The performance of Non-Executive Directors (NEDs) is assessed annually through the Board Evaluation process, which considers individual contribution to the activities of the Board and Board Committees. An Evaluation Report is generated with clear recommendations on the performance of the Directors, not only as a team but also as individuals. Non-Executive Directors are not entitled to a salary, performance-based remuneration or other cash or non-cash benefits. Their remuneration is based on proposals by the Board Governance and Nominations Committee (BGNC) and approved by the Board and the Shareholders.

The remuneration for NEDs consists of:

- Monthly retainer fee;
- Sitting allowance for Board and Board Committee meetings; and
- Other allowances as may be prescribed by the Board for services rendered as a Director during NCBA Group meetings in regional affiliates.

Expenses incurred in respect of travel, accommodation or other services whilst carrying out duties as a Director are reimbursed at cost.

Share Option Scheme

The Group does not have a share option scheme for Directors.

Directors' Contracts of Service

The Group Managing Director and the Executive Director have been appointed on open-ended contracts. Their continued service is subject to annual performance review by the Board.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Directors' Contracts of Service (Continued)

Non-Executive Directors are appointed in accordance with the procedure laid out in the Articles of Association and the Board Charter. NEDs are appointed for a 3-year term and retire by rotation, but are eligible for reappointment taking into consideration their performance and the Shareholders' views. The Board Governance and Nominations Committee makes recommendations to the Board on the Board's appropriate composition based on professional skills and experience, independence and ethical standards. New appointments by the Board are subject to approval by the Central Bank of Kenya, the Group's Shareholders and, where applicable, the Capital Markets Authority.

The Notice period for departure from the Board for the Group Managing Director is six (6) months while that of the other Executive Director is three (3) months or payment in lieu of notice in all cases. For NEDs, the notice period where applicable will vary depending on the circumstances of the departure.

On termination of contract, an Executive Director is entitled to any amounts due as per contract terms up to the date of such termination. If such contract is terminated prior to maturity of the notice period, the maximum amount payable will be the salary and applicable benefits payable in lieu of notice.

Non-Executive Directors are entitled to any outstanding dues on the monthly retainer fees and sitting allowances up to the date of termination. No additional amounts are payable to Directors unless these are expressly approved under special circumstances by the Board of Directors.

Statement of the Previous General Meeting

A Resolution to approve the Directors' remuneration policy and report for the year ended 31 December 2021 was passed through a poll vote by shareholders at the Annual General Meeting held on 5 May 2022.

INFORMATION SUBJECT TO AUDIT

PART 2: IMPLEMENTATION REPORT

The Board is responsible for ensuring that the remuneration policy, and its implementation, are aligned with the Group's strategies and objectives. The policy is designed to avoid instances where Directors act in their own interests, or take risks that are not in line with the Group's strategy and risk appetite. Where other benefits are granted, the Board ensures that these are in line with market norms.

In interpreting the disclosures made in this report:

a) The remuneration details for the year 2022 outline payments relating to qualifying services rendered as Directors for the period served on the Board.

b) The Directors' remuneration is consolidated for services rendered as a Director on the Company's and related subsidiary Company Boards.

c) In the year ended 31 December 2022, there were no other allowances paid apart from sitting allowances and no expenses incurred by directors whilst carrying out duties in respect of qualifying services.

The following table shows the remuneration for the Chairman, other Non-Executive Directors (NEDs) and Executive Directors in respect of qualifying services for the year ended 31 December 2022. The aggregate Directors' emoluments are shown on note 43.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

INFORMATION SUBJECT TO AUDIT (CONTINUED)

PART 2: IMPLEMENTATION REPORT (CONTINUED)

Directors Remuneration for the year ended 31 December 2021	Fees[1] Shs 000	Salary Shs 000	Cash incentive remuneration Shs 000	Other Cash Benefit Shs 000	Non-cash benefits Shs 000	Retirement Benefits Shs 000	Total[2] Shs 000
J P M Ndegwa – Group Chairman[3]	3,550	-	-	-	-	-	3,550
D A Oyatsi – Deputy Group Chairman	2,860	-	-	-	-	-	2,860
J Gachora – Group Managing Director	-	89,639	40,000	85	8,145	9,857	147,726
D Abwoga – Executive Director	-	28,548	8,504	335	2,744	3,182	43,313
A H Abdi	13,578	-	-	-	-	-	13,578
J S Armitage	6,780	-	-	-	-	-	6,780
I O Awuondo[4]	-	62,400	20,000	-	28,553	2	110,955
P R Lopokoiyit	10,142	-	-	-	-	-	10,142
A S M Ndegwa	6,780	-	-	-	-	-	6,780
E N Ngaine	11,726	-	-	-	-	-	11,726
M K R Shah	7,080	-	-	-	-	-	7,080
	62,496	**180,587**	**68,504**	**420**	**39,442**	**13,041**	**364,490**

Notes:

1 Where applicable, fees earned by Directors serving on the Boards of regional subsidiaries have been converted to Kenya Shillings using the annual mean rate obtained from the Central Bank of Kenya.

2 Directors' total remuneration is consolidated for services rendered as a Director on the NCBA Group PLC Board and related subsidiary company Boards.

3 The total Director's fee for J P M Ndegwa was paid to Asset Managers Limited in respect of Director's services for the year ended 31 December 2022.

4 I O Awuondo earned a salary for services rendered towards the digital banking business of the Group.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

The following table shows the remuneration for the Chairman, other Non-Executive Directors (NEDs) and Executive Directors in respect of qualifying services for the year ended 31 December 2021.

Directors Remuneration for the year ended 31 December 2021	Fees[1] Shs 000	Salary Shs 000	Cash incentive remuneration[2] Shs 000	Other cash Benefit[3] Shs 000	Non-cash benefits[3] Shs 000	Retirement Benefits Shs 000	Total[4] Shs 000
J P M Ndegwa – Group Chairman[5]	3,700	-	-	-	-	-	3,700
D A Oyatsi – Deputy Group Chairman	2,400	-	-	-	-	-	2,400
J Gachora – Group Managing Director	-	65,012	-	-	6,601	7,090	78,703
D Abwoga – Executive Director	-	25,256	-	240	2,693	2,816	31,005
A H Abdi	11,427	-	-	-	-	-	11,427
J S Armitage	6,280	-	-	-	-	-	6,280
I O Awuondo[6]	-	49,668	-	-	11,258	2	60,928
P R Lopokoiyit	7,190	-	-	-	-	-	7,190
A S M Ndegwa	6,280	-	-	-	-	-	6,280
E N Ngaine	8,856	-	-	-	-	-	8,856
M K R Shah	7,340	-	-	-	-	-	7,340
	53,473	**139,936**	**-**	**240**	**20,552**	**9,908**	**224,109**

Notes:

1 Where applicable, fees earned by Directors serving on the Boards of regional subsidiaries have been converted to Kenya Shillings using the annual mean rate obtained from the Central Bank of Kenya.

2 In the year ended 31 December 2021, there was no cash incentive remuneration awarded with respect to the Group's year 2020 performance.

3 Changes have been made to the year 2021 disclosures to reflect additional parameters considered and adopted for this purpose after the previous reporting period. The changes are not material and primarily consist of non-cash benefits provided to the directors during the period under review.

4 Directors' total remuneration is consolidated for services rendered as a Director on the NCBA Group PLC Board and related subsidiary company Boards.

5 The total Director's fee for J P M Ndegwa was paid to Asset Managers Limited in respect of Director's services for the year ended 31 December 2021.

6 I O Awuondo earned a salary for services rendered towards the digital banking business of the Group.

Share Option Scheme

The Group does not have a share option scheme for Directors.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Long Term incentives

There were no long-term incentives granted to NEDs in the year ended 31 December 2022.

Pension related benefits

Pension for Executive Directors is provided for under the Group Defined Contribution Pension Scheme, which is registered with the Retirement Benefits Authority and whose members are all employed staff of the Group up to the age of 60 years. Contribution to the scheme is made up of a minimum five percent (5%) contribution of basic salary by the employee and fifteen percent (15%) contribution from the employer. This does not include the statutory contribution to the National Social Security Fund (NSSF). As at 31 December 2022, all the Executive Directors were members of the scheme.

Non-Executive Directors are not entitled to a pension benefit.

Compensation for past directors

The Group did not make any payments to past Directors during the year ended 31 December 2022. (2021: Nil)
There was no change in the Group's policy on payments to former directors in the year ended 31 December 2022.

On behalf of the Board

D A Oyatsi

Chairman, Governance and Nominations Committee

Date **28 March 2023**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and Company as at the end of the financial year and of its profit or loss for that year. The directors are responsible for ensuring that the Group and Company keep proper accounting records that are sufficient to show and explain the transactions of the Group and Company; disclose with reasonable accuracy at any time the financial position of the Group and Company; and that enables them to prepare financial statements of the Group and Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act, 2015. They are also responsible for safeguarding the assets of the Group and Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

ii) Selecting suitable accounting policies and then applying them consistently; and

iii) Making judgements and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the Group and Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group and Company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Board of directors on **28 March 2023** and signed on its behalf by:

J P M NDEGWA **Chairman**	**J GACHORA** **Group Managing Director**

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REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF NCBA GROUP PLC

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of NCBA Group PLC (the "Company") and its subsidiaries (together, the "Group") set out on pages 18 to 110, which comprise the consolidated statement of financial position at 31 December 2022 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, together with the Company statement of financial position at 31 December 2022, and the Company statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of NCBA Group PLC give a true and fair view of the financial position of the Group and the Company at 31 December 2022 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF NCBA GROUP PLC (CONTINUED)

Report on the audit of the financial statements (Continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the matter</th></tr>
<tr><td>

Estimation of expected credit losses on loans and advances

Loans and advances to customers constitute a significant portion of the total assets of NCBA Group Plc. As disclosed in notes 2.7, 3.2, and 5a Management exercise significant judgment when determining both when and how much to record as loan impairment. This is because a number of significant assumptions and inputs go into the determination of expected credit loss (ECL) impairment amounts on loans and advances to customers as required by IFRS 9 Financial Instruments.

The key areas where we identified greater levels of management judgment and therefore increased levels of audit focus in the Group's implementation of IFRS 9 include:

The judgments made to determine the categorisation (staging) of individual loans and advances accounts in line with IFRS 9. In particular, the identification of a Significant Increase in Credit Risk ("SICR") and Default require consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used;
Where there is uncertainty in respect of the respective models' ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the timing of model updates, and macroeconomic events, additional provisions are made via management overlays. Significant judgement was made in determining the management overlays;
Identification and measurement of economic scenarios to measure ECLs on a forward-looking basis reflecting a range of future economic conditions; and
Modelling for estimation of ECL parameters:

Probabilities of Default (PDs)
Loss Given Default (LGD); and
Exposure at Default (EAD).

Because of the significance of these estimates, judgments and the size of loans and advances portfolio, the audit of loan impairment provisions is considered a key audit matter.

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Our audit of the impairment of advances included, amongst others, the following audit procedures performed together with the assistance of our internal credit risk specialists:

Obtained an understanding of the Group's methodology for determining expected credit losses, including enhancements in the year, and evaluated this against the requirements of IFRS 9, Financial Instruments;
Testing the design and implementation of critical controls across all ECL-related processes, particularly the allocation of assets into stages and management overlays;
On a sample of contracts, we assessed the identification of loans and advances that had experienced a significant increase in credit risk or met the Group's default definition criteria for classification purposes. This was completed by reviewing documentation and credit performance to determine whether the staging of such facilities was in accordance with Group policy and IFRS 9 standards;
Assessed the reasonableness of management overlays, taking into account industry and client-specific risk. We recalculated the management overlays and assessed their completeness in light of our understanding of the model and data limitations;
Testing the assumptions, inputs and formulae used in the ECL models with the support of our internal credit risk specialists (including assessing the appropriateness of model design and formulae used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default;
We corroborated the assumptions used for the determination of forward-looking information (FLI) in the models using publicly available information;
Testing the data used in the ECL calculation by reconciling to source systems; and
Assessing the adequacy and appropriateness of disclosures for compliance with the accounting standards.

Based on the procedures described above, our audit evidence was consistent with the inputs in the ECL on loans and advances which were found to be within an acceptable range in the context of IFRS 9.

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REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF NCBA GROUP PLC (CONTINUED)

Report on the audit of the financial statements (Continued)

Key audit matters (Continued)

Key audit matter	How our audit addressed the matter
The Group's IT environment is inherently complex as it supports a broad range of banking products and facilitates the processing of a significant volume of transactions. The IT systems within the Group form a critical component of the Group's financial reporting activities and impact all account balances with a reliance on automated and IT dependent manual controls. Due to the significant reliance on IT systems, effective General IT Controls (GITCs) are critical to allow reliance to be placed on the completeness and accuracy of financial data and the integrity of automated system functionality (e.g. system calculations). We identified the IT systems that impact financial reporting as a key audit matter because of the: • Pervasive reliance on complex technology that is integral to the operation of key business processes and financial reporting; • Reliance on technology which continues to develop in line with the business strategy, such as the increase in the use of automation across the Group and increasing reliance on third parties; and • Importance of the IT controls in maintaining an effective control environment. A key interdependency exists between the ability to rely on IT controls and the ability to rely on financial data, system configured automated controls and system reports. IT controls, in the context of our audit scope, primarily relate to privileged access at the infrastructure level, user access security at the application level and change control.	Our IT audit scope involved testing the Group's IT controls over information systems deemed relevant to the audit based on the financial data, system configured automated controls and/or key financial reports that reside within it. We used IT specialists to support our evaluation of the risks associated with IT in the following areas: • General IT Controls, including user access and change management controls; and • Key financial reports and system configured automated controls. Where deficiencies in the IT control environment were identified, our risk assessment procedures included an assessment of those deficiencies to determine the impact on our audit plan. Where we were able to identify and test appropriate mitigating controls over affected financial statement line items, our testing approach remained unchanged. We used a non-controls reliance approach in a limited number of areas, and as a result, we conducted additional substantive procedures to increase audit comfort.

Other information

The other information comprises the Corporate information, Directors report, Directors' remuneration report and Statement of directors' responsibilities which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in this report, we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received 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.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Report on the audit of the financial statements (Continued)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 or 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 or 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 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 or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

REPORT OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF NCBA GROUP PLC (CONTINUED)

Report on the audit of the financial statements (Continued)

Auditor's responsibilities for the audit of the financial statements

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the 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 matters prescribed by the Kenyan Companies Act, 2015

Report of the directors

In our opinion the information given in the report of directors' report on pages 4 to 5 is consistent with the financial statements.

Directors' remuneration report

In our opinion, the auditable part of the directors' remuneration report on pages 6 to 11 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 Charles Munkonge Luo,** Practising certificate **No. 2294.**

CharlesLuo

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

29 March **2023**

STATEMENT OF PROFIT OR LOSS

		Group		Company	
		2022	2021	2022	2021
	Notes	Shs '000	Shs '000	Shs '000	Shs '000
Interest income	6	64,112,324	57,302,525	33,214	36,707
Interest expense	7	(21,725,694)	(19,477,455)	-	-
Net interest income		**42,386,630**	**37,825,070**	**33,214**	**36,707**
Fees and commission income	9	4,398,231	3,746,811	-	-
Fees and commission expense	9	(464,214)	(408,154)	-	-
Net fees and commission income		**3,934,017**	**3,338,657**	-	-
Foreign exchange income	10	12,495,587	5,056,517	-	-
Gain on disposal of financial instruments	11	134,295	694,047	-	-
Fair value loss on financial assets	12 (a)	(554,651)	(1,002,185)	-	-
Other income	12 (b)	1,478,288	1,325,188	12,132,054	6,340,793
Non-interest income		**17,487,536**	**9,412,224**	**12,132,054**	**6,340,793**
Operating and other income		**59,874,166**	**47,237,294**	**12,165,268**	**6,377,500**
Operating expenses	13	(25,120,097)	(21,081,076)	(450,934)	(320,843)
Operating profit before impairment losses		**34,754,069**	**26,156,218**	**11,714,334**	**6,056,657**
Impairment losses	8	(12,465,743)	(11,210,714)	-	-
Profit before share of associate's profit		**22,288,326**	**14,945,504**	**11,714,334**	**6,056,657**
Share of associates profit	26	203,200	89,485	-	-
Profit before income tax		**22,491,526**	**15,034,989**	**11,714,334**	**6,056,657**
Income tax expense	15	(8,713,501)	(4,811,346)	(47,744)	(47,812)
Profit for the year		**13,778,025**	**10,223,643**	**11,666,590**	**6,008,845**
Profit for the year attributable to:					
Equity holders of the Group		13,864,788	10,299,488	11,666,590	6,008,845
Non-controlling interests		(86,763)	(75,845)	-	-
		13,778,025	**10,223,643**	**11,666,590**	**6,008,845**
Earnings per share – basic and diluted (Shs)	17	8.36	6.21	7.08	3.65

STATEMENT OF COMPREHENSIVE INCOME

		Group		Company	
		2022	2021	2022	2021
	Notes	Shs'000	Shs'000	Shs'000	Shs'000
Profit for the year		**13,778,025**	**10,223,643**	**11,666,590**	**6,008,845**
Other comprehensive income net of income tax:					
Items that may be subsequently reclassified to profit or loss					
Fair value gains on financial assets measured at FVOCI	41	(2,491,457)	(1,247,599)	-	-
Exchange differences on translation of foreign operations		305,230	169,607	-	-
Other comprehensive income for the year, net of income tax		**(2,186,227)**	**(1,077,992)**	-	-
Total comprehensive income for the year		**11,591,798**	**9,145,651**	**11,666,590**	**6,008,845**
Attributable to:					
Equity holders of the Group		11,678,561	9,221,496	11,666,590	6,008,845
Non-controlling interests		(86,763)	(75,845)	-	-
		11,591,798	**9,145,651**	**11,666,590**	**6,008,845**

STATEMENT OF FINANCIAL POSITION

		Group		Company	
		2022	2021	2022	2021
	Notes	Shs '000	Shs '000	Shs '000	Shs '000
ASSETS					
Cash and balances with Central Banks	18	38,626,109	43,154,323	-	-
Item in the course of collection	19	401,661	269,163	-	-
Due from banking institutions	20	25,692,842	45,119,386	-	-
Derivative assets	21	17,363	96,879	-	-
Government securities	22	222,450,660	209,450,847	-	-
Investment securities	23	10,168,484	12,844,240	-	-
Customer loans and advances	24	276,033,184	241,464,021	-	-
Current income tax recoverable	15	2,231,441	390,080	11,093	36,212
Other assets	25	18,005,531	10,409,574	-	-
Due from group companies	43	-	-	94,703	60,055
Investment in associates	26	4,069,660	3,956,460	332,593	332,593
Investment in subsidiaries	27	-	-	74,081,089	70,608,568
Intangible assets	28	5,810,137	6,082,639	-	-
Property and equipment	29	2,357,377	2,482,004	-	-
Deferred income tax	30	10,300,722	11,832,708	59,220	24,491
Lease prepayments – leasehold land	31	522,125	522,250	-	-
Right of use asset	32	2,940,348	2,979,464	-	-
Goodwill	33	34,000	34,000	-	-
Total assets		**619,661,644**	**591,088,038**	**74,578,698**	**71,061,919**
LIABILITIES					
Customer deposits	34	502,675,954	469,890,083	-	-
Due to banking institutions	35	5,914,127	14,775,283	-	-
Due to group companies	43	-	-	8,959,800	10,297,692
Other liabilities	36	20,201,833	15,977,996	370,185	160,508
Borrowings	37	4,206,965	6,096,755	-	-
Current income tax payable	15	626,510	2,761,211	-	-
Unclaimed dividends		-	-	-	19,639
Lease liability	38	3,614,564	3,599,681	-	-
Total liabilities		**537,239,953**	**513,101,009**	**9,329,985**	**10,477,839**
SHAREHOLDERS' EQUITY					
Share capital	39	8,237,598	8,237,598	8,237,598	8,237,598
Share premium	40	21,424,322	21,424,322	21,424,322	21,424,322
Revaluation reserve	41	(2,121,494)	369,963	-	-
Retained earnings		51,269,592	44,201,725	31,879,875	27,215,242
Foreign currency translation reserve		(95,245)	(400,475)	-	-
Statutory loan loss reserve	42	-	323,044	-	-
Proposed dividend		3,706,918	3,706,918	3,706,918	3,706,918
Total capital and reserves attributable to equity holders of the Group		**82,421,691**	**77,863,095**	**65,248,713**	**60,584,080**
Non-controlling interests		-	123,934	-	-
Total shareholders' equity		**82,421,691**	**77,987,029**	**65,248,713**	**60,584,080**
Total liabilities and shareholders' equity		**619,661,644**	**591,088,038**	**74,578,698**	**71,061,919**

The financial statements on pages 18 to 110 were approved for issue by the Board of directors on **28 March 2023** and were signed on its behalf by:

J P M Ndegwa
Group Chairman

J Gachora
Group Managing Director

M K ~~R~~ Shah
Director

W Mathenge
Group Company Secretary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022	Notes	Share capital Shs '000	Share premium Shs '000	Revaluation reserve Shs '000	Retained earnings Shs '000	Foreign currency translation reserve Shs '000	Statutory loan loss reserve Shs '000	Proposed dividend Shs '000	Capital and reserves attributable to equity holders of the Group Shs '000	Non-controlling interests Shs '000	Total equity Shs '000
At start of year		8,237,598	21,424,322	369,963	44,201,725	(400,475)	323,044	3,706,918	77,863,095	123,934	**77,987,029**
Total comprehensive income for the year		-	-	-	-	-	-	-	-	-	
Profit for the year		-	-	-	13,864,788	-	-	-	13,864,788	(86,763)	**13,778,025**
Loss on revaluation of financial assets at FVOCI	41	-	-	(2,491,457)	-	-	-	-	(2,491,457)	-	**(2,491,457)**
Currency translation differences		-	-	-	-	305,230	-	-	305,230	-	**305,230**
Minority Interest buyout		-	-	-	(118,003)	-	-	-	(118,003)	(37,171)	**(155,174)**
Total comprehensive income		**8,237,598**	**21,424,322**	**(2,121,494)**	**57,948,510**	**(95,245)**	**323,044**	**3,706,918**	**89,423,653**	-	**89,423,653**
Appropriation from statutory loan reserve	42	-	-	-	323,044	-	(323,044)	-	-	-	-
Transaction with Equity Holders											
Dividends:											
- 2021 Final dividend paid		-	-	-	-	-	-	(3,706,918)	(3,706,918)	-	**(3,706,918)**
- 2022 Interim dividend paid		-	-	-	(3,295,044)	-	-	-	(3,295,044)	-	**(3,295,044)**
- 2022 Proposed final dividend		-	-	-	(3,706,918)	-	-	3,706,918	-	-	-
Total transactions with owners		-	-	-	**(7,001,962)**	-	-	-	**(7,001,962)**	-	**(7,001,962)**
At end of year		**8,237,598**	**21,424,322**	**(2,121,494)**	**51,269,592**	**(95,245)**	-	**3,706,918**	**82,421,691**	-	**82,421,691**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021	Notes	Share capital Shs '000	Share premium Shs '000	Revaluation reserve Shs '000	Retained earnings Shs '000	Foreign currency translation reserve Shs '000	Statutory loan loss reserve Shs '000	Proposed dividend Shs '000	Capital and reserves attributable to equity holders of the Group Shs '000	Non-controlling interests Shs '000	Total equity Shs '000
At start of year		**8,237,598**	**21,424,322**	**1,617,562**	**39,038,741**	**(570,082)**	**129,098**	**2,471,279**	**72,348,518**	**199,779**	**72,548,297**
Total comprehensive income for the year		-	-	-	-	-	-	-	-	-	-
Profit for the year		-	-	-	10,299,488	-	-	-	10,299,488	(75,845)	**10,223,643**
Loss on revaluation of financial assets at FVOCI	41	-	-	(1,247,599)	-	-	-	-	(1,247,599)	-	**(1,247,599)**
Currency translation differences		-	-	-	-	169,607	-	-	169,607	-	**169,607**
Total comprehensive income		**8,237,598**	**21,424,322**	**369,963**	**49,338,229**	**(400,475)**	**129,098**	**2,471,279**	**81,570,014**	**123,934**	**81,693,948**
Appropriation from statutory loan reserve	42	-	-	-	**(193,946)**	-	**193,946**	-	-	-	-
Transaction with Equity Holders											
Dividends:											
- 2020 Final dividend paid		-	-	-	-	-	-	(2,471,279)	(2,471,279)	-	**(2,471,279)**
- 2021 Interim dividend paid		-	-	-	(1,235,640)	-	-	-	(1,235,640)	-	**(1,235,640)**
- 2021 Proposed final dividend		-	-	-	(3,706,919)	-	-	3,706,919	-	-	-
-											
Total transactions with owners		-	-	-	**(4,942,559)**	-	**193,946**	**1,235,640**	**(3,706,919)**	-	**(3,706,919)**
At end of year		**8,237,598**	**21,424,322**	**369,963**	**44,201,724**	**(400,475)**	**323,044**	**3,706,919**	**77,863,095**	**123,934**	**77,987,029**

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total equity Shs'000
At 1 January 2022	8,237,598	21,424,322	27,215,242	3,706,918	**60,584,080**
Profit and total comprehensive income for the year	-	-	11,666,590	-	**11,666,590**
Transactions with owners, recorded directly through equity					
Dividends:					
- 2021 Final dividend paid	-	-	-	(3,706,918)	**(3,706,918)**
- 2022 Interim dividend paid	-	-	(3,295,039)	-	**(3,295,039)**
- 2022 Final dividend proposed	-	-	(3,706,918)	3,706,918	-
- Total Transaction with Equity Holders			(7,001,957)		**(7,001,957)**
At 31 December 2022	**8,237,598**	**21,424,322**	**31,879,875**	**3,706,918**	**65,248,713**
At 1 January 2021	**8,237,598**	**21,424,322**	**26,148,954**	**2,471,279**	**58,282,153**
Profit and total comprehensive income for the year	-	-	6,008,845	-	**6,008,845**
Transactions with owners, recorded directly through equity					
Dividends:					
- 2020 Final dividend paid	-	-	-	(2,471,279)	**(2,471,279)**
- 2021 Interim dividend paid	-	-	(1,235,639)	-	**(1,235,639)**
- 2021 Final dividend proposed	-	-	(3,706,918)	3,706,918	-
- Total Transaction with Equity Holders	-	-	(4,942,557)	1,235,639	**(3,706,918)**
-					
At 31 December 2021	**8,237,598**	**21,424,322**	**27,215,242**	**3,706,918**	**60,584,080**

NOTES TO FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

		Group		Company	
		2022	2021*	2022	2021
	Notes	Shs'000	Shs'000	Shs'000	Shs'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax		22,491,526	15,034,989	11,714,334	6,056,657
Non-cash items	45	(25,974,999)	(22,423,116)	(33,214)	(36,707)
Changes in operating assets and liabilities	45	(20,152,095)	49,325,735	(1,107,277)	(161,182)
Income tax paid	15	(9,968,025)	(3,375,651)	(57,354)	(45,730)
Interest received		63,676,823	56,207,912	33,214	36,707
Interest paid		(21,593,394)	(19,482,604)	-	-
Net cash generated from operating activities		**8,479,836**	**75,287,265**	**10,549,703**	**5,849,745**
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in subsidiaries		-	-	(3,472,521)	(2,334,264)
Dividends from associates	12	90,000	50,000	-	-
Purchase of government securities	22	(85,014,048)	(118,188,005)	-	-
Proceeds from matured government securities	22	58,730,866	72,680,720	-	-
Purchase of intangible assets	28	(1,393,174)	(1,567,494)	-	-
Purchase of property and equipment	29	(534,445)	(347,856)	-	-
Purchase of investment securities	23	(612,453)	(5,844,565)	-	-
Proceeds from sale of investments	23	3,417,858	204,203	-	-
Proceeds on sale of equipment		16,612	69,124	-	-
Net cash used in investing activities		**(25,298,784)**	**(52,943,873)**	**(3,472,521)**	**(2,334,264)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(7,001,962)	(3,706,919)	(7,001,957)	(3,706,919)
Repayment of long-term borrowings	37(b)	(2,360,521)	(7,936,076)	-	-
Payment towards lease liabilities		(1,118,868)	(1,073,995)	-	-
Minority Interest buyout		(155,174)	-	-	-
Net cash used in financing activities		**(10,636,525)**	**(12,716,990)**	**(7,001,957)**	**(3,706,919)**
(Decrease)/increase in cash and cash equivalents		**(27,455,473)**	**9,626,402**	**75,225**	**(191,438)**
Cash and cash equivalents at 1 January	44	67,471,764	57,845,362	9,650	201,088
Foreign currency exchange difference		941,025	-	-	-
Cash and cash equivalents at 31 December	44	**40,957,316**	**67,471,764**	**84,875**	**9,650**

*Comparative figures are reclassified. Refer to note 45

1. General information

NCBA Group PLC (the "Company/Parent") and its subsidiaries (together, the "Group") provide retail, corporate and digital banking, brokerage, bancassurance and investment banking services. NCBA Group PLC is incorporated in Kenya under the Kenyan Companies Act, 2015 as a public limited liability company and is domiciled in Kenya. The Company's shares are listed on the Nairobi Securities Exchange (NSE). NCBA Group PLC and its subsidiaries operate in Kenya, Tanzania, Uganda, Rwanda, Cote d'Ivoire and Ghana through its subsidiaries NCBA Bank Tanzania Limited, NCBA Bank Uganda Limited, NCBA Bank Rwanda PLC, Bridge Microfinance and LOOP DFS Ghana.

The address of its registered office is as follows:

NCBA Centre
Mara and Ragati Roads, Upper Hill P.O. Box 44599 – 00100
Nairobi, Kenya

For the Kenyan Companies Act 2015 reporting purposes, the balance sheet is represented by the statement of financial position and profit and loss account by the statement of profit or loss in these financial statements.

2. Significant accounting policies

2.1 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(i) Compliance with IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the IFRS Interpretations Committee of the IASB (IFRS IC) applicable to companies reporting under IFRS and the requirements of the Kenyan Companies Act, 2015. The financial statements are presented in thousands of Kenya shillings rounded to the nearest thousand (Shs '000) and are prepared under the historical cost convention except where otherwise stated in the accounting policies below. For those assets at fair value, 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.

Having made an assessment of the Group and Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group and Company's ability to continue as a going concern.

(ii) Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires the directors to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

(iii) Changes in accounting policies and disclosures

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

<u>Amendments to IAS 1 and IFRS Practice Statement 2</u>

The amendment is effective for annual periods beginning on or after 1 January 2023.

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

2. Significant accounting policies (continued)

2.1. Basis of preparation (continued)

(iii) Changes in accounting policies and disclosures (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

Amendments to IAS 1 and IFRS Practice Statement 2 (continued)

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and,
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the PS also provide examples of situations when generic or standardised information summarising or duplicating the requirements of IFRS may be considered material accounting policy information. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.

Amendments to IAS 8 - Definition of Accounting Estimates

The amendment is effective for annual periods beginning on or after 1 January 2023.

The amendment seeks to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. In addition, the amendments clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendment is effective for annual periods beginning on or after 1 January 2023.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.

Standards, amendments and interpretations to existing standards that are effective in the year

Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework

The amendment is effective for annual periods beginning on or after 1 January 2022.

The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iii) Changes in accounting policies and disclosures (continued)

Standards, amendments and interpretations to existing standards that are effective in the year (Continued)

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use. The changes did not have material impact on the financial statements of the Group.

Amendments to IAS 16- Property, Plant and Equipment: Proceeds before Intended Use

The amendment becomes effective for annual periods beginning on or after 1 January 2022.

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The changes did not have material impact on the financial statements of the Group.

Amendments to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract

The amendment becomes effective for annual periods beginning on or after 1 January 2022.

The amendment seeks to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.
This standard becomes effective for annual periods beginning on or after 1 June 2022.

The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The change did not have a material impact on the financial statements of the Group.

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle (Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities, IAS 41 Agriculture – Taxation in fair value Measurements, IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities)

IFRS 1 First-time Adoption of International Financial Reporting Standards.
The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16 (a).

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iii) Changes in accounting policies and disclosures (continued)

Standards, amendments and interpretations to existing standards that are effective in the year (Continued)

IFRS 9 Financial Instruments
The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Bank. The changes did not have material impact on the financial statements of the Group.

IFRS 16 Leases
The amendment removes the illustration of the reimbursement of leasehold improvements.

The changes did not have material impact on the financial statements of the Group.

2.2 Consolidation

The consolidated financial statements comprise the financial statements of NCBA Group PLC (the "Company") and its subsidiaries (see note 27) and equity accounted stake in associates (see note 26) up to 31 December 2022 (together the "Group). All inter-company transactions, balances and gains or losses on transactions between Group companies are eliminated in full on consolidation.

i) Investment in subsidiaries

Subsidiary undertakings are those companies in which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date when it ceases. Investment in subsidiaries are carried in the Company's statement of financial position at cost less provision for impairment losses.

ii) Investment in associates

An associate is a company in which the Group has significant influence, but not control, as defined by *IFRS 10: Consolidated financial statements*. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The consolidated financial statements include the Group's share of net assets of the associate on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. At Company level, associates are recognised at cost less impairment.

iii) Changes in ownership interest

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions; that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

iv) Non-controlling interest (NCI)

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2. Significant accounting policies (continued)

2.3 Interest income and expense recognition

Effective interest rate

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 purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

For purchased or originated credit- impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.
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.

2.4 Fee and commission income

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

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

Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportionate basis. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

2.5 Other income

Other revenue includes dividends received from subsidiaries and associate investments, fair value gains and losses on investment securities at fair value through profit or loss, dividends relating to those financial instruments.

Dividends on equity instruments are recognised in the profit or loss when the Group's right to receive payment is established.

2. Significant accounting policies (continued)

2.6 Foreign currency translation

i) Functional and presentation currency

The financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The financial statements are presented in Kenya Shillings, which is the Group's Presentation Currency. Except as indicated, financial information presented in Kenya Shillings has been rounded to the nearest thousand.

ii) Transactions and balances

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

Foreign currency transactions that are transactions denominated, or that require settlement, in a foreign currency are translated into the respective functional currencies of the operations using the exchange rates prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Foreign currency 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 profit or loss.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as financial assets at fair value through other comprehensive income are included in other comprehensive income.

2.7 Financial assets

a) Debt instruments

i) Recognition and subsequent measurement

The Group determines the appropriate classification of its financial assets at initial recognition. It recognises a financial asset in its statement of financial position when it becomes party to the contractual provisions of the instrument.

Financial assets (except those carried at fair value through profit or loss) are initially recognised in the financial statements at fair value plus transaction costs.

The Group classifies its financial assets into the following categories:

- Financial assets at fair value through profit or loss ("FVTPL");
- Financial assets measured at amortised cost; and
- Financial assets at fair value through other comprehensive income ("FVTOCI").

The Group's classification is based on the contractual cash flow characteristics of the asset and the business model for managing the financial assets.

2. Significant accounting policies (continued)

2.7 Financial assets (Continued)

a) Debt instruments (Continued)

i) Recognition and subsequent measurement (Continued)

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

FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ (losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises. Interest income and credit related income from these financial assets is included in "interest income" using the effective interest rate method.

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

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

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

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

2. Significant accounting policies (continued)

2.7 Financial assets (continued)

a) Debt instruments (continued)

ii) Modification of loans

The Group may sometimes renegotiate or otherwise modify the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.

- Whether any substantial new terms are introduced, such as a profit share/equity based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change is interest rate; and
- Change in the currency of the loan - Insertion of collateral, other security or credit enhancement that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred.

Before renegotiation, the Group assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on de-recognition.

As a result of the Group's forbearance activities financial assets might be modified. The following tables refer to modified financial assets where modification does not result in derecognition.

	2022	2021
	Shs '000	Shs '000
Financial assets (with loss allowance based on lifetime ECL) modified during the period		
Carrying amount before modification	29,161,870	21,340,656
Loss allowance before modification	1,251,657	2,344,444
Net amortised cost before modification	**30,413,527**	**18,996,212**
Net modification loss	(19,530)	-
Net amortised cost after modification	**30,393,997**	**18,996,212**

If the terms are not substantially different, the renegotiation or modification does not result in de-recognition, the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate of credit-adjusted effective interest rate for POCI financial assets.

iii) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

2. Significant accounting policies (continued)

2.7 Financial assets (continued)

a) Debt instruments (continued)

iii) Derecognition other than on a modification (Continued)

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as “pass through” transfers that result in de-recognition if the Group:

i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
ii) Is prohibited from selling or pledging the assets; and
iii) Has an obligation to remit any cash it collects from assets without material delays.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowings transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of predetermined repurchase price, and the criteria for de-recognition are therefore not met. This also applies to certain securitization transactions in which the Group retains a subordinated residual interest.

iv) Impairment of financial assets

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

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

Refer to Note 3.2 (b) for further details on how ECLs are determined, including some of the significant underpinning their computation.

b) Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer’s perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer’s net assets e.g. basic ordinary shares.

The Group measures all equity investments at fair value through profit or loss, except where the Group’s management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income.

Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group’s right to receive payment is established. Gains and losses on equity investments at FVPL are included in the “Other income” line in the statement of comprehensive income.

2. Significant accounting policies (continued)

2.8 Financial Liabilities

Financial liabilities are classified and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss such as derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair values of the financial liability that is attributable to changes in the credit risk of that liability) and partially profit or loss (the remaining amount of change in the fair value of the liability);
- Financial liabilities arising from the transfer of financial assets which did not qualify for de-recognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments

The Group's holding in financial liabilities comprises mainly of borrowings, deposits from Banks and customers, balances due to Group companies and other liabilities. Such financial liabilities are initially recognised at fair value, generally being their issue proceeds, net of directly attributable transaction costs incurred. They are subsequently measured at amortised cost and interest is recognised using the effective interest method.

Borrowing costs that relate to qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value, are capitalised. All other borrowing costs are recognised in profit or loss. Borrowing costs consist of interest and other costs that an entity incurred in connection with the borrowing of funds.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

i) Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of the debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities. Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument, other than for staff facilities. For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan to the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as provision.

2.9 Offsetting financial instruments

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

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

2. Significant accounting policies (continued)

2.10 Property and equipment

Property and equipment are initially recorded at cost, and subsequently stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of these assets.

Costs incurred in the process of acquiring or constructing an item of property and equipment are recognised as capital work in progress. Once acquisition or construction is complete and the item is ready for use, the carrying amount is transferred to the relevant property and equipment category. Depreciation commences when the item of property or equipment is ready for use in the manner intended by management.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated intangible assets, is recognised in profit or loss as incurred.

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Depreciation is calculated on a straight-line basis at annual rates estimated to write off the cost of each asset to its residual value over its expected useful life as follows:

Buildings and improvements on leasehold land	- lesser of 40 years and the unexpired period of lease
Equipment, furniture and fittings	- 3 to 8 years
Motor vehicles	- 4 to 5 years

Property and equipment are reviewed for impairment on an annual basis. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is immediately written down to its recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units)

Gains or losses on disposal of property and equipment are determined by comparing proceeds with carrying amount and are taken into account in determining operating profit.

2.11 Intangible assets

The Group's intangible assets include computer software license, goodwill and other intangible assets arising out of business combinations and goodwill.

i) Software

Intangible assets comprise acquired computer software license costs which are recognised on the basis of expenditure incurred to acquire and bring the specific software to use. These costs are amortised over estimated useful lives of three to ten years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. During development of these software products, direct costs such as the software development employee costs and an appropriate portion of relevant overheads are recorded as work in progress and amortised from the point at which the asset is ready for use.

Computer software development costs recognised as assets are amortised over an estimated useful life of three to eight years. Costs associated with the maintenance of computer software are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives.

2. Significant accounting policies (continued)

2.11 Intangible assets (continued)

ii) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.
Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

iii) Other intangible assets

The Group's intangible assets other than goodwill include intangible assets arising out of business combinations. The cost of intangible assets in a business combination is their fair value at the date of transfer. Intangible assets transferred separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement.

The estimated useful lives of the intangible assets for the calculation of amortisation are as follows:

- Customer relationships 3 years
- Core deposits 1 years

The residual values and useful lives of all intangible assets are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2. Significant accounting policies (continued)

2.13 Provisions and contingent liabilities

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

2.14 Employee benefits

i) Retirement benefit obligations

The Group operates defined contribution schemes, the assets of which are held in separate trustee-administered funds. The schemes are funded by contributions from both the Group and employees. The Group and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. The Group's contributions to the defined contribution schemes are charged to profit or loss in the year to which they relate.

ii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

2.15 Income tax

i) Income tax charge

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In which case, the tax is recognised in other comprehensive income or directly in equity respectively.

ii) Current income tax

The current income tax charge is calculated on the basis of tax laws applicable at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

iii) Deferred income tax

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 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. It is also not recognised for temporary differences related to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future and the investor is able to control the timing of the reversal of the temporary difference.

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 applicable at the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset 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 realised.

2. Significant accounting policies (continued)

2.15 Income tax (continued)

iii) Deferred income tax (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 realised simultaneously.

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

2.16 Derivative financial instruments

A derivative is a financial instrument whose fair value changes in response to an underlying variable, requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors and is settled at a future date. Derivatives are initially recognised at fair value on the date on which the derivatives are entered into and subsequently re-measured at fair value.

All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative, subject to offsetting principles as described under the heading offsetting financial instruments.

Embedded derivatives on financial liabilities include hybrid instruments and are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The financial host contracts are accounted for and measured applying the rules of the relevant financial instrument category.

All gains and losses from changes in the fair values of derivatives are recognised immediately in profit or loss as trading income.

2.17 Leases

Lease accounting depend on whether the Group is the lessee or the lessor

i) The Group is the lessee

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

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Group is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used. For leases that contain non-lease components, the company allocates the consideration payable to the lease and non-lease components based on their relative stand- alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

2. Significant accounting policies (continued)

2.18 Leases (continued)

i) The Group is the lessee (continued)

Subsequently the lease liability is measured at amortised cost, subject to re-measurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

All right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any re-measurement of the lease liabilities. Depreciation is calculated using the straight-line method to write-down the cost of each asset to its residual value over its estimated useful life. If the ownership of the underlying asset is expected to pass to the Group at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset if of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period. The above policy has been applied from January 2020.

ii) With the Group as lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before income tax expense), which reflects a constant periodic rate of return. Payments received under operating lease are charged to profit or loss on a straight line basis over the period of the lease.

2.19 Sale and repurchase agreements

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

2.20 Assets obtained by taking possession of collateral

The Group's policy is to realise collateral on a timely basis. The Group does not use non-cash collateral for its operations.

In its normal course of business, the Bank engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

2.21 Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared.

Proposed dividends are appropriated from retained earnings into a separate component of equity until they are declared.

2.22 Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

2.23 Off balance sheet letters of credit, acceptances and guarantees

Letters of credit, acceptances and guarantees are accounted for as off-balance sheet transactions.

2. Significant accounting policies (continued)

2.24 Fiduciary activities

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

2.25 Statutory loan loss reserve

Further to the credit loss allowances computed in line with international financial reporting standards, the Central Banks have, in their prudential guidelines, specified certain minimum loan loss provisions to be held against various categories of loans and advances. Where credit loss allowances computed in line with the Central Bank regulations exceed those computed on the same loan balances under International financial reporting standards, the excess is recognised as a regulatory loss reserve and is accounted for as an appropriation of retained earnings. The statutory loan loss reserve is non-distributable.

2.26 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment which is subject to risks and rewards that are different from those of other segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or Group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as its chief operating decision maker. All transactions between business segments are conducted on commercial terms basis with intra-segment revenue and costs being eliminated at Group level.

2.27 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary share shareholders and the weighted average number of ordinary shared outstanding for the effects of all dilutive potential shareholders if any.

2.28 Comparatives

Where necessary, comparative figures are restated to conform to changes in presentation in the reporting period.

3. Financial risk management

3.1 Risk management framework

The Group's activities expose it to a variety of financial risks, including credit risk and the risks of changes in debt and equity market prices, foreign currency exchange rates, liquidity risk and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. Risk management is carried out under policies approved by the Board of directors. The Board provides written principles for overall risk management as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and the investment of surplus funds

By their nature, the Group's activities are principally related to the use of financial instruments, including derivatives. The Group accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances; the Group also enters into guarantees and other commitments such as letters of credit and performance, and other bonds.

3 Financial risk management (continued)

3.1 Risk management framework (continued)

The Group also trades in financial instruments where it takes positions in traded and over-the-counter instruments to take advantage of short-term market movements in bond prices and currency and interest rates. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

Foreign exchange and interest rate exposures associated with derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

3.2 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty may be unable to pay amounts in full, when due. The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in respect of any borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a continuous basis and subject to annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved by the Board of directors.

The exposure to any one borrower including banks is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as foreign exchange forward contracts. Actual exposures against set limits are monitored on a daily basis.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Impairment provisions are made for losses that have been incurred at the reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration of the Group's portfolio, could result in losses that are different from those provided for at the reporting date. Directors therefore carefully manage the exposure to credit risk.

a) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances.

Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than loans and advances.

Commitments to extend credit represent un-utilised portions of authorised credit in the form of loans and advances, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss to the extent of the total un-utilised commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of risk than shorter- term commitments.

The amount that best represents the Group's maximum exposure to credit risk is the carrying value in the statement financial position. Loans and advances to customers are secured by collateral in the form of charges over land and buildings and/or plant and machinery or corporate guarantees and other collaterals accepted by the laws of the land. However, there are loans and advances to major corporations and individuals that are unsecured. In these cases, the Group undertakes stringent credit risk assessments before any disbursements are made.

3. Financial risk management (continued)

3.2 Credit risk (continued)

a) Credit related commitments (Continued)

The directors are confident in its ability to continue to control exposure of credit risk to the Group resulting from both its loan and advances portfolio and debt securities based on the following:

- The Group exercises stringent controls over the granting of new loans.
- 78% (2021: 70%) of the loans and advances portfolio are neither past due nor impaired.
- 96% (2021: 94%) of the debt securities are government securities.

b) Loans and advances

The Group aligns the classification criteria for assets that are past due or impaired in line with regulatory guidelines. In the determination of the classification of accounts, performance is the primary consideration. The classification of an account reflects a judgment about risks of default and loss associated with the credit facility. The classification process establishes a consistent approach to problem recognition, problem labeling, remedial action and the initiation of credit write-offs.

i) Expected credit loss measurement

IFRS 9 outlines a 'three-Stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- **Stage 1:** Assets that are performing. If credit risk is low as of the reporting date or the credit risk has not increased significantly since initial recognition, The Group recognises a loss allowance at an amount equal to 12-month expected credit losses. This amount of credit losses is intended to represent lifetime expected credit losses that will result if a default occurs in the 12 months after the reporting date, weighted by the probability of that default occurring.

- **Stage 2:** Assets that have significant increases in credit risk. In instances where credit risk has increased significantly since initial recognition, the Group measures a loss allowance at an amount equal to full lifetime expected credit losses. That is, the expected credit losses that result from all possible default events over the life of the financial instrument. For these debt instruments, interest income recognition will be based on the EIR multiplied by the gross of carrying amounts.

- **Stage 3**: For debt instruments that have both a significant increase in credit risk plus observable evidence of impairment i.e. have defaulted.

Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

NCBA GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

i) Expected credit loss measurement (continued)

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgments and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

ii) Significant Increase in credit risk (SICR)

The Group's decision on whether to recognize 12-month or lifetime expected credit losses depends on whether there has been a significant increase in credit risk since initial recognition. An assessment of whether credit risk has increased significantly is performed at each reporting date.

When making the assessment, the Group uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. This forms the basis of stage 1, 2 and 3 classification and subsequent migration.

The Group applies qualitative and quantitative criteria for stage classification and for its forward and backward credit risk migration.

Quantitative Criteria

The quantitative criteria is based on relative and not absolute changes in credit quality driven by counterparty ratings and days past due.

The Group considers that financial instruments for which default patterns are not concentrated at a specific point during the expected life of the financial instrument, changes in the risk of a default occurring over the next 12 months may be a reasonable approximation of the changes in the lifetime risk of a default occurring and could be used to determine whether credit risk has increased significantly since initial recognition.

The appropriateness of using changes in the risk of a default occurring over the next 12 months to determine whether lifetime expected credit losses should be recognised depends on the specific facts and circumstances. Risk of default occurring over the next 12 months is not a suitable basis for determining whether credit risk has increased on a financial instrument with a maturity of more than 12 months when:

3. Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

ii) Significant Increase in credit risk (SICR) (continued)

- the financial instruments only have significant payment obligations beyond the next 12 months;
- changes in relevant macroeconomic or other credit-related factors occur that are not adequately reflected in the risk of a default occurring in the next 12 months; or
- changes in credit-related factors only have an impact on the credit risk of the financial instrument (or have a more pronounced effect) beyond 12 months.

The Group's quantitative credit grading, as compared to banking regulators' prudential guidelines credit grading is as per the table below:

IFRS 9 credit staging / grading	Regulator Guidelines	Days past due
Stage 1	Normal	Up to date and in line with contractual agreements or within 30 days' arrears
Stage 2	Watch	31 to 90 days overdue
Stage 3	Substandard	91 to 180 days overdue
	Doubtful	181 – 365 days overdue
	Loss	Over 365 days overdue

Qualitative Criteria

In addition to the above, the Group considers other qualitative factors in determining the classification above, and may accelerate the classification of credit facilities where deemed appropriate. They include but not limited to:

- Significant changes in the terms of the same instrument if it were issued at the reporting date that indicate a change in credit risk since initial recognition, e.g.: increase in credit spread; more stringent covenants; increased amounts of collateral or guarantees; or higher income coverage.

- Significant changes in external market indicators of credit risk for the same financial instrument (or similar instrument of the borrower), e.g.: credit spread; credit default swap prices; length of time or the extent to which the fair value of a financial asset has been less than its amortised cost; other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments; or external credit rating (actual or expected).

- Changes in the Group's credit management approach in relation to the financial instrument (e.g. based on emerging indicators of changes in the credit risk of the financial instrument, the Group's credit risk management practice is expected to become more active or focused on managing the instrument, including the instrument becoming more closely monitored or controlled, or the Group specifically intervening with the borrower).

- Actual or expected adverse changes in business, financial or economic conditions significantly affecting borrower's ability to meet its debt obligations (e.g. increase in interest rates or unemployment rates); operating results of the borrower e.g. declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organizational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations; or regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations (e.g. a decline in the demand for the borrower's sales product because of a shift in technology).

3. **Financial risk management (continued)**

3.2 **Credit risk (continued)**

b) **Loans and advances (continued)**

ii) Significant increase in credit risk (SICR) (continued)

- Significant changes in the value of collateral or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to pay or otherwise affect the probability of default; or quality of a guarantee provided by a shareholder (or an individual's parents) if the shareholder (or parents) have an incentive and financial ability to prevent default by capital or cash infusion.

- Expected changes in the loan documentation (e.g. breach of contract leading to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees).

- Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group (e.g. increase in delayed contractual payments or number of credit card borrowers expected to approach or exceed their credit limit or who are expected to be paying the minimum monthly amount).

iii) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent or becoming probable that the borrower will enter bankruptcy
- The borrower is in breach of financial covenants
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses

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

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

3. Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

iv) Measuring expected credit loss – inputs, assumptions and estimation techniques

"ECL" is defined as the amount on a probability-weighted basis as the difference between the cash flows that are due to the Group in accordance with the contractual terms of a financial instrument and the cash flows that the Group expects to receive.

ECL is formula driven, i.e. ECL= PD x LGD x EAD (discounted using the EIR)
ECLs are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

LGD represents the Group's expectations of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is calculated on a 12-month or lifetime basis, where 12month LGD is the percentage of loss expected to be made if the default occurs over the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans.

The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and a credit grade. This is supported by a historical analysis.

Where there is uncertainty in respect of the respective models' ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the timing of model updates, and macroeconomic events, additional provisions are made via management overlays. Significant judgement was made in determining the management overlays.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type:

- For amortising products or bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayments/refinance assumptions are also incorporated.

- For revolving products, the exposure at default is predicted by taking the current drawn-down balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

3. **Financial risk management (continued)**

3.2 **Credit risk (continued)**

b) **Loans and advances (continued)**

iv) Measuring expected credit loss – inputs, assumptions and estimation techniques (continued)

- The 12-month and lifetime LGDs are determined based on the factors which impact the recoverable amount post default. These vary by product type:

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and prices.

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

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change – are monitored and reviewed on an annual basis.

v) Grouping of instruments for losses measured on a collective basis

For expected credit losses provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogenous. In performing this grouping, there must be sufficient information for the group to be statistically credible. In concluding on how to group its exposures, the Group considered its approach to credit risk management and how aspects such as regulatory compliance and internal concentration limits are managed. As such, the Group grouped its loans and advances at amortised cost based on industries such as Agriculture, Business Services, Mining and Quarrying, Manufacturing, Individuals, Building and construction, Tourism, Transport and Communication among others. The appropriateness of groupings is monitored and reviewed on a periodic basis.

In the year, there were some exposures deemed to be individually significant to merit individual assessment, other than those in Stage 3. These were assessed individually.

vi) Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses, segmented by portfolio and country. These economic variables and their associated impact on PD, EAD and LGD vary by industry/portfolio segmentation and in different countries.

vii) Forward-looking information incorporated in the ECL models

Forecasts of the base economic scenario and the possible bearish and bullish scenarios along with scenario weightings are prepared by an expert economic team. The impact of these economic variables on the PD, EAD and LGD is determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to an inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearity's and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible outcomes.

3. Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

vii) Forward-looking information incorporated in the ECL models (continued)

The key macro-economic factors that were evaluated by the Group and deemed to be most correlated to the historical and forecasted default statistics include interest and foreign exchange rates, Inflation, GDP growth and population statistics for different countries.

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 annually.

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2022 for the years 2022 to 2030.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 20 years.

Macro-Economic Factors	*Base Forecast*			*Best Case*			*Worst Case*		
	2022	2023	Remaining Forecast Period	2022	2023	Remaining Forecast Period	2022	2023	Remaining Forecast Period
GDP Growth (YoY%)	4.09%	7.34%	9.95%	4.50%	8.07%	10.95%	3.68%	6.61%	8.96%
GDP Per Capita (YoY%)	2.69%	3.08%	3.15%	2.96%	3.38%	3.46%	2.42%	2.77%	2.83%
FX Rate (YoY%)	5.97%	1.75%	1.09%	5.38%	1.58%	0.98%	6.57%	1.93%	1.20%
Lending Rate-Base Rate (%)	11.07%	11.07%	11.16%	9.96%	9.96%	10.04%	12.18%	12.18%	12.28%
Household Spending (YoY%)	10.87%	11.40%	11.89%	9.78%	10.26%	10.70%	11.96%	12.54%	13.08%
Foreign Reserves (YoY%)	15.67%	13.99%	9.75%	-14.10%	15.39%	10.73%	-17.24%	12.60%	8.78%
Consumer Price Index (YoY%)	6.30%	5.50%	5.64%	5.67%	4.95%	5.07%	6.93%	6.05%	6.20%

3. **Financial risk management (continued)**

3.2 **Credit risk (continued)**

b) Loans and advances (continued)

vii) Forward-looking information incorporated in the ECL models (continued)

Macro-Economic Factors	*Base Forecast*			*Best Case*			*Worst Case*		
	2021	**2022**	**Remaining Forecast Period**	**2021**	**2022**	**Remaining Forecast Period**	**2021**	**2022**	**Remaining Forecast Period**
GDP Growth (YoY%)	6.85%	9.33%	9.80%	7.50%	10.3%	10.8%	6.20%	8.4%	8.8%
GDP Per Capita (YoY%)	2.11%	2.90%	2.91%	2.30%	3.2%	3.2%	1.90%	2.6%	2.6%
FX Rate (YoY%)	4.24%	4.26%	4.37%	4.70%	4.7%	4.8%	3.80%	3.8%	3.9%
Lending Rate-Base Rate (%)	10.06%	11.18%	4.27%	11.1%	12.3%	4.7%	9.10%	10.1%	3.8%
Household Spending (YoY%)	3.32%	-1.77%	1.56%	3.70%	-2.0%	1.7%	3.0%	-1.6%	1.4%
Foreign Reserves (YoY%)	5.73%	8.55%	7.70%	-6.30%	9.4%	8.5%	5.20%	7.7%	6.9%
Consumer Price Index (YoY%)	6.30%	5.20%	5.99%	-6.90%	5.7%	6.6%	5.70%	4.7%	5.4%

viii) Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery methods foreclosing on collateral and the value of the collateral are such that there is no reasonable expectations of recovering in full.

Although the Group may write-off financial assets that are still subject to enforcement activity, it still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of recovering in full.

ix) Restructured/renegotiated facilities

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

x) The breakdown of loans and advances based on their staging is summarised below:

The following tables set out information about credit quality of loans and advances. The breakdown of loans and advances based on their staging is summarised below;

The breakdown of loans and advances based on their staging is summarised below:

3. Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

x) The breakdown of loans and advances based on their staging is summarised below:

Group	**2022**	**2021**
At 31 December	**Shs' 000**	**Shs' 000**
Gross loans and advances		
Stage 1	228,669,234	187,490,137
Stage 2	31,497,403	44,907,700
Stage 3	32,869,198	35,650,015
Total gross loans advanced	**293,035,835**	**268,047,852**
Impairment allowances		
Stage 1	2,327,097	2,151,861
Stage 2	2,740,074	5,928,181
Stage 3	16,079,525	22,727,225
Impairment allowances	**21,146,696**	**30,807,267**
Fair-value		
Loan notes at FVTPL	4,144,045	4,223,436
Net loans and advances	**276,033,184**	**241,464,021**
Coverage ratio of the individually impaired loans and advances	49%	64%

Included in loans and advances above are loan notes valued at Shs 4.1 billion (2021: Shs 4.2 billion) which were held at fair value through profit or loss. All other loans and advances are classified at amortised cost.

Staging of loans and advances

Portfolio management is an integral part of the credit risk management process that enables the Group to limit concentrations, reduce volatility, increase liquidity and achieve optimum earnings. The responsibility for portfolio management lies primarily with business units, with oversight and review by credit risk management while the Board Credit Committee is responsible for credit approvals. The Group's portfolio management plan entails:

- The setting up of portfolio targets and concentrations.
- Establishing target market risk acceptance criteria and key success factors. These are subject to regular review to ensure their continued appropriateness.
- Monitoring the portfolio risk profile, risk-adjusted returns, risk concentrations, economic market and competitive data.
- Identifying and analysing trends and concentrations that could affect the risk and performance of the portfolio.
- Stress testing of the portfolio for the purpose of measuring potential losses.

3. Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

x) The breakdown of loans and advances based on their staging is summarised below (Continued)

Credit quality of loans and advances

An analysis of the Group's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. 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.

	Year ended 31st December 2022			
Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	**Lifetime ECL**		
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Grade 1: Normal	228,669,234	-	-	**228,669,234**
Grade 2: Watch	-	31,497,403	-	**31,497,403**
Grade 3: Substandard	-	-	1,911,239	**1,911,239**
Grade 4: Doubtful	-	-	28,656,625	**28,656,625**
Grade 5: Loss	-	-	2,301,334	**2,301,334**
Total gross carrying amount	**228,669,234**	**31,497,403**	**32,869,198**	**293,035,835**
Loss allowance	2,327,097	2,740,074	16,079,525	**21,146,696**
Carrying amount	**226,342,137**	**28,757,329**	**16,789,673**	**271,889,139**

	Year ended 31st December 2022			
Letters of Credit, Guarantees and Acceptances	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	**Lifetime ECL**		
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Grade 1: Normal	54,519,795	-	-	**54,519,795**
Grade 2: Watch	-	5,052,491	-	**5,052,491**
Grade 3: Substandard	-	-	4,679	**4,679**
Grade 4: Doubtful	-	-	1,134,401	**1,134,401**
Grade 5: Loss	-	-	1,000	**1,000**
Total gross carrying amount	**54,519,795**	**5,052,491**	**1,140,080**	**60,712,366**
Loss allowance	69,386	71,674	590,799	**731,859**
Carrying amount	**54,450,409**	**4,980,817**	**549,281**	**59,980,507**

	Year ended 31st December 2021			
Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	**Lifetime ECL**		
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Grade 1: Normal	187,490,137	-	-	**187,490,137**
Grade 2: Watch	-	44,907,700	-	**44,907,700**
Grade 3: Substandard	-	-	2,881,432	**2,881,432**
Grade 4: Doubtful	-	-	29,280,785	**29,280,785**
Grade 5: Loss	-	-	3,487,798	**3,487,798**
Total gross carrying amount	**187,490,137**	**44,907,700**	**35,650,015**	**268,047,852**
Loss allowance	2,151,861	5,928,181	22,727,225	**30,807,267**
Carrying amount	**185,338,276**	**38,979,519**	**12,922,790**	**237,240,585**

3. Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

x) The breakdown of loans and advances based on their staging is summarised below (Continued)

Credit quality of loans and advances (Continued)

Letters of Credit, Guarantees and Acceptances	Year ended 31st December 2021			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL		Total
	Shs '000	Shs '000	Shs '000	Shs '000
Grade 1: Normal	51,309,169	-	-	**51,309,169**
Grade 2: Watch	-	5,636,636	-	**5,636,636**
Grade 3: Substandard	-	-	10,000	**10,000**
Grade 4: Doubtful	-	-	1,846,704	**1,846,704**
Grade 5: Loss	-	-	750	**750**
Total gross carrying amount	**51,309,169**	**5,636,636**	**1,857,454**	**58,803,259**
Loss allowance	35,812	57,017	435,954	**528,783**
Carrying amount	**51,273,357**	**5,579,619**	**1,421,500**	**58,274,476**

c) Other non-loan financial assets

ECL on non-loan financial assets the Group uses simplified approach such is measured as follows:

- Use of external credit ratings as proxies to infer approximate PDs;
- Assigns equal 'loss' and 'no loss' scenarios based on expert judgment; and
- EADs are estimated based on the expected maturities of the instruments, most of which are less than 12 months.

The other financial assets mainly relate to government securities balances held with Central Banks and other financial institutions that are highly rated and therefore considered low risk.

Group

The summarised information on other financial instruments is tabulated below:

	2022				2021			
	Gross Balances	Stage	ECL	Net	Gross Balance	Stage	ECL	Net
	Shs '000		Shs '000	Shs '000	Shs '000		Shs '000	Shs '000
Balances with the central banks	23,858,627	1	9,636	23,848,991	33,067,407	1	11,212	33,056,195
Items in the course of collection	401,661	1	-	401,661	269,163	1	-	269,163
Due from banking institutions	25,712,002	1	19,160	25,692,842	45,137,154	1	17,768	45,119,386
Investment securities – stage 1	8,951,702	1	9,727	8,941,975	11,747,368	1	81,875	11,665,493
Investment securities – stage 3	272,580	3	-	272,580	266,884	3	-	266,884
Government securities	222,567,826	1	117,166	222,450,660	209,538,674	1	87,827	209,450,847
Other assets	16,352,844	1	-	16,352,844	9,431,057	1	-	9,431,057
Gross maximum exposure	**298,117,242**		**155,689**	**297,961,553**	**309,457,707**		**198,682**	**309,259,025**

3. **Financial risk management (continued)**

3.2 **Credit risk (continued)**

c) Other non-loan financial assets (continued)

The following table breaks down gross maximum credit exposure at carrying amounts (without taking into account any collateral held or other credit support). The ECL on items in the course of collection and investment securities is immaterial hence has not been recognised.

	2022 Shs '000	2021 Shs '000
Balances with central banks	23,848,991	33,056,195
Due from banking institutions	25,692,842	45,119,386
Items in the course of collection	401,661	269,163
Government securities	222,450,660	209,450,847
Investment securities	9,214,555	11,932,377
Derivatives	17,363	96,879
Customer loans and advances	276,033,184	241,464,021
Other assets (financial)*	16,352,844	9,426,967
	574,012,100	**550,815,835**
Credit risk exposures relating to off-balance sheet items are as follows:		
Letters of credit	20,087,009	17,300,749
Acceptances	10,035,685	9,791,061
Guarantees	30,589,672	31,711,449
	60,712,366	**58,803,259**
Total credit risk exposure	**634,724,466**	**609,619,094**

*Other assets relate to suspense accounts and funding for mobile initiated transactions.

Credit risk exposure for Company

The company's liquidity relates to balances due from group companies and other assets. These are classified under stage 1 and no provisions for ECL have been made. The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

	2022			2021		
Credit exposure	**Balance Shs '000**	**Stage**	**ECL Shs '000**	**Balance Shs '000**	**Stage**	**ECL Shs '000**
Due from group companies	94,703	1	**94,703**	60,055	1	**60,055**

d) Concentrations of risk

To avoid excessive concentration in any one of several industrial sectors and, by extension, the overall safety of the Group, the lending portfolio is monitored and managed at all times. Equally, care is taken to avoid over-exposure to any one borrower. There are restrictions to the maximum exposure permitted with respect to any one name based on capital and these restrictions which are strictly adhered to, are laid down by regulation. Any changes made to the portfolio management plan are subject to the approval of the Board of Directors.

3. Financial risk management (continued)

3.2 Credit risk (continued)

d) Concentrations of risk (continued)

The economic sector risk concentrations within the customer loans and advances portfolios at the end of the year were as follows:

Group

	2022 %	2021 %
Manufacturing	20.9%	21.2%
Trade	19.2%	18.4%
Personal & Household	20.9%	21.9%
Transport & communications	13.4%	14.6%
Energy & water	6.6%	6.0%
Financial services	5.4%	6.1%
Mining & quarrying	3.8%	2.2%
Building & construction	3.6%	3.3%
Real estate	3.8%	3.6%
Tourism, restaurant & hotels	1.3%	1.5%
Agriculture	1.1%	1.2%
	100%	**100%**

The Group uses a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The acceptability of collateral for credit risk mitigation is guided by the Group's procedures and policies. The main types of collateral taken are:

Type of lending	Common collateral type
Mortgage lending	First ranking legal charge over the property financed.
Commercial loans	Debentures over the borrower's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and Company guarantees.
Personal loans	Checkoffs and cash backed
Asset finance	Secured by motor vehicles and assets being financed and chattel registrations
Other loans and advances	Debentures over the Company's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and Company guarantees.

The Group holds collateral against loans and advances to customers in the form of cash, residential, commercial and industrial property; fixed assets such as plant and machinery; marketable securities; bank guarantees and letters of credit.

Risk mitigation policies control the approval of collateral types. Collateral is valued in accordance with the Group's risk mitigation policy, which prescribes the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral. Collateral held against impaired loans is maintained at fair value. The valuation of collateral is monitored regularly and is back tested at least annually.

3. Financial risk management (continued)

3.2 Credit risk (continued)

d) Concentrations of risk (continued)

Group (continued)

Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse purchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held as at 31 December 2021 and 2022. An estimate of the forced sale value (FSV) of collaterals held against loans and advances to customers at the end of the year was as follows:

	Stage 1 Shs '000	Stage 2 Shs '000	Stage 3 Shs '000	Total Shs '000
Outstanding loans and advances	228,669,234	31,497,403	32,869,198	293,035,835
Outstanding off balance sheet exposure	54,519,795	5,052,491	1,140,080	60,712,366
Total outstanding loans and advances	**283,189,029**	**36,549,894**	**34,009,278**	**353,748,201**
Collateral Held (Forced Sale Value)				
Land and Property	194,297,491	39,046,853	24,225,689	257,570,033
Debentures	43,003,911	5,535,157	2,830,323	51,369,391
Motor Vehicles and Equipment	41,748,343	3,420,659	3,659,180	48,828,182
Others	20,626,829	8,441,244	145,155	29,213,228
Total Collateral Held	**299,676,574**	**56,443,913**	**30,860,347**	**386,980,834**
Net Exposure	**(16,487,545)**	**(19,894,019)**	**3,148,931**	**(33,232,633)**

Repossession of collateral

In the normal credit management process, the Group may repossess collateral. The Group's policy is to dispose of repossessed collateral in the open market, at fair market value. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

Valuation of collateral

The Group has a panel of valuers who undertake valuation of property and other assets to be used as Collateral. The valuers in the panel are qualified professional valuers with adequate experience in the field of property and machinery valuation. Valuation of collateral are performed within 4 years.

Financial effect of collateral

As at 31 December 2022 the Group held collateral amounting to 91% (2021: 83%) of the value of impaired loans.

3. Financial risk management

3.2 Currency risk (Continued)

d) Concentrations of risk (continued)

Group (continued)

The Group takes deposits and lend in currencies other than the local currency and are therefore exposed to effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are both monitored daily. The company's currency position and exposure is managed within the exposure guidelines relating to core capital stipulated by regulation. The Group's significant currency positions were:

Group At 31 December 2022	USD Shs '000	GBP Shs '000	EUR Shs '000	Other Shs '000	Total Shs '000
Assets					
Cash in hand	1,706,986	107,672	349,591	2,241,582	**4,405,831**
Central banks balances	2,369,196	111,765	575,305	3,865,222	**6,921,488**
Government securities	21,787,337	12,109	15,452	16,404,359	**38,219,257**
Due from banking institutions	14,924,865	1,378,658	3,133,985	2,862,301	**22,299,809**
Investment securities	1,224,012	-	-	472,359	**1,696,371**
Customer loans and advances	95,225,698	19,200	1,672,830	17,717,101	**114,634,829**
Other assets	1,647	2,480	-	1,682,459	**1,686,586**
Total assets	**137,239,741**	**1,631,884**	**5,747,163**	**45,245,383**	**189,864,171**
Liabilities					
Customer deposits	136,521,978	4,547,006	8,681,003	27,634,526	**177,384,513**
Due to banking institutions	4,275,514	4,577	37,474	1,496,816	**5,814,381**
Other liabilities	129,201	-	-	1,043,834	**1,173,035**
Lease liability	206,206	-	-	705,942	**912,148**
Borrowings	3,475,226	-	731,739	-	**4,206,965**
Total liabilities	**144,608,125**	**4,551,583**	**9,450,216**	**30,881,118**	**189,491,042**
Net on-balance sheet position	**(7,368,384)**	**(2,919,699)**	**(3,703,053)**	**14,364,265**	**373,129**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management (Continued)

3.2 Currency risk (Continued)

d) Concentrations of risk (continued)

Group (continued)

The Group takes deposits and lends in currencies other than the local currency and are therefore exposed to effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are both monitored daily. The company's currency position and exposure is managed within the exposure guidelines relating to core capital stipulated by regulation. The Group's significant currency positions were:

Group At 31 December 2021	USD Shs '000	GBP Shs '000	EUR Shs '000	Other Shs '000	Total Shs '000
Assets					
Cash in hand	1,639,703	146,952	451,930	11,409	**2,249,994**
Central banks balances	2,702,840	622,142	3,401,799	4,131,907	**10,858,688**
Government securities	10,954,658	44,150	50,122	12,491,909	**23,540,839**
Due from banking institutions	32,196,526	4,764,442	6,101,973	1,504,338	**44,567,279**
Investment securities	1,134,605	-	-	525,835	**1,660,440**
Customer loans and advances	87,920,573	21,366	1,601,531	15,737,536	**105,281,006**
Other assets	429,230	12,372	1,443	2,249,807	**2,692,852**
Total assets	**136,978,135**	**5,611,424**	**11,608,798**	**36,652,741**	**190,851,098**
Liabilities					
Customer deposits	118,256,995	5,503,865	10,658,173	36,482,788	170,901,821
Due to banking institutions	14,351	13,864	201,011	3,892,537	4,121,763
Other liabilities	9,759	2	-	1,056,221	1,065,982
Lease liability	160,148	-	-	629,042	789,190
Borrowings	5,246,248	-	850,507	-	6,096,755
Total liabilities	**123,687,501**	**5,517,731**	**11,709,691**	**42,060,588**	**182,975,511**
Net on-balance sheet position	**13,290,634**	**93,693**	**(100,893)**	**(5,407,847)**	**7,875,587**

Company: Currency risk arises on financial instruments denominated in foreign currency. The Company assets and liabilities are denominated in local currency hence no foreign currency exposure.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Interest rate risk

The Group is exposed to various risks associated with the effects of fluctuations in prevailing levels of market interest rates on both fair values and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Assets and Liabilities Committee closely monitors interest rate trends to minimize the potential adverse impact of rate changes. The table below summarises the Group's exposure to interest rate risks. Included in the table are assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Group does not bear any interest rate risk on off-balance sheet items. Customer loans and advances and floating rate financial instruments reprice in response to changes in market interest rates.

Group **As At 31 December 2022**	**Up to 1 month** **Shs '000**	**1 to 3 months** **Shs '000**	**3 to 12 months** **Shs '000**	**1 to 5 years** **Shs '000**	**Over 5 years** **Shs '000**	**Non - interest bearing** **Shs '000**	**Total** **Shs '000**
Assets							
Cash in hand	-	-	-	-	-	14,777,118	**14,777,118**
Central bank balances	964,414	-	-	-	-	22,884,577	**23,848,991**
Government securities	6,517,101	10,240,912	6,862,075	44,989,195	153,841,377	-	**222,450,660**
Due from banking institutions	20,048,583	69,669	284,227	1,758,335	2,140,884	1,391,144	**25,692,842**
Investment securities	8,386,347	-	-	-	-	1,782,137	**10,168,484**
Customer loans and advances	256,039,425	814,327	2,366,791	8,512,872	8,299,769	-	**276,033,184**
Item in the course of collection	-	-	-	-	-	401,661	**401,661**
Derivative assets	-	-	-	-	-	17,363	**17,363**
Other assets	-	-	-	-	-	16,352,844	**16,352,844**
Total assets	**291,955,870**	**11,124,908**	**9,513,093**	**55,260,402**	**164,282,030**	**57,606,844**	**589,743,147**
Liabilities							
Customer deposits	254,866,009	68,037,434	74,827,696	74,968	1,130,732	103,739,115	**502,675,954**
Due to banking institutions	2,097,492	-	1,426,866	67,840	-	2,321,929	**5,914,127**
Other liabilities	-	-	-	-	-	12,263,153	**12,263,153**
Lease liability	465,106	900,123	762,740	1,484,547	2,048	-	**3,614,564**
Borrowings	-	-	1,706,880	2,500,085	-	-	**4,206,965**
Total liabilities	**257,428,607**	**68,937,557**	**78,724,182**	**4,127,440**	**1,132,780**	**118,324,197**	**528,674,763**
Interest sensitivity gap	**34,527,263**	**(57,812,649)**	**(69,211,089)**	**51,132,962**	**163,149,250**	**(60,717,353)**	**61,068,384**

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Interest rate risk (Continued)

Group As At 31 December 2021	Up to 1 month Shs '000	1 to 3 months Shs '000	3 to 12 months Shs '000	1 to 5 years Shs '000	Over 5 years Shs '000	Non - interest bearing Shs '000	Total Shs '000
Assets							
Cash in hand	-	-	-	-	-	10,098,127	**10,098,127**
Central bank balances	-	-	-	-	-	33,056,196	**33,056,196**
Government securities	241,464,021	-	-	-	-	269,163	**241,733,184**
Due from banking institutions	23,786,773	18,639,784	-	-	-	2,692,829	**45,119,386**
Investment securities	11,039,947	-	-	-	-	96,879	**11,136,826**
Customer loans and advances	1,092,914	12,989,894	21,011,085	32,486,252	141,870,702	-	**209,450,847**
Item in the course of collection	-	-	-	-	-	1,804,293	**1,804,293**
Derivative assets	-	-				269,163	**269,163**
Other assets	-	-	-	-	-	9,426,967	**9,426,967**
Total assets	**277,383,655**	**31,629,678**	**21,011,085**	**32,486,252**	**141,870,702**	**57,713,617**	**562,094,989**
Liabilities							
Customer deposits	184,363,256	84,110,730	75,422,726	1,858,067	7,796,067	116,339,237	**469,890,083**
Due to banking institutions	14,305,114	5,017	446,718	-	-	18,434	**14,775,283**
Other liabilities	-	-	-	-	-	7,982,692	**7,982,692**
Lease liability	899,471	914,061	878,939	559,322	347,888	-	**3,599,681**
Borrowings	-	1,721,795	4,374,960	-	-	-	**6,096,755**
Total liabilities	**199,567,841**	**86,751,603**	**81,123,343**	**2,417,389**	**8,143,955**	**124,340,363**	**502,344,494**
Interest sensitivity gap	**77,815,814**	**(55,121,925)**	**(60,112,258)**	**30,068,863**	**133,726,747**	**(66,626,746)**	**59,750,495**

The Company did not have other interest earning assets or interest-bearing liabilities. The company exposure to interest rate risk is therefore nil.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.4 Liquidity risk

The Group is exposed to daily calls on its available cash resources arising from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The maturity of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group. The Assets and Liabilities Committees of the Group's banking subsidiaries review the maturity profile of liabilities on a weekly basis and ensures that sufficient liquidity is maintained to meet maturing deposit obligations. The Group fully complies with regulatory minimum cash and liquidity ratio requirements. The following tables analyze assets and liabilities of the Group into relevant maturity groupings based on the remaining period to contractual maturity date as at the reporting date.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.4 Liquidity risk (Continued)

Group	Up to 1 month Shs'000	1 to 3 months Shs'000	3 to 12 months Shs'000	1 to 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
At 31 December 2022						
Assets						
Cash in hand	13,227,115	-	-	-	-	**13,227,115**
Central banks balances	23,799,254	-	49,738	-	-	**23,848,992**
Government securities	3,186,100	10,204,887	5,638,444	63,984,386	239,952,513	**322,966,330**
Derivative assets	17,363	-	-	-	-	**17,363**
Due from banking institutions	20,713,098	315,708	2,251,300	42,215	3,996,185	**27,318,506**
Investment securities	8,038,877	618,262	75,243	3,151,848	278,654	**12,162,884**
Customer loans and advances	67,818,463	10,837,863	27,991,279	132,592,019	85,019,459	**324,259,083**
Other assets	16,297,014	-	-	-	-	**16,297,014**
Total financial assets	**153,097,284**	**21,976,720**	**36,006,004**	**199,770,468**	**329,246,811**	**740,097,287**
Customer deposits	299,896,493	69,314,762	131,678,895	4,183,884	4,471,845	**509,545,879**
Due to banking institutions	6,585,500	3,187,321	-	-	-	**9,772,821**
Other liabilities	12,263,152	-	-	-	-	**12,263,152**
Lease Liability	38,370	130,607	470,526	2,588,999	45,548	**3,274,050**
Borrowings	1,724,873	1,262,244	3,026,086	58,398	1,738,500	**7,810,101**
Total financial liabilities	**320,508,388**	**73,894,934**	**135,175,507**	**6,831,281**	**6,255,893**	**542,666,003**
Net on- balance sheet liquidity gap	**(167,411,104)**	**(51,918,214)**	**(99,169,503)**	**192,939,187**	**322,990,918**	**197,431,284**
Un-recognised financial instruments						
Letters of credit and bankers' acceptances	(533,932)	(462,072)	(938,349)	(405,190)	-	**(2,339,543)**
Irrevocable un-utilised facilities	(3,337,446)	(16,614,459)	(21,866,117)	(4,850,463)	(8,219,464)	**(54,887,949)**
Total off-balance sheet notional position	**(3,871,378)**	**(17,076,531)**	**(22,804,466)**	**(5,255,653)**	**(8,219,464)**	**(57,227,492)**
Total on and off-balance sheet net liquidity gap	**(171,282,482)**	**(68,994,745)**	**(121,973,969)**	**187,683,534**	**314,771,454**	**140,203,792**

3. FINANCIAL RISK MANAGEMENT (Continued)

3.4 Liquidity risk (Continued)

Group At 31 December 2021	Up to 1 month Shs'000	1 to 3 months Shs'000	3 to 12 months Shs'000	1 to 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
Assets						
Cash in hand	10,205,486	-	-	-	-	10,205,486
Central banks balances	32,673,730	-	38,904	-	-	32,712,634
Government securities	3,801,089	12,472,468	19,643,393	43,982,710	213,506,325	293,405,985
Due from banking institutions	23,134,891	20,243,900	2,850,374	1,599,747	2,180,907	50,009,819
Investment securities	12,318,405	-	-	-	39,820	12,358,225
Customer loans and advances	54,859,115	12,821,922	31,965,518	92,758,059	102,863,504	295,268,118
Other assets	32,721,657	31,018	72,665	-	-	32,825,340
Total financial assets	**169,714,373**	**45,569,308**	**54,570,854**	**138,340,516**	**318,590,556**	**726,785,607**
Customer deposits	258,411,353	81,960,116	111,261,662	15,537,819	11,124,348	478,295,298
Due to banking institutions	16,474,750	5,039	446,718	-	-	16,926,507
Other financial liabilities	16,539,488	397,908	-	-	-	16,937,396
Borrowings	-	-	856,377	6,696,525	-	7,552,902
Total financial liabilities	**291,425,591**	**82,363,063**	**112,564,757**	**22,234,344**	**11,124,348**	**519,712,103**
Net on- balance sheet liquidity gap	**(121,711,218)**	**(36,793,755)**	**(57,993,903)**	**116,106,172**	**307,466,208**	**207,073,504**
Un-recognised financial instruments						
Letters of credit and bankers' acceptances	(9,515,940)	(11,781,412)	(21,001,911)	(5,303,194)	(7,318,032)	(54,920,489)
Irrevocable un-utilised facilities	(7,808,570)	(178,783)	(155,117)	-	-	(8,142,470)
Total off-balance sheet notional position	**(17,324,510)**	**(11,960,195)**	**(21,157,028)**	**(5,303,194)**	**(7,318,032)**	**(63,062,959)**
Total on and off-balance sheet net liquidity gap	**(139,035,728)**	**(48,753,950)**	**(79,150,931)**	**110,802,978**	**300,148,176**	**144,010,545**

3. FINANCIAL RISK MANAGEMENT (Continued)

3.4 Liquidity risk (Continued)

Company At 31 December 2022	Up to 1 month Shs '000	1 to 12 months Shs '000	Over 1 year Shs '000	Total Shs '000
Assets				
Due from group companies	-	94,703	-	94,703
Total financial assets	-	**94,703**	-	**94,703**
Liabilities				
Due to group companies	8,211,747	748,053	-	8,959,800
Other liabilities	370,185	-	-	370,185
Total financial liabilities	**8,581,932**	**748,053**	-	**9,329,985**
Net on- balance sheet liquidity gap	**(8,581,932)**	**(653,350)**	-	**(9,235,282)**

Company At 31 December 2021	Up to 1 month Shs '000	1 to 12 months Shs '000	Over 1 year Shs '000	Total Shs '000
Assets				
Due from group companies	-	60,055	-	60,055
Total financial assets	-	**60,055**	-	**60,055**
Liabilities				
Due to group companies	10,211,747	85,945	-	**10,297,692**
Other liabilities	155,055	5,453	-	**160,508**
Total financial liabilities	**10,366,802**	**91,398**	-	**10,458,200**
Net on- balance sheet liquidity gap	**(10,366,802)**	**(31,343)**	-	**(10,398,145)**

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Market risk sensitivity analysis

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control risk exposures within acceptable limits, while optimizing return. Overall responsibility for the management of market risk rests with the Assets and Liabilities Committees of the banking subsidiaries of the Group. The Group's Global Markets and Risk divisions are responsible for the development of detailed risk management policies.

The Group is exposed to risks associated with the effects of fluctuations in prevailing levels of market interest. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. At 31 December 2022, the effect of a 100 basis points change in net interest margin would have resulted in an increase or decrease of Shs 6,734 million (2021 - Shs 6,012 million) on the profit after income tax expense.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations. Foreign exchange risk arising from future commercial transactions and recognised assets and liabilities are managed through use of forward contracts. Currency exposure arising from the net assets of foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 31 December 2022, if the functional currencies in the economic environment in which the Group operates i.e. the Kenya Shilling had weakened or strengthened by 10% against the world's major currencies, with all other variables held constant, consolidated profit before income tax expense would have been higher or lower as depicted in below table.

	2022 Shs '000	2021 Shs '000
10% depreciation/appreciation		
USD	736,838	242,724
GBP	291,970	5,417
EUR	370,305	69,021
Total	**1,399,113**	**317,162**

3.6 Financial instruments subject to offsetting, enforceable master netting arrangements or similar agreements

IAS 32 Financial Instruments: Presentation (IAS 32) requires financial assets and financial liabilities to be offset and the net amount presented in the statement of financial position when, and only when, the Group has a current legally enforceable right to set off recognised amounts, as well as the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group holds master netting agreements for derivative instruments only and has no further netting agreements on other financial instruments. The gross amount of derivative instruments subject to offsetting at 31 December 2022 were below 1% (2021: <1%) of Group total assets and have been measured at fair value in the statement of financial position. No netting has been applied.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.7 Fair value hierarchy

Financial instruments measured at fair value

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1 above.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

IFRS 7 requires the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation technique based on 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 3: Valuation technique based on inputs for the asset or liability that are not observable market data (that is, unobservable inputs).

The following tables present assets that are measured at fair value at year end.

Group **At 31 December 2022**	**Level 1** **Shs'000**	**Level 2** **Shs'000**	**Level 3** **Shs'000**	**Total** **Shs'000**
Financial assets at fair value through profit or loss				
Equity securities – listed (note 23)	953,929	-	-	**953,929**
Loan notes	-	4,144,045	-	**4,144,045**
Derivative assets	-	17,363	-	**17,363**
Unit trusts and other investment securities (note 23)	121,541	-	-	**121,541**
Other assets	-	90,000	-	**90,000**
Financial assets at FVOCI	-	-	-	-
Fixed rate Treasury bills - FVOCI – (note 22)	-	1,146,307	-	**1,146,307**
Fixed rate treasury bonds – FVOCI (note 22)	-	88,356,375	-	**88,356,375**
Total assets	**1,075,470**	**93,754,090**	-	**94,829,560**

3. FINANCIAL RISK MANAGEMENT (Continued)

3.7 Fair value hierarchy (Continued)

Financial instruments measured at fair value (Continued)

Group **At 31 December 2021**	**Level 1** **Shs'000**	**Level 2** **Shs'000**	**Level 3** **Shs'000**	**Total** **Shs'000**
Financial assets at fair value through profit or loss				
Equity securities – listed (note 23)	911,863	-	-	**911,863**
Loan notes	-	4,223,436	-	**4,223,436**
Derivative assets	-	96,879	-	**96,879**
Unit trusts and other investment securities (note 23)	120,794	-	-	**120,794**
Other assets	-	90,000	-	**90,000**
Financial assets at FVOCI				
Fixed rate Treasury bills FVOCI – (note 22)	-	614,821	-	**614,821**
Fixed rate Treasury bonds FVOCI – (note 22)	-	77,002,082	-	**77,002,082**
Total assets	**1,032,657**	**82,027,218**	-	**83,059,875**

The Company does not have other assets measured at fair value.

Financial instruments not measured at fair value

i) Cash and balances with central banks

The carrying amount of cash and balances with central banks are reasonable approximation of fair value.

ii) Government securities

Government securities at amortised costs are non-derivative financial assets with fixed or determinable payments and fixed maturities that the directors have the positive intention and ability to hold to maturity. They are initially recognised at fair value and measured subsequently at amortised cost, using the effective interest met

iii) Due to banking institutions

Balances due from banking institutions include inter-bank placements and items in the course of collection. The carrying amount of floating rate placements and overnight advances is a reasonable approximation of fair value.

iv) Customer loans and advances

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.7 Fair value hierarchy (continued)

The fair value hierarchy for financial assets not measured at fair value is as shown in the table below:

Group

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Fair value Shs'000	Carrying value Shs'000
At 31 December 2022					
Assets					
Cash and balances with CBK	-	-	38,626,109	38,626,109	38,626,109
Items in course of collection	-	-	401,661	401,661	401,661
Loans and advances to Customers	-	-	276,033,184	276,033,184	276,033,184
Balances due from banking institutions	-	-	25,692,842	25,692,842	25,692,842
Government securities – Amortised cost	-	139,400,834	-	139,400,834	132,947,979
Investment securities	-	-	9,214,555	9,214,555	9,214,555
Other assets	-	-	17,915,531	17,915,531	17,915,531
Total	-	**139,400,834**	**367,883,882**	**507,284,716**	**500,831,861**
Liabilities					
Customer deposits	-	-	502,675,954	502,675,954	502,675,954
Due to banking institutions	-	-	5,914,127	5,914,127	5,914,127
Borrowings	-	-	4,206,965	4,206,965	4,206,965
Other Liabilities	-	-	20,201,833	20,201,833	20,201,833
Total	-	-	**532,998,879**	**532,998,879**	**532,998,879**
At 31 December 2021					
Assets					
Cash and balances with CBK	-	-	43,154,323	43,154,323	43,154,323
Items in course of collection	-	-	269,163	269,163	269,163
Loans and advances to Customers	-	-	241,464,021	241,464,021	241,464,021
Balances due from banking institutions	-	-	45,119,386	45,119,386	45,119,386
Government securities – Amortised cost	-	132,227,871	-	132,227,871	131,833,944
Investment securities	-	-	12,844,240	12,844,240	12,844,240
Other assets	-	-	10,409,574	10,409,574	10,409,574
Total	-	**132,227,871**	**353,260,707**	**485,488,578**	**485,094,651**
Liabilities					
Customer deposits	-	-	469,890,083	469,890,083	469,890,083
Due to banking institutions	-	-	14,775,283	14,775,283	14,775,283
Borrowings	-	-	6,096,755	6,096,755	6,096,755
Other Liabilities	-	-	15,977,995	15,977,995	15,977,995
Total	-	-	**506,740,116**	**506,740,116**	**506,740,116**

3. FINANCIAL RISK MANAGEMENT (Continued)

3.7 Fair value hierarchy (continued)

Financial instruments not measured at fair value

Company	Level 3 Shs' 000	Fair Value Shs'000	Carrying value Shs'000
At 31 December 2022			
Assets			
Due from group companies	94,703	94,703	94,703
Liabilities			
Due to group companies	8,959,800	8,959,800	8,959,800
Other liabilities	370,185	370,185	370,185
Unclaimed dividends	-	-	-
Total	**9,329,985**	**9,329,985**	**9,329,985**
At 31 December 2021			
Assets			
Due from group companies	60,055	60,055	60,055
Liabilities			
Due to group companies	10,297,692	10,297,692	10,297,692
Other liabilities	160,508	160,508	160,508
Unclaimed dividends	19,639	19,639	19,639
Total	**10,477,839**	**10,477,839**	**10,477,839**

4. CAPITAL MANAGEMENT

The Group'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 regulators and safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders as well as maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital for the banking subsidiaries are monitored regularly by the directors, employing techniques based on guidelines developed by the Basel Committee, as implemented by the regulatory authorities for supervisory purposes. Returns on capital adequacy are filed with the regulators on a regular basis.

The level of capital is reviewed on an annual basis and is determined principally by the level of business growth realised during the period. This informs the directors' decision on dividend payout while ensuring stability and sustainability of business.

In Kenya, the Central Bank (CBK) requires each banking institution to:

- hold a minimum level of regulatory capital of Shs 1 billion;
- maintain a ratio of core capital to the risk-weighted assets at a minimum of 10.5%;
- maintain a ratio of core capital to total deposit liabilities at a minimum of 8%; and
- maintain a ratio of total capital to risk-weighted assets at a minimum of 14.5%.

4. CAPITAL MANAGEMENT (Continued)

During the year under review, the Group maintained capital adequacy ratios at levels above the stipulated minimum regulatory benchmarks. In line with Basel and local regulatory guidelines, total capital is divided into two tiers as follows:

- Tier 1 capital (core capital): comprises share capital, share premium and retained earnings.
- Tier 2 capital (supplementary capital): comprises 25% (subject to regulatory approval) of property revaluation reserves, statutory credit risk reserve, subordinated debt not exceeding 50% of tier I capital and hybrid capital instruments. Qualifying tier II capital is limited to 100% of tier I capital.
- Statutory credit risk reserve qualifying as tier II capital cannot exceed 1.25% of risk weighted assets total value.

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 table below summarises the composition of regulatory capital and capital adequacy ratios of the Group's Banking subsidiaries as at 31 December 2022.

As at 31 December 2022	Kenya Shs '000	Tanzania Shs '000	Uganda Shs '000	Rwanda Shs '000
Tier I capital	72,475,434	2,363,853	4,125,594	2,702,998
Tier II capital	-	-	73,996	191,770
Total capital	**72,475,434**	**2,363,853**	**4,199,590**	**2,894,768**
Risk-weighted assets				
Credit risk weighted assets	294,721,938	10,008,867	12,413,747	13,517,278
Market risk weighted assets equivalent	40,162,602	423,273	676,724	131,339
Operational risk equivalent assets	69,155,661	1,052,360	803,032	1,692,980
Total risk-weighted assets (TRWA)	**404,040,201**	**11,484,500**	**13,893,503**	**15,341,597**

	Kenya	Tanzania	Uganda	Rwanda
Core capital/TRWA	17.94%	20.58%	29.69%	17.62%
Regulator minimum requirement	10.50%	10.00%	10.00%	10.00%
Total capital/TRWA	17.94%	20.58%	30.23%	18.87%
Regulator minimum requirement	14.50%	12.00%	12.00%	12.00%

4. CAPITAL MANAGEMENT (Continued)

As at 31 December 2021	Kenya Shs '000	Tanzania Shs '000	Uganda Shs '000	Rwanda Shs '000
Tier I capital	64,567,000	1,817,000	2,584,000	1,806,000
Tier II capital	91,000	-	72,000	83,000
Total capital	**64,658,000**	**2,363,853**	**2,656,000**	**1,889,000**
Risk-weighted assets				
Credit risk weighted assets	259,371,000	11,203,000	14,235,000	5,825,000
Market risk weighted assets equivalent	39,334,000	387,000	764,000	36,000
Operational risk equivalent assets	53,082,000	699,000	-	757,000
Total risk-weighted assets (TRWA)	**351,787,000**	**12,289,000**	**14,999,000**	**6,618,000**

	Kenya	Tanzania	Uganda	Rwanda
Core capital/TRWA	18.35%	14.78%	17.23%	27.29%
Regulator minimum requirement	10.50%	10.00%	10.00%	10.00%
Total capital/TRWA	18.38%	14.78%	17.71%	28.54%
Regulator minimum requirement	14.50%	12.00%	12.00%	12.00%

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are continually evaluated and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Impairment losses on financial assets at amortised cost and FVOCI

The Group reviews its financial assets especially the loan and receivables portfolio to assess impairment on a continuous basis. The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area where the Group 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).

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

- Determining the qualitative and quantitative criteria for identifying financial instruments that experience significant increase in credit risk and/or default;
- Choosing the appropriate models and assumptions for the measurement of ECL;
- Establishing groups of similar financial assets (credit segmentation) for the purposes of measuring ECL;
- Establishing the number and relative weightings of forward-looking scenarios for various financial assets' segmentation and the associated ECL;
- Determining the relevant period of exposure to credit risk when measuring ECL for credit cards and revolving credit facilities; and
- For instrument in default, the methodology and assumptions used for estimating both the amount and timing of future cash flows.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

a) Impairment losses on financial assets at amortised cost and FVOCI (continued)

The above assumptions are reviewed regularly to reduce any differences between loss estimates and actual loss experience. As at 31 December 2022, were the net present value of estimated cash flows to differ by +/-1%, the impairment loss is estimated to be Shs 137.0 million higher or lower (2021: Shs 199.5 million).

The most significant period-end assumptions used for the ECL estimate as at 31 December 2022 was cost of recovery.

b) Amortised cost investments

The Group follows the guidance of IFRS 9 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturities as financial investments at amortised cost. The Group evaluates its business model and the cashflow characteristics of the instruments, including its intention and ability to hold such investments to collect contractual cashflows. If the Group fails to keep these investments to collect contractual cashflows other than for the specific circumstances - for example, selling insignificant portions thereof, infrequently - it is required to classify the entire class as FVOCI.

The investments would therefore be measured at fair value and not at amortised cost. If all financial investments at amortised cost were to be so reclassified, the carrying value would increase by Shs 7,340 million (2021: increase by Shs 1,318 million), with a corresponding entry in the fair value reserves in shareholders' equity.

c) Income taxes

The Group is subject to taxation laws and regulations. There may be transactions and calculations, during the normal course of business, whose ultimate tax impact determination has an element of uncertainty. In determining the interpretation and/or application of the various tax rules, disputes may arise with the relevant tax authorities, of which the outcome may not be favourable to the Group. In such cases, the Group relies on internal management expertise and where relevant, seeks expert advice to determine whether the unfavourable outcome is probable or possible.

Where objective estimates of the potential tax liabilities that may crystallize from such tax disputes are determinable, the Group recognises provision in line with IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets* principles. In such cases, if the final tax determination is different from the amounts that were initially recorded, the difference will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

Where payment is determined to be possible but not probable, the tax exposure is disclosed as a contingent liability.

d) Valuation of loan notes held at fair value

As per IFRS 13, where the Group measures a financial instrument at fair value, the fair value should represent the price that would be received to sell an asset in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Fair value is a market-based measurement, which uses the assumptions that market participants would use when pricing an asset or liability under current market conditions

The Group holds loan notes that are measured at fair value through profit or loss. For these, fair value is composed of two key cashflow components, being the interest receivable on the loan notes and valuation of the shares upon whose sale the principal debt amount will be realised. Any shortfall from the above cashflow streams is covered, albeit partially, by a government guarantee.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

d) Valuation of loan notes held at fair value (continued)

To determine the value of the shares, the Group utilises valuation models that incorporate both observable and unobservable inputs such as quoted prices and/or suitable proxies. These prices are then subjected to different sensitivity assessments. The selection and application of these models and the related inputs is judgmental.

Changes in assumptions about these factors could affect the reported fair value of loan notes. As at 31 December 2022, the fair value of the loan notes would have been estimated at Shs 193 million higher / lower if the determined share price was assumed to be 25% higher /lower (2021 – Shs 257 million).

6. INTEREST INCOME

	Group		Company	
	2022	**2021**	**2022**	**2021**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Government securities:				
- Amortised cost	14,407,993	12,028,379	-	-
- Fair value through OCI	10,154,633	7,963,358	-	-
Customer loans and advances	24,909,331	23,455,608	-	-
Credit related fees	13,636,252	12,769,886	-	-
Due from banking institutions	642,800	616,442	33,214	36,707
Investment securities	361,315	468,852	-	-
	64,112,324	**57,302,525**	**33,214**	**36,707**

7 INTEREST EXPENSE

	Group 2022 Shs '000	Group 2021 Shs '000	Company 2022 Shs '000	Company 2021 Shs '000
Customer deposits	20,408,135	17,696,004	-	-
Deposit from other banking institutions	738,738	1,084,141	-	-
Long term debt – note 37	159,743	284,999	-	-
Lease Liability – note 38	419,078	412,311	-	-
	21,725,694	**19,477,455**	-	-

8 IMPAIRMENT LOSSES

	Group 2022 Shs '000	Group 2021 Shs '000	Company 2022 Shs '000	Company 2021 Shs '000
Impairment charge for loans and advances				
Stage 1	347,969	332,176	-	-
Stage 2	(1,276,107)	(5,555,072)	-	-
Stage 3	16,542,825	18,838,258	-	-
Subtotal (note 24)	**15,614,687**	**13,615,362**	-	-
Bad debts recoveries	(3,105,951)	(2,450,761)	-	-
Other impairment charges				
Impairment on other assets	(42,993)	46,113	-	-
Total impairment charges	**12,465,743**	**11,210,714**	-	-
Total impairment charges, may be analysed as follows:				
Loans and advances to customers	12,508,736	11,164,601	-	-
Other impairment charges	(42,993)	46,113	-	-
	12,465,743	**11,210,714**	-	-

9. NET FEES AND COMMISSION INCOME

	Group 2022 Shs '000	Group 2021 Shs '000	Company 2022 Shs '000	Company 2021 Shs '000
Fees and commission income				
Service and transaction fees	3,572,929	2,942,927	-	-
Fees and commission on bills, letters of credit and guarantees	825,302	803,884	-	-
Gross fees and commission income	**4,398,231**	**3,746,811**	-	-
Fees and commission expense	(464,214)	(408,154)	-	-
Net fees and commission expense	**3,934,017**	**3,338,657**	-	-

10. FOREIGN EXCHANGE INCOME

	Group 2022 Shs '000	Group 2021 Shs '000	Company 2022 Shs '000	Company 2021 Shs '000
Realised gains	12,178,753	5,053,727	-	-
Unrealised gains	316,834	2,790	-	-
	12,495,587	**5,056,517**	-	-

11. NET GAINS ON DISPOSAL OF FINANCIAL ASSETS

	Group 2022 Shs '000	Group 2021 Shs '000	Company 2022 Shs '000	Company 2021 Shs '000
Net gain on disposal of financial instruments	134,295	694,047	-	-

Gain on disposal of financial instruments relates to sale of government securities measured at FVOCI and FVTPL

12 OTHER INCOME

	Group 2022 Shs '000	Group 2021 Shs '000	Company 2022 Shs '000	Company 2021 Shs '000
(a) Fair value loss of financial assets				
Fair value loss of loan note through profit and loss*	**(554,651)**	**(1,002,185)**	-	-
(b) Other income				
Dividends from subsidiaries	-	-	11,859,000	6,115,000
Wealth management fees	514,156	439,719	-	-
Insurance commissions	257,793	262,539	-	-
Fair value gain on equity securities at fair value through profit or loss (note 23)	42,066	149,008	-	-
Management fees (Group recharges)	-	-	273,054	225,793
Gain on disposal of fixed assets	14,551	1,630	-	-
Operating lease rentals	331,140	154,848	-	-
Corporate Finance/Advisory Income	74,253	98,487	-	-
Other**	244,329	218,957	-	-
	1,478,288	**1,325,188**	**12,132,054**	**6,340,793**

12 OTHER INCOME (CONTINUED)

*Fair value loss of financial assets relates to loans notes with guarantee by Government of Kenya for an advance to the national airline. The value of the loan note is impacted by qualitative, judgmental analysis of developments at the original borrower company and in the airline industry, and the future actions of the Government of Kenya and other Shareholders. The valuation is based on discounted value of expected future cash flows.

**Other income includes income on Employee Share Ownership Plan funds advanced by the bank and loan discount amortisation

13 EXPENSES BY NATURE

	Group		Company	
	2022	2021	2022	2021
	Shs '000	Shs '000	Shs '000	Shs '000
Employee benefits (Note 14)	10,184,151	8,019,077	322,636	241,152
Premises and maintenance expenses	1,037,271	1,024,280	-	-
Equipment and motor vehicle expenses	456,485	162,650	-	-
Marketing and business development expenses	1,172,342	795,235	-	-
Security and insurance expenses	1,078,255	850,038	-	-
Staff restructure costs	193,440	(39,886)	-	-
Information technology expenses.	2,781,174	2,272,100	-	-
Communication and stationery	591,487	585,541	-	-
Professional fees	797,054	649,610	-	-
Depreciation expense	698,350	763,683	-	-
Amortisation of intangible assets (software)	1,152,997	1,195,010	-	-
Amortisation of intangible assets (others)	531,125	795,750		
Amortisation of operating lease	125	125	-	-
Deposit Protection Fund	738,567	672,277	-	-
Auditors' remuneration (inclusive of VAT)	36,519	36,519	-	-
Depreciation on right of use assets**	1,006,903	727,583		
Other expenses *	2,663,852	2,571,484	128,298	79,691
	25,120,097	**21,081,076**	**450,934**	**320,843**

*Other expenses mainly includes operational expenses and credit card expenses.

** Depreciation on right of use assets disclosed under other expenses in prior year has been disclosed separately

14 EMPLOYEE BENEFITS

	Group	Group	Company	Company
	2022	2021	2022	2021
	Shs '000	Shs '000	Shs '000	Shs '000
Salaries and allowances	8,369,385	6,563,002	260,231	201,111
Contributions to defined contribution scheme	601,411	554,047	81,134	20,880
Medical	420,295	398,288	(18,729)	19,161
Training	165,752	89,539	-	-
Staff benefits	244,186	141,751	-	-
Other staff costs	383,122	272,450	-	-
	10,184,151	**8,019,077**	**322,636**	**241,152**

15 INCOME TAX EXPENSE

	Group		Company	
	2022	2021	2022	2021
	Shs '000	Shs '000	Shs '000	Shs '000
Current tax				
Income tax based on taxable profit for the year	5,038,754	6,428,666	78,418	48,207
Prior year under provision of current tax	883,337	78,523	4,055	630
Deferred tax:				
Deferred income tax charge/(credit) (note 30)	2,807,461	(1,701,928)	(41,520)	(1,025)
(Over)/under provision of deferred tax in prior year	(16,051)	6,085	6,791	-
	8,713,501	**4,811,346**	**47,744**	**47,812**
Profit before tax	**22,491,526**	**15,034,989**	**11,714,336**	**6,056,657**
Income tax - at the statutory rate of 30%	6,747,458	4,510,497	3,514,301	1,816,997
Expenses not deductible for tax purposes	4,612,580	2,315,628	80,297	64,685
Income not assessable for tax purposes	(3,983,862)	(2,328,847)	(3,557,700)	(1,834,500)
Under/(over) provision of current tax in prior year	883,337	78,523	4,055	630
(Over)/under provision of deferred tax in prior year	(16,051)	6,085	6,791	-
Deferred income tax not recognised	470,039	229,460	-	-
	8,713,501	**4,811,346**	**47,744**	**47,812**
Current income tax (recoverable)/payable				
At 1 January	2,371,131	(752,786)	(36,212)	(39,318)
Exchange difference on translation	69,872	(7,621)	-	-
Tax charge - current year	5,038,754	6,428,666	78,418	48,206
Tax charge – prior year	883,337	78,523	4,055	630
Income tax paid	(9,968,025)	(3,375,651)	(57,354)	(45,730)
At 31 December	**(1,604,931)**	**2,371,131**	**(11,093)**	**(36,212)**
Comprising:				
Current income tax recoverable	(2,231,441)	(390,080)	(11,093)	(36,212)
Current income tax payable	626,510	2,761,211	-	-
At 31 December	**(1,604,931)**	**2,371,131**	**(11,093)**	**(36,212)**

16 DIVIDENDS PER SHARE

Dividend per share is based on the dividends paid and proposed for the year and the number of ordinary shares at year end. Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting.

At the Annual General Meeting to be held on 31 May 2023, a final dividend in respect of the year ended 31 December 2022 of Shs 2.25 is to be proposed (2021: Shs 2.25 per share). During the year, the interim dividend paid for 2022 was Shs 2.00 (2021: Shs 0.75).

Dividends paid are subject to withholding tax at the rate of 5% and 15% for residents and non-residents respectively where applicable.

17 EARNINGS PER SHARE (EPS)

Earnings per share (EPS) is calculated by dividing the profit for the year after taxation by the weighted average number of ordinary shares in issue during the year. There were no potentially dilutive shares outstanding at 31st December 2021 or 2022. Diluted earnings per share are therefore equal to basic earnings per share.

	Group		Company	
	2022	2021	2022	2021
	Shs '000	Shs '000	Shs '000	Shs '000
Group net profit	13,778,025	10,223,643	11,666,592	6,008,845
Weighted average number of ordinary shares				
Number of shares issued/deemed to be outstanding 1 January ('000)	1,647,519	1,647,519	1,647,519	1,647,519
Bonus shares	-	-	-	-
Weighted average number of shares ('000) 31 December	1,647,519	1,647,519	1,647,519	1,647,519
Basic EPS (Shs)	**8.36**	**6.21**	**7.08**	**3.65**

18 CASH AND BALANCES WITH CENTRAL BANK

	Group		Company	
	2022	2021	2022	2021
	Shs '000	Shs '000	Shs '000	Shs '000
Cash in hand	14,777,118	10,098,128	-	-
Balances with central banks	2,059,059	12,993,878	-	-
Included in cash and cash equivalent	**16,836,177**	**23,092,006**	-	-
Mandatory reserve deposits	21,799,568	20,073,529	-	-
Less: Impairment loss allowance	(9,636)	(11,212)	-	-
	38,626,109	**43,154,323**	-	-

The restricted funds with the central banks in Kenya, Uganda, Tanzania and Rwanda are not interest earning and are based on the value of deposits as adjusted by central banks' requirements from time to time. These funds (restricted balances with central banks), as per prudential guidelines, are not available for use by the Banks in day-to-day operations.

19 ITEMS IN THE COURSE OF COLLECTION

	Group		Company	
	2022	2021	2022	2021
	Shs '000	Shs '000	Shs '000	Shs '000
Clearing account balances	401,661	269,163	-	-

These are clearing instruments, which included issued cheques and payments instructions that are payable on presentation.

20. DUE FROM BANKING INSTITUTIONS

	Group		Company	
	2022	2021	2022	2021
	Shs '000	Shs '000	Shs '000	Shs '000
Current accounts, overnight and call deposits	15,944,968	35,249,860	-	-
Time deposits	9,767,034	9,887,294	-	-
Impairment	(19,160)	(17,768)	-	-
	25,692,842	**45,119,386**	-	-

All the balances due from banking institutions had maturities of less than 91 days from date of placement, and are classified as current assets.

21 DERIVATIVE ASSETS

	Group		Company	
	2022	2021	2022	2021
	Shs '000	Shs '000	Shs '000	Shs '000
Derivative assets	**17,363**	**96,879**	-	-

The amount represents the fair value of forward foreign exchange contracts. These derivative assets and liabilities are measured at fair value through profit or loss.

22. GOVERNMENT SECURITIES

	Group		Company	
	2022	2021	2022	2021
	Shs '000	Shs '000	Shs '000	Shs '000
Treasury bills – amortised cost	1,149,188	641,221	-	-
Treasury bills – FVOCI	10,691,529	22,986,592	-	-
Fixed rate Treasury bonds - FVOCI	88,403,421	77,015,799	-	-
Fixed rate Treasury bonds – amortised cost	122,323,688	108,895,062	-	-
Impairment	(117,166)	(87,827)	-	-
	222,450,660	**209,450,847**	-	-

Treasury bills and bonds maturing within 91 days from date of acquisition	4,352,060	14,046,867	-	-
Treasury bills and bonds maturing after 91 days but within 360 days from date of acquisition	8,079,471	19,739,963	-	-
Treasury bills and bonds maturing after 360 days from date of acquisition	210,136,295	175,751,844	-	-
Impairment	(117,166)	(87,827)	-	-
	222,450,660	**209,450,847**	-	-

22. GOVERNMENT SECURITIES (CONTINUED)

	Group		Company	
	2022	2021	2022	2021
	Shs '000	Shs '000	Shs '000	Shs '000
The movement in Treasury bonds at amortised cost was as follows:				
At start of year	108,859,715	64,944,874	-	-
Additions during the year	23,865,247	48,451,748	-	-
Maturities and disposals	(10,447,651)	(4,525,630)	-	-
Impairment	(14,477)	(11,277)	-	-
At end of year	**122,262,834**	**108,859,715**	-	-
The movement in Treasury bonds – FVOCI was as follows:				
At start of year	76,978,334	63,279,979	-	-
Additions during the year	38,377,783	37,069,951	-	-
Maturities and disposals	(23,420,010)	(21,575,691)	-	-
Changes in fair value (note 41)	(3,565,126)	(1,782,284)	-	-
Impairment	(14,607)	(13,621)	-	-
At end of year	**88,356,374**	**76,978,334**	-	-
The movement in Treasury bills at amortised cost was as follows:				
At start of year	22,976,297	28,741,860	-	-
Additions during the year	21,282,248	37,260,858	-	-
Maturities and disposals	(33,576,027)	(43,026,259)	-	-
Impairment release / (charge)	2,627	(162)	-	-
At end of year	**10,685,145**	**22,976,297**	-	-
The movement in Treasury bills at FVOCI was as follows:				
At start of year	636,501	1,278,724	-	-
Additions during the year	1,488,770	2,238,985	-	-
Maturities and disposals	(981,985)	(2,881,148)	-	-
Changes in Fair Value (note 41)	5,902	4,660	-	-
Impairment	(2,881)	(4,720)	-	-
At end of year	**1,146,307**	**636,501**	-	-
ECL Movement was as follows:				
At start of year	(87,827)	(58,047)	-	-
(Charge) / release for the year	(29,338)	29,780	-	-
At end of year	**(117,165)**	**(87,827)**	-	-

23. INVESTMENT SECURITIES

	Group 2022 Shs '000	Group 2021 Shs '000	Company 2022 Shs '000	Company 2021 Shs '000
Listed equity securities at FVTPL	953,929	911,863	-	-
Unit trusts at FVTPL	50,769	49,526	-	-
Other investment securities at FVTPL	70,772	77,834	-	-
Other investment securities at amortised cost	254,311	233,057	-	-
Financial assets at amortised cost	8,848,430	11,653,835	-	-
ECL on financial assets at amortised cost	(9,727)	(81,875)	-	-
	10,168,484	**12,844,240**	-	-
ECL Movement was as follows:				
At start of year	(81,875)	(135,395)	-	-
Release for the year	72,148	53,520	-	-
At end of year	**(9,727)**	**(81,875)**	-	-
The movement in financial assets held at amortised cost was as follows:				
At start of year	11,571,960	6,171,221	-	-
Additions	612,453	5,551,422	-	-
Disposals for the year	(3,417,858)	(204,203)	-	-
ECL writeback for the year	72,148	53,520	-	-
At end of year	**8,838,703**	**11,571,960**	-	-
The movement in equity securities was as follows:				
At start of year	911,863	762,855	-	-
Fair value gain on equity securities at fair value through profit or loss	42,066	149,008	-	-
At end of year	**953,929**	**911,863**	-	-
The movement in unit trusts at fair value through profit or loss was as follows:				
At start of year	49,526	54,951	-	-
Fair value gain / (loss) on equity securities at fair value through profit or loss	1,243	(5,425)	-	-
At end of year	**50,769**	**49,526**	-	-

23. INVESTMENT SECURITIES (continued)

	Group 2022 Shs '000	Group 2021 Shs '000	Company 2022 Shs '000	Company 2021 Shs '000
The movement in other investment securities at fair value through profit or loss was as follows:				
At start of year	77,834	71268	-	-
Fair value gain on equity securities at fair value through profit or loss	(7,062)	6566	-	-
At end of year	**70,772**	**77,834**	-	-
The movement in other investment securities at amortised costs was as follows:				
At start of year	233,057	225,004	-	-
Fair value gain on equity securities at fair value through profit or loss	21,254	8,053	-	-
At end of year	**254,311**	**233,057**	-	-
Classified as:				
Non-current	8,693,925	11,506,280	-	-
Current	1,474,559	1,337,960	-	-
Total	**10,168,484**	**12,844,240**	-	-

Equity securities comprise of shares quoted in the New York Stock Exchange ("NYSE"), "listed shares'' and are stated at their fair value on the last day of business in the year. These values are subject to frequent variations due to changes in their market prices.

At 31 December 2022, if the prices at the NYSE had appreciated/depreciated by 5% with all other variables held constant, the impact on the statement of profit or loss, and shareholders' equity would have been Shs 47.7 million higher or lower (2021: Shs 45.6 million).

24. CUSTOMER LOANS AND ADVANCES - GROUP

i) Summary of customer loans and advances

	2022 Shs '000	2021 Shs '000
Loans and advances classified as:		
a) Loans and receivables (amortised cost) net of ECL	271,889,139	237,240,585
b) Loan notes at FVTPL	4,144,045	4,223,436
	276,033,184	**241,464,021**
(a) Loans and advances at amortised cost		
Overdrafts	29,930,226	42,599,856
Term loans	255,483,086	221,151,298
Credit cards	992,391	1,433,234
Bills discounted	6,630,132	2,863,464
	293,035,835	**268,047,852**
Provisions for impairment		
Stage 1	(16,079,525)	(22,727,225)
Stage 2	(2,740,074)	(5,928,181)
Stage 3	(2,327,097)	(2,151,861)
Net loans and advances at amortised cost	**271,889,139**	**237,240,585**
(b) Loan notes at fair value through profit or loss		
Loans notes	4,144,045	4,223,436
At start of year	4,223,436	5,011,663
Fair value loss	(554,651)	(1,002,185)
Foreign currency exchange rate movements	475,260	213,958
At end of year	**4,144,045**	**4,223,436**
(c) Current and non-current analysis		
Current	106,647,605	99,646,555
Non-current	169,385,579	141,817,466
	276,033,184	**241,464,021**

24. CUSTOMER LOANS AND ADVANCES – GROUP (Continued)

Significant changes in the gross carrying amounts of loans and advances to customers that contributed to movements in loss allowances were new loans advanced in the year, as well as write off of impaired loans.

The table below shows the movement in gross loans and advances between the various credit quality stages in the year.

	Stage 1 12-month ECL Shs '000	Stage 2 Lifetime ECL Shs '000	Stage 3 Lifetime ECL Shs '000	Total Shs '000
Gross carrying amount as at 1 January 2022	187,490,137	44,907,700	35,650,015	268,047,852
Transfer to stage 1	9,485,129	(8,451,834)	(1,033,295)	-
Transfer to stage 2	(13,653,375)	14,826,424	(1,173,049)	-
Transfer to stage 3	(2,024,905)	(14,670,863)	16,695,768	-
Net new financial assets originated or purchased	41,653,596	(2,633,141)	8,300,470	47,320,925
Foreign exchange and other changes	6,954,285	(842,217)	(66,341)	6,045,727
Write-offs	(1,235,633)	(1,638,666)	(25,504,370)	(28,378,669)
Gross carrying amounts as at 31 December 2022	**228,669,234**	**31,497,403**	**32,869,198**	**293,035,835**
Gross carrying amount as at 1 January 2021	189,706,749	51,513,060	32,109,411	273,329,220
Transfer to stage 1	8,240,510	(7,438,133)	(802,377)	-
Transfer to stage 2	(13,733,593)	14,734,345	(1,000,752)	-
Transfer to stage 3	(2,293,041)	(11,585,647)	13,878,688	-
Net new financial assets originated or purchased	19,227,321	6,657,340	2,149,561	28,034,222
Foreign exchange and other changes	(12,701,560)	(6,457,195)	1,759,364	(17,399,391)
Write-offs	(956,249)	(2,516,070)	(12,443,880)	(15,916,199)
Gross carrying amounts as at 31 December 2021	**187,490,137**	**44,907,700**	**35,650,015**	**268,047,852**

Impairment of financial assets

The loss allowance recognised in the period is impacted by a variety of factors as follows:

- Transfers between Stage 1 and Stage 2 or stage 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent "step up" or "step down" between 12-month and lifetime ECL;
- Additional allowance for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

24. CUSTOMER LOANS AND ADVANCES – GROUP (CONTINUED)

The following tables provide details of the changes in the loss allowance in the year due to these factors:

	12-month ECL Shs '000	Lifetime ECL Shs '000	Lifetime ECL Shs '000	Total Shs '000
At start of year	**2,151,861**	**5,928,181**	**22,727,225**	**30,807,267**
Changes in the loss allowance	-	-	-	-
Transfer to stage 1	(13,475)	(66,393)	79,868	-
Transfer to stage 2	(647,758)	980,903	(333,145)	-
Transfer to stage 3	(201,623)	(3,680,365)	3,881,988	-
Net new impairments created/(released)	1,147,937	904,914	13,160,140	15,212,991
Changes in models/risk parameters	77,867	616,509	(251,743)	442,633
Foreign exchange and other movements	(14,979)	(31,675)	5,717	(40,937)
Total charge to profit or loss	**347,969**	**(1,276,107)**	**16,542,825**	**15,614,687**
Write-offs	(172,733)	(1,912,000)	(23,190,525)	(25,275,258)
At 31 December 2022	**2,327,097**	**2,740,074**	**16,079,525**	**21,146,696**
At start of year	**1,945,249**	**11,972,801**	**17,026,656**	**30,944,706**
Changes in the loss allowance	-	-	-	-
Transfer to stage 1	482,331	(278,983)	(203,348)	-
Transfer to stage 2	(107,574)	182,656	(75,082)	-
Transfer to stage 3	(300,578)	(7,369,838)	7,670,416	-
Net new impairments created/(released)	(348,824)	3,615,107	14,221,490	17,487,773
Changes in models/risk parameters	573,981	(2,137,700)	(812,051)	(2,375,770)
Foreign exchange and other movements	32,840	433,686	(1,963,167)	(1,496,641)
Total charge to profit or loss	**332,176**	**(5,555,072)**	**18,838,258**	**13,615,362**
Write-offs	(125,564)	(489,548)	(13,137,689)	(13,752,801)
At 31 December 2021	**2,151,861**	**5,928,181**	**22,727,225**	**30,807,267**

25 OTHER ASSETS

	Group		Company	
	2022 Shs '000	2021 Shs '000	2022 Shs '000	2021 Shs '000
Deposits, prepayments and other deferred charges	1,652,687	982,607	-	-
Receivables from mobile banking operators*	12,673,066	5,202,102	-	-
Other receivables	3,679,778	4,224,865	-	-
	18,005,531	**10,409,574**	-	-

Other receivables mainly relates to suspense accounts across the Group. Mobile banking relates to funding for mobile initiated transactions and other mobile banking funding accounts are funding for mobile loans.

*Mobile banking and other funding increased to fund growing customers borrowing needs and increased transactions needs.

26. INVESTMENT IN ASSOCIATES

	Country of incorporation	Effective interest	2022 Shs 000	2021 Shs 000
CBA Mutuya Property Group Limited	**Kenya**	**23.34%**		
As start of the year			**2,964,327**	**2,896,394**
Share of associate's profits			33,619	67,933
At end of year			**2,997,946**	**2,964,327**
AIG Kenya Insurance Company Limited	**Kenya**	**33.33%**		
At start of the year			**987,290**	**1,004,351**
Share of associate's profits			130,751	32,939
Dividends received			(90,000)	(50,000)
At end of year			**1,028,041**	**987,290**
Bridge MicroFinance	**Cote d'Ivoire**	**35.00%**		
As start of the year			**4,843**	**16,230**
Share of associate's profit / (loss)			**38,830**	**(11,387)**
At end of year			**43,673**	**4,843**
Total investment in associates			**4,069,660**	**3,956,460**

Summarised statement of financial position

	CBA Mutuya Property Group Limited		AIG Kenya Insurance Limited		Bridge MicroFinance	
	2022 Shs '000	2021 Shs '000	2022 Shs '000	2021 Shs '000	2022 Shs '000	2021 Shs '000
Current						
Assets	1,885,068	1,808,136	1,269,330	1,176,176	914,425	850,331
Liabilities	(123,344)	(207,433)	(944,893)	(894,489)	(406,610)	(305,574)
Net current assets	**1,761,724**	**1,600,703**	**324,437**	**281,687**	**507,815**	**544,757**
Non-current						
Assets	16,456,968	12,955,398	5,056,599	4,791,374	3,289,076	2,022,157
Liabilities	(2,887,445)	(281,849)	(3,035,372)	(2,784,480)	(3,595,424)	(2,456,779)
Net non-current assets	**13,569,523**	**12,673,549**	**2,021,227**	**2,006,894**	**(306,348)**	**(434,622)**
Net assets	**15,331,247**	**14,274,252**	**2,345,664**	**2,288,581**	**201,467**	**110,135**

26. INVESTMENT IN ASSOCIATES (Continued)

Summarised statement of comprehensive income

	CBA Mutuya Property Group Limited		AIG Kenya Insurance Limited		Bridge MicroFinance	
	2022	2021	2022	2021	2022	2021
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Revenue	**438,776**	**416,832**	**2,202,563**	**1,994,889**	**449,019**	**102,794**
Profit / (loss) for the year	319,040	292,734	392,289	283,183	90,661	(32,532)
Total Share of associate's profit / (loss) for the year	**33,619**	**67,933**	**130,751**	**32,938**	**38,830**	**(11,386)**

Share of associates profit / (loss) for the year

	2022	2021
	Shs '000	Shs '000
CBA Mutuya Property Group Limited	33,619	67,933
AIG Kenya Insurance Limited	130,751	32,938
Bridge Microfinance	38,830	(11,386)
	203,200	**89,485**

The associates are unlisted.

- AIG Kenya Insurance Company Limited is an insurance company which underwrites all classes of general insurance risks as defined by the Insurance Act. In 2021, NCBA Bank Kenya PLC transferred this investment to NCBA Group PLC at cost.
- CBA Mutuya Property Group Limited is a property holding company which invests in investment property for rental income.
- Bridge Microfinance, a company registered in the Republic of Cote d'Ivoire. The company is mainly involved in collection of savings and the financing of micro, small and medium enterprises; and provision of financial services to micro-entrepreneurs or small and medium-sized enterprises

Investments in associates are classified as non-current assets.

There are no material contingent liabilities that may affect the financial position of the associate investments companies

27. INVESTMENT IN SUBSIDIARIES

NCBA Group PLC is the parent to the subsidiaries listed below:

Company name	Country of incorporation	Principal activity	Percentage of ownership interest (%)	2022 Shs '000	2021 Shs '000
NCBA Bank Kenya PLC	Kenya	Banking	100	57,247,745	57,247,745
NCBA Bank Tanzania Limited	Tanzania	Banking	100*	7,085,647	5,083,890
NCBA Bank Uganda Limited	Uganda	Banking	100	4,946,083	4,132,587
NCBA Bank Rwanda PLC	Rwanda	Banking	100	3,300,113	2,842,845
NIC Properties Limited	Kenya	Property	100	550,000	550,000
NCBA Investment Bank Limited	Kenya	Financial advisory	100	500,000	500,000
NCBA Leasing LLP	Kenya	Leasing	100	200,000	200,000
Mercantile Finance Company Limited	Kenya	Dormant Insurance	100	50,000	50,000
NCBA Bancassurance Intermediary Limited	Kenya	Agency	100	1,000	1,000
National Industrial Credit Trustees	Kenya	Dormant	100	500	500
LOOP DFS Ltd (previously Banqtech Limited)	Kenya	Financial Innovation	100	200,001	1
Commercial Bank of Africa (Tanzania) Limited	Tanzania	Dormant	100	-	-
Commercial Bank of Africa (Uganda) Limited	Uganda	Dormant	100	-	-
				74,081,089	**70,608,568**

*The Group acquired the minority interest share increasing Group ownership to 100% in 2022 (2021 - 93.44%).

27. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Year 2022	NCBA Bank Kenya Shs'000	NCBA Bank Tanzania Shs'000	NCBA Bank Uganda Shs'000	NCBA Bank Rwanda Shs'000	NCBA Leasing Shs'000	Others	Total Shs'000
Balance as at 1 January 2022	**57,247,745**	**5,083,890**	**4,132,587**	**2,842,845**	**200,000**	**1,101,501**	**70,608,568**
Additional capital injection during the year	-	2,001,757	813,496	457,268	-	200,000	**3,472,521**
Balance at end of year	**57,247,745**	**7,085,647**	**4,946,083**	**3,300,113**	**200,000**	**1,301,501**	**74,081,089**
Year 2021							
Balance as at 1 January 2021	**55,108,505**	**4,105,890**	**3,355,173**	**2,263,995**	**200,000**	**1,101,501**	**66,135,064**
Additional capital injection during the year	-	978,000	777,414	578,850	-	-	**2,334,264**
Impact of intercompany loan finance costs (Note 2.27)	2,139,240	-	-	-	-	-	**2,139,240**
Balance at end of year	**57,247,745**	**5,083,890**	**4,132,587**	**2,842,845**	**200,000**	**1,101,501**	**70,608,568**

Others includes NIC Properties Limited, NCBA Investment Bank Limited, NCBA Leasing LLP, Mercantile Finance Company Limited, NCBA Bancassurance Intermediary Limited, National Industrial Credit Trustees and LOOP DFS Limited.

27. INVESTMENT IN SUBSIDIARIES (Continued)

The list of subsidiaries owned indirectly by NCBA Group PLC through NCBA Bank Kenya PLC are listed below:

Company name	Country of incorporation	Principal activity	Percentage of ownership interest (%)	2022 Shs '000	2021 Shs '000
CBA Capital Limited	Kenya	Dormant	100	-	-
Syndicate Nominees Limited	Kenya	Nominee	100	2	2
CBA Insurance Agency Limited	Kenya	Insurance agency	100	-	-
First American Bank of Kenya Limited	Kenya	Dormant	100	-	-
First American Finance Company Limited	Kenya	Dormant	100	-	-
First Investment Limited	Kenya	Dormant	100	23,000	23,000
				23,002	**23,002**

The subsidiaries below are owned indirectly by NCBA Group PLC through LOOP DFS Limited.

Company name	Country of incorporation	Principal activity	Percentage of ownership interest (%)	2022 Shs '000	2021 Shs '000
Banqtech Ghana Limited	Ghana	Active	77.91%	25,550	-
LOOP Payco Limited	Kenya	Active	100.00%	6,000	-
				31,550	**-**

Banqtech Ghana limited was incorporated in 2022 as a private limited liability company in Ghana for the provision of digital financial services to merchants and consumers.

LOOP Payco Limited was incorporated in 2022 as a private limited liability company in Kenya for the provision of digital financial services.

Investment in subsidiaries is classified as non-current asset.

28. INTANGIBLE ASSETS

	2022 Shs '000	2021 Shs '000
Software	5,810,137	5,551,514
Other intangible assets	-	531,125
	5,810,137	**6,082,639**

Intangible assets are classified as noncurrent.

28. INTANGIBLE ASSETS - GROUP

a) Software

	2022 Shs '000	2021 Shs '000
At start of year	5,551,514	5,119,244
Additions during the year	1,393,174	1,567,494
Capitalisation of work in progress	-	66,264
Amortisation charge for the year	(1,152,997)	(1,195,010)
Disposals	-	(14,919)
Foreign exchange movement on consolidation	18,446	8,441
At end of year	**5,810,137**	**5,551,514**
Cost	14,868,080	13,409,248
Accumulated amortisation	(9,062,166)	(7,843,511)
Foreign currency exchange rate movement on consolidation	4,223	(14,223)
	5,810,137	**5,551,514**

b) Other intangible assets

	Total Shs' 000
Year ended 31 December 2022	
At start of year	531,125
Amortisation charge for the year	(531,125)
At end of year	-
Year ended 31 December 2021	
At start of year	1,326,875
Amortisation charge for the year	(795,750)
At end of year	**531,125**

Software comprises capitalised computer software costs, mainly relating to business software developments, generated internally with the support of external vendors. The capitalised costs are amortised over the estimated useful lives of three to ten years. Remaining useful lives of these intangible assets vary but do not exceed ten years.

The other intangibles assets relates to customer relationships and arose on the merger transaction between NIC Group PLC and Commercial Bank of Africa Limited.

29. PROPERTY AND EQUIPMENT - GROUP

	Improvements on leased properties Shs '000'	Equipment, furniture and fittings Shs '000	Motor vehicles Shs '000	Work in progress Shs '000	Total Shs '000
At 1 January 2022					
Cost	2,641,312	6,395,145	186,129	442,130	**9,664,716**
Accumulated depreciation	(1,682,359)	(5,350,342)	(150,011)	-	**(7,182,712)**
Net book amount	**958,953**	**1,044,803**	**36,118**	**442,130**	**2,482,004**
Year ended 31 December 2022					
Opening net book amount	958,953	1,044,803	36,118	442,130	**2,482,004**
Asset additions - at cost	5,033	233,249	23,918	272,245	**534,445**
Exchange rate movements	13,757	20,168	4,283	2,698	**40,906**
Capitalisation of work in progress	302,557	151,275	-	(453,832)	**-**
Asset disposals	(3,714)	(131,057)	(29,616)	-	**(164,387)**
Depreciation eliminated on disposals	3,714	129,429	29,616	-	**162,759**
Depreciation charge	(231,721)	(438,418)	(28,211)	-	**(698,350)**
	1,048,579	**1,009,449**	**36,108**	**263,241**	**2,357,377**
At 31 December 2022					
Cost	3,003,166	6,742,948	194,621	263,241	**10,203,976**
Accumulated depreciation	(1,954,587)	(5,733,499)	(158,513)	-	**(7,846,599)**
Net book amount	**1,048,579**	**1,009,449**	**36,108**	**263,241**	**2,357,377**

29. PROPERTY AND EQUIPMENT – GROUP (CONTINUED)

	Improvements on leased properties Shs '000'	Equipment, furniture and fittings Shs '000	Motor vehicles Shs '000	Work in progress Shs '000	Total Shs '000
At 1 January 2021					
Cost	2,286,824	5,772,170	174,054	891,703	**9,124,751**
Accumulated depreciation	(1,300,794)	(4,541,466)	(109,834)	-	**(5,952,094)**
Net book amount	**986,030**	**1,230,704**	**64,220**	**891,703**	**3,172,657**
Year ended 31 December 2021					
Opening net book amount	**986,030**	**1,230,704**	**64,220**	**891,703**	**3,172,657**
Asset additions - at cost	883	181,282	-	165,691	**347,856**
Exchange rate movements	2,764	8,818	(388)	2,719	**13,913**
Capitalisation of work in progress	189,717	140,936	-	(330,653)	**-**
Transfers to prepayments	-	-	-	(221,066)	**(221,066)**
Asset disposals	-	(7,829)	-	(66,264)	**(74,093)**
Depreciation eliminated on disposals	-	6,420	-	-	**6,420**
Depreciation charge	(220,441)	(515,528)	(27,714)	-	**(763,683)**
	958,953	**1,044,803**	**36,118**	**442,130**	**2,482,004**
At 31 December 2021					
Cost	2,641,312	6,395,145	186,129	442,130	**9,664,716**
Accumulated depreciation	(1,682,359)	(5,350,342)	(150,011)	-	**(7,182,712)**
Net book amount	**958,953**	**1,044,803**	**36,118**	**442,130**	**2,482,004**

Work in progress comprise improvements on leased properties, equipment and fittings which are to be capitalised upon completion and commissioning of respective projects, they are to be depreciated over estimated useful lives of three to eight years.

Property and equipment with a cost of Shs 6.1 billion were fully depreciated as at 31 December 2022 (2021 - Shs 6.2 billion). All property plant and equipment are classified as non-current assets.

30. DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted income tax rate of 30% (2021 - 30%). The movements in the deferred income tax account were as follows:

	Group 2022 Shs '000	Group 2021 Shs '000	Company 2022 Shs '000	Company 2021 Shs '000
At start of year	11,832,708	9,609,035	24,491	-
Profit or loss credit (note 15)	(2,807,461)	1,701,928	41,520	23,466
Prior year under (over) provision	16,051	(6,085)	(6,791)	1,025
Income tax on changes in value of FVOCI financial instruments	1,259,424	527,830	-	-
At end of year	**10,300,722**	**11,832,708**	**59,220**	**24,491**

30. DEFERRED INCOME TAX (Continued)

Group

	At start of year Shs '000	Prior year over/under provision Shs '000	Recognised in profit or loss Shs '000	Recognised in other comprehensive income Shs '000	At end of year Shs '000
Year ended 31 December 2022					
Property and equipment	664,349	(68)	34,336	-	698,617
Intangible assets recognised on merger	(159,338)	-	159,338	-	-
Accelerated depreciation	3,610	-	-	-	3,610
Exchange rate difference on consolidation	(91,963)	-	(21,417)	191,657	78,277
IFRS 16 right of use and lease liability	163,215	-	21,403	-	184,618
Leave pay provision	10,784	-	7,562	-	18,346
Provisions for bad debt impairment losses and other provisions	8,861,579	16,119	(2,864,481)	-	6,013,217
Changes in fair value of FVOCI financial instruments	1,048,117	-	-	1,067,767	2,115,884
Changes in fair value of assets carried at FVTPL	11,507	-	-	-	11,507
Tax losses	2,663,297	-	(144,202)	-	2,519,095
Deferred income tax de-recognised	(1,342,449)	-	-	-	(1,342,449)
Net deferred income tax asset	**11,832,708**	**16,051**	**(2,807,461)**	**1,259,424**	**10,300,722**

30. DEFERRED INCOME TAX (Continued)

Group

	At start of year Shs '000	Prior year over/under provision Shs '000	(Charged) / credited to profit and loss account Shs '000	Charged / (credited) to revaluation reserves Shs '000	At end of year Shs '000
Year ended 31 December 2021					
Property and equipment	638,231	(89,442)	115,560	-	664,349
Intangible assets recognised on merger	(398,063)	-	238,725	-	(159,338)
Accelerated depreciation	3,610	-	-	-	3,610
Exchange rate difference on consolidation	(95,290)	-	(15,520)	(6,855)	(117,665)
IFRS 16 right of use and lease liability	466,282	-	(33,672)	-	432,610
Leave pay provision	(390,675)	-	4,711	-	(385,964)
Provisions for bad debt impairment losses and other provisions	8,016,421	83,357	889,154	-	8,988,932
Changes in fair value of FVOCI financial instruments (note 41)	539,134	-	-	534,685	1,073,819
Changes in fair value of assets carried at FVTPL	11,507	-	-	-	11,507
Tax losses	2,160,327	-	502,970	-	2,663,297
Deferred income tax de-recognised	(1,342,449)	-	-	-	(1,342,449)
Net deferred income tax asset	**9,609,035**	**(6,085)**	**1,701,928**	**527,830**	**11,832,708**

30. DEFERRED INCOME TAX (Continued)

Company

	At start of year Shs 000	(Debited) / Credited to profit and loss account Shs 000	Debited to revaluation reserve Shs 000	At end of year Shs 000
Year ended 31 December 2022				
Deferred income tax asset				
Provisions for staff bonus accrual and other general accruals	24,491	34,729	-	59,220
Year ended 31 December 2021				
Deferred income tax asset				
Provisions for staff bonus accrual and other general accruals	23,466	1,025	-	24,491

31. LEASE PREPAYMENTS – LEASEHOLD LAND

Group

	2022 Shs '000	2021 Shs '000
Cost		
At start of year and end of year	526,000	526,000
Amortisation		
At start of year	3,750	3,625
Charge for the year	125	125
At end of year	3,875	3,750
Net book value	**522,125**	**522,250**

Operating lease prepayments - leasehold land is classified as non-current assets.

32. RIGHT OF USE ASSET – GROUP

At 1 January	**2,979,464**	**3,087,305**
Additions during the year	1,044,513	603,198
Prior period lease amendment	5,142	-
Derecognition of ROU on Terminated Leases	(100,856)	(17,044)
Depreciation charge for the year	(1,006,903)	(727,583)
Forex variations	18,988	33,588
Net book value	**2,940,348**	**2,979,464**

Right of use assets are classified as non-current assets.

33. GOODWILL - GROUP

	2022 Shs '000	2021 Shs '000
At start of year and end of year	34,000	34,000

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquirer. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Ordinarily goodwill is recognised upon consolidation of interest in subsidiaries.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposals. Any impairment is recognised immediately as an expense and is not subsequently reversed. The assessment of goodwill for impairment has been carried out in respect of the respective entities considered to be the cash generating units by computing the value in use based on projected cash flows discounted using a weighted average rate. On completion of the business combination in 2021, the Group reassessed the carrying amounts of pre-combination goodwill values existing in both former Groups. These were impaired accordingly.

34. CUSTOMER DEPOSITS - GROUP

	2022 Shs '000	2021 Shs '000
Current accounts	207,389,813	223,441,882
Call deposits	27,421,081	17,031,643
Time deposits	208,741,451	210,667,357
Savings accounts	57,756,843	17,325,709
Others	1,366,766	1,423,492
	502,675,954	**469,890,083**
Current and non-current analysis		
Current	501,486,427	460,104,486
Non-current	1,189,527	9,785,597
	502,675,954	**469,890,083**

The maturity analysis is based on the remaining period to contractual maturity from year-end.

35. DUE TO BANKING INSTITUTIONS – GROUP

	2022 Shs '000	2021 Shs '000
Maturing within 3 months		
Time deposits	2,100,568	7,006,859
Current account balances	3,813,559	7,768,424
Total due to banking institutions	**5,914,127**	**14,775,283**

All the balances due to banking institutions had maturities of less than 91 days and are classified as current.

36. OTHER LIABILITIES

	Group		Company	
	2022 Shs '000	2021 Shs '000	2022 Shs '000	2021 Shs '000
Accrued expenses	7,938,680	7,995,304	370,185	160,508
Other settlement items	6,703,083	4,467,887	-	-
Other liabilities	5,560,070	3,514,805	-	-
	20,201,833	**15,977,996**	**370,185**	**160,508**

Other liabilities include items in suspense across the Group.

The other liabilities are all classified as current liabilities.

37. BORROWINGS – GROUP

a) Summary of borrowings

	2022 Shs '000	2021 Shs '000
African Development Bank		
Principal amount	1,234,800	1,697,400
Accrued interest	17,532	24,395
	1,252,332	**1,721,795**
Agence Francaise de Developpement (AFD)		
Principal amount	728,818	850,211
Accrued interest	2,921	296
	731,739	**850,507**
International Finance Corporation (IFC)		
Principal amount	-	812,695
Accrued interest	-	1,884
	-	**814,579**
European Investment Bank (EIB)		
Principal amount	2,215,437	2,707,040
Accrued interest	7,457	2,834
	2,222,894	**2,709,874**
	4,206,965	**6,096,755**

Maturity Profile:

	2022 Shs '000	2021 Shs '000
Current	1,706,467	2,198,664
Non-current	2,500,498	3,898,091
	4,206,965	**6,096,755**

37. BORROWINGS – GROUP (Continued)

b) Net borrowings reconciliation

	2022 Shs '000	2021 Shs '000
Opening balance	6,096,755	13,319,474
Accrued interest	159,743	318,590
Repayments (cash flow movement)	(2,360,521)	(7,936,076)
Foreign exchange movements	310,988	394,767
Closing balance	**4,206,965**	**6,096,755**

Borrowings are financial instruments classified as a liability at amortised cost. The terms of the borrowings are as follows:

i) Subordinated debt

NCBA Bank Kenya PLC had a long-term subordinated debt facility obtained to enhance the Bank's capital base:

- US$ 20 million unsecured facility raised from IFC in December 2014, with a tenure of 7 years. This facility was fully paid on 15 June 2022.

ii) Other borrowings

NCBA Bank Kenya PLC had four long-term senior loans as below:

- US$ 54 million unsecured facility raised from EIB in December 2016, with a tenure of 7 years. Outstanding principal balance as at 31 December 2022 was US$ 17.9 million (2021: US$ 24 million);
- EUR 7.8 million unsecured raised from Agence Francaise de Developement (AFD), with a tenor of 8 years. Outstanding principal balance as at 31 December 2022 was EUR 5.5 million (2021: EUR 6.6 million);
- US$ 65 million unsecured facility raised from African Development Bank in 2020. The facility is payable over a period of 7 years, including a two (2) year moratorium. Outstanding principal balance as at 31 December 2022 was US$ 10 million (2021: US$ 15 million)
- US$ 35 million unsecured facility raised from IFC in December 2014, with a tenure of 7 years. This facility was fully paid on 15 June 2022.

The borrowings from above lenders requires compliance with various specified financial ratios / covenants as per respective contractual agreements. The Group was compliant with all covenants as 31 December 2022.

The facilities bearing interest at rates referenced to six months Libor, will transition to Secured Overnight Financing Rate (SOFR) with the cessation of LIBOR from 30 June 2023.

38. LEASE LIABILITY

	2022 Shs '000	2021 Shs '000
At start of year 2022	3,599,681	3,778,787
Additions during the year	715,854	603,199
Prior period lease amendment	839	-
Derecognition on lease termination	(10,670)	(167,949)
Interest expense accruals (lease liability) during the year	419,078	412,311
Lease liability debits (rent paid) in the year	(1,118,868)	(1,073,995)
Foreign translation movements	8,650	47,328
At end of year	**3,614,564**	**3,599,681**
Current and non-current analysis		
Current	2,872,205	2,895,600
Non-Current	742,359	704,081
	3,614,564	**3,599,681**

The prior period lease amendment relates to leases whose rent amounts as per the lease agreement were based on estimates but these were then finalised at the beginning of the year, once actuals were confirmed.

39. SHARE CAPITAL – GROUP AND COMPANY

	2022 Number of shares (thousands)	2022 Value Shs '000	2021 Number of shares (thousands)	2021 Value Shs '000
Issued and fully paid				
At start of year	1,647,519	8,237,598	1,647,519	8,237,598
At close of year	**1,647,519**	**8,237,598**	**1,647,519**	**8,237,598**

40. SHARE PREMIUM – GROUP AND COMPANY

	2022 Shs '000	2021 Shs '000
At start of year	21,424,322	21,424,322
At end of year	**21,424,322**	**21,424,322**

41. REVALUATION RESERVE

Changes in fair value of financial Instruments at FVOCI		
At start of year	369,963	1,617,562
Changes in fair value of FVOCI financial instruments (note 22)	(3,559,224)	(1,782,284)
Deferred income tax on changes in fair value of FVOCI financial instruments (note 30)	1,067,767	534,685
At end of year	**(2,121,494)**	**369,963**

The revaluation reserves, which is non-distributable, arises from changes to fair value of Government securities held at FVOCI.
The fair value gains on financial assets measured at FVOCI net of taxes amounted to Shs 2,491,457 (2021: Shs 1,247,599.

42. STATUTORY LOAN LOSS RESERVE

The reserve represents an appropriation from retained earnings to comply with regional Central Banks' prudential guidelines on loan loss provisions. The balance represents excess of impairment provisions determined in accordance with the prudential guidelines over the impairment provisions recognised in accordance with the International Financial Reporting Standards. The reserve is non- distributable.

43. RELATED PARTIES

Parties are considered related if one party has the ability to control the other party or exercise significant influence over that party's financial or operational decisions. In the normal course of business, current accounts are operated, and placements made between the Group companies at interest rates in line with the market. Included in customer loans and advances are amounts advanced to directors, companies controlled by directors or their associates and loans to key management personnel as follows:

Due from group companies - Company

	2022 Shs '000	2021 Shs '000
Deposits with NCBA Bank Kenya PLC	84,875	9,649
Other receivables from NCBA Group companies	9,829	50,406
	94,703	**60,055**

Due to group companies - Company

Due to NCBA Bank Kenya PLC	8,959,800	10,297,692

The balance due to NCBA Bank Kenya PLC includes Shs 8.2 billion (2021 – Shs 10.2 billion) on transfer of investments in regional subsidiaries from NCBA Bank Kenya PLC to NCBA Group PLC.

Loans and advances to directors - Group

	2022 Shs '000	2021 Shs '000
At start of year	267,422	232,483
Advanced during the year	27,919	63,414
Repaid during the year	(35,255)	(28,475)
At end of year	**260,086**	**267,422**

Loans and advances to other key management personnel - Group

Loans and advances to other key management personnel	530,351	419,523

43. RELATED PARTIES (Continued)

Loans and advances / facilities to companies controlled by directors, common shareholders or their associates - Group

	2022 Shs '000	2021 Shs '000
On-balance sheet	21,621,311	19,108,228
Off-balance sheet	1,737,158	1,549,280

Income earned on related party loans and advances - Group

	2022	2021
Interest income earned on related party loans and advances during the year	1,515,857	1,480,327
Commissions earned on related party loans and advances during the year	**102,127**	**100,960**

All facilities and arrangements relating to the above loans and advances have been made in the normal course of business and on terms similar to those applicable to third parties. The loans and advances are to companies on whose Boards the directors serve and to companies with common shareholders as those of the Group

Related party deposits - Group

	2022 Shs '000	2021 Shs '000
Related party deposits	20,943,511	19,573,770
Interest expense incurred on related party deposits during the year	1,260,310	810,553

The above deposits are from directors, companies on whose Boards the directors serve and from companies with common shareholders as the Group.

Key management personnel compensation

	Group		Company	
	2022 Shs '000	2021 Shs '000	2022 Shs '000	2021 Shs '000
Salaries and other short term employment benefits	1,024,767	745,443	260,231	201,111
Post-employment benefits	62,577	60,472	19,683	15,746
	1,087,344	**805,915**	**279,915**	**216,857**

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director.

43. RELATED PARTIES (Continued)

Directors' Remuneration

	Group		Company	
	2022	2021	2022	2021
	Shs '000	Shs '000	Shs '000	Shs '000
Fees for services as directors	62,496	53,473	41,530	42,500
Other emoluments (included in key management compensation above)	301,994	175,517	183,434	216,216
	364,490	**228,990**	**224,964**	**258,716**

44. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash equivalents comprise short-term highly liquid investments, which are readily convertible into known amounts of cash without notice, with less than 91 days to maturity from the date of acquisition including balances with Central Banks, Treasury bills and bonds and amounts due from and / or to banking institutions.

	Group		Company	
	2022	2021	2022	2021
	Shs '000	Shs '000	Shs '000	Shs '000
Cash and balances with Central Banks (note 18)	38,626,109	43,154,323	-	-
Less: Cash reserve requirement*	(21,799,568)	(20,073,529)	-	-
	16,826,541	**23,080,794**	-	-
Due from banking institutions (note 20)	25,692,842	45,119,386	84,875	9,650
Due to banking institutions (note 35)	(5,914,127)	(14,775,283)	-	-
Government securities (note 22)	4,352,060	14,046,867	-	-
	40,957,316	**67,471,764**	**84,875**	**9,650**

*The restricted funds with the central banks in Kenya, Uganda, Tanzania and Rwanda are not interest earning and are based on the value of deposits as adjusted by central banks' requirements from time to time. These funds (restricted balances with central banks) as per prudential guidelines, are not available for use by the Banks in day-to-day operations.

45. NOTES TO THE STATEMENT OF CASH FLOWS

CASH GENERATED FROM OPERATIONS

	Notes	Group 2022 Shs '000	Group 2021 Shs '000	Company 2022 Shs '000	Company 2021 Shs '000
Reconciliation of profit before taxation to cash generated from operations					
Profit before income tax		**22,491,526**	**15,034,989**	**11,714,334**	**6,056,657**
Share of profit from associates	26	(203,200)	(89,485)		
Fair value loss of loan note		554,651	-	-	-
Fair value gain on equity securities		(42,066)	-	-	-
Unrealised Foreign exchange income		(316,834)	-	-	-
(Loss) / gain on disposal property and equipment		(14,984)	67,673	-	-
Depreciation charge on property and equipment	29	698,350	763,683	-	-
Depreciation of right of use asset	32	1,006,903	727,583	-	-
Interest expense on lease liability	38	419,078	412,311	-	-
Amortisation of other intangible assets	28	1,152,997	1,195,010	-	-
Impairment losses	8	12,465,743	11,210,714		
Interest expense during the year	37	159,743	318,590	-	-
Amortisation of lease prepayments	32	125	125	-	-
Amortisation of other intangible assets	28	531,125	795,750	-	-
Interest income		(64,112,324)	(57,302,525)	(33,214)	(36,707)
Interest expense		21,725,694	19,477,455	-	
Total non-cash items		**(25,974,999)**	**(22,423,116)**	**(33,214)**	**(36,707)**
Cash flows from operating activities before changes in operating assets and liabilities		**(3,483,473)**	**(7,388,127)**	**11,681,120**	**6,019,950**
Increase in balances held with Central Banks- mandatory reserves		(1,726,039)	(1,869,683)	-	-
Increase in loans and advances		(47,661,067)	(6,266,579)	-	-
(Increase)/decrease in other assets		(8,164,563)	2,920,657	-	-
Decrease due from group companies		-	-	40,577	(3,371)
Decrease due to group companies		-	-	(1,337,892)	(204,924)
Increase in customer deposits		32,785,871	48,385,629	-	-
Increase in other liabilities		4,613,703	6,189,103	190,038	60,866
Decrease in unclaimed dividends		-	(33,392)	-	(13,753)
Changes in operating assets and liabilities		**(20,152,095)**	**49,325,735**	**(1,107,277)**	**(161,182)**
Cash generated from operations		**(23,635,568)**	**41,937,608**	**10,573,843**	**5,858,768**

45. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

RESTATEMENT OF STATEMENT OF CASH FLOWS

The cash flow statement for the comparative period ended 31 December 2021 has been restated to make the following enhancement as required by IAS 7:31 and has a nil impact.

Interest income of Shs 57,302,525,000 and interest expense of Shs 19,477,455 have been disclosed separately under cash flows from operating activities in the note. The amounts had previously been disclosed within the line items "increase in loans and advances" of Shs 6,266,579,000 and "increase/ (decrease) in other assets" of Shs 2,920,657,000 included in changes in operating activities for the year ended 31 December 2021. The items have nil impact on the aggregate "Net cash flow (used)/from operating activities" for the year ended 31 December 2021.

The effect of these reclassifications is as follows:

	As reported 2021 Shs '000	Reclassification adjustment Shs '000	As reclassified 2021 Shs '000
Non-cash items	15,401,954	(37,825,070)	(22,423,116)
Net movement in cash generated from operations	11,500,665	37,825,070	49,325,735
	26,902,619	-	26,902,619

46. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS, CONTINGENT LIABILITIES, COMMITMENTS AND OPERATING LEASES

In common with banking entities, the Group conducts business involving acceptances, guarantees, performance bonds and indemnities. These facilities are obligations on behalf of customers, in the normal course of business, matched and with recourse. In addition, there are other off-balance sheet financial instruments including foreign exchange forward contracts for the purchase and sale of foreign currencies, the nominal amounts of which are not reflected in the consolidated balance sheet.

	2022 Shs '000	**2021 Shs '000**
Letters of credit	20,087,009	17,300,749
Acceptances	10,035,685	9,791,061
Guarantees	30,589,672	31,711,449
	60,712,366	**58,803,259**

Nature of off-balance sheet financial instruments

Letters of credit commit the Group to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

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

Guarantees are generally written by the Group to support performance by a customer to a third party. The Group would only be required to meet these obligations in the event of default by a customer.

46. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS, CONTINGENT LIABILITIES, COMMITMENTS AND OPERATING LEASES (Continued)

	2022 Shs '000	2021 Shs '000
Commitments		
Un-drawn formal standby facilities, credit lines and other commitments to lend	11,384,035	20,307,419
foreign exchange forward contracts	5,409,360	6,966,710
Purchase of property, equipment and software	558,947	543,190
	========	========

Commitments to lend are agreements to lend to a customer in future, subject to certain conditions, and are normally for a fixed period. The Group may withdraw from its contractual obligation for the un-drawn portion of agreed overdraft limits by giving reasonable notice to a customer.

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

Legal claims contingency

The Company is a defendant in a number of legal proceedings arising in the normal course of business, mostly relating to the realisation of collateral on lending.

Tax authorities' assessments

The Group has received tax assessments from Revenue Authorities in the markets it operates in, which it has challenged on various principles and continues to engage the relevant authorities to resolve the matters. Management is confident that no material liabilities will crystallise from these assessments, beyond the provisions already recorded.

47. FIDUCIARY ACTIVITIES

The Group provides safekeeping, safe deposit, advisory, custody and nominee and investment management services to third parties. Safekeeping and safe deposit services involve providing secure and confidential storage for valuables and documents. Custodial and nominee services entail the holding of customers' assets and securities and collection of income on their behalf based on express instructions.

Advisory services involve the provision of a range of financial advice to clients either as independent advisors or as tied agents. Investment management involves advising customers on allocation and purchase and sale decisions in relation to a range of financial instruments, assets that are held in fiduciary capacity and which are not included in these financial statements. These arrangements involve the Group in an advisory capacity only, acting on specific instructions from clients and not in a discretionary manner. Consequently, the Group is not exposed to risks associated with mal-administration or underperformance of assets under its care.

At the balance sheet date, the Group had funds under investment management and securities held under nominee arrangements amounting to Shs 233 billion (2021 – Shs 212 billion). Other risks that may arise from these fiduciary activities are of operational and reputational nature. These risks are managed and mitigated through the existence and continuing application of sound governance and internal control policies and procedures that ensure the proper discharge of fiduciary duties.

48. EVENTS AFTER REPORTING PERIOD

There are no significant events after the reporting period to report in these financial statements. (2021: none)

49. OPERATING SEGMENTS

The Group principle are within various geographical segments, Kenya, Uganda, Tanzania and Rwanda. Further to the geographical segmentation and this is the basis of allocation of resources by Chief Operating Decision Maker.

i) Corporate and Institutional banking

Targets medium to large corporate clientele and institutions, with a focus on liability mobilization and asset growth. The Bank uses the following distribution channels.

ii) Retail banking (SME and Consumer banking)

Targets the mass to affluent and high net worth and business banking clientele, with a focus on becoming the customers' core deposit, transactional banker and financier. This also includes the Group's asset finance products.

iii) Treasury dealing

Treasury dealing targets corporate customers and institutions, with a focus on customers having a foreign exchange component in their business.

iv) Digital Bank

This segment focuses on mobile savings and lending products at a micro level.

v) Investment banking

Investment banking targets large and medium sized companies for research, advisory, capital restructuring and stock brokerage requirements.

There is no single customer within the Group who accounts for more than 10% of the interest revenue.

The table below analyses the breakdown of segmental assets, liabilities, income and expenses by geographical segments.

50. SEGMENTAL REPORTING

Statement of profit or loss – Year ended 31 December 2022

Amount in Shs 000	**Kenya**	**Tanzania**	**Uganda**	**Rwanda**	**Group**
Interest income and other credit-related fees	56,856,063	2,430,532	2,857,017	1,968,712	64,112,324
Interest expense	(19,351,433)	(947,098)	(857,919)	(569,244)	(21,725,694)
Net interest income	**37,504,630**	**1,483,434**	**1,999,098**	**1,399,468**	**42,386,630**
Non – interest revenue	16,389,566	407,432	406,887	283,651	17,487,536
Operating and other income	**53,894,196**	**1,890,866**	**2,405,985**	**1,683,119**	**59,874,166**
Impairment charges	(10,423,857)	(1,643,835)	(217,679)	(180,372)	(12,465,743)
Operating expenses	(20,893,695)	(1,813,181)	(1,462,965)	(950,256)	(25,120,097)
Profit before share of associate's profit	**22,576,644**	**(1,566,150)**	**725,341**	**552,491**	**22,288,326**
Share of associates profit	203,200	-	-	-	203,200
Profit before income tax	**22,779,844**	**(1,566,150)**	**725,341**	**552,491**	**22,491,526**
Income tax expense	(8,456,596)	(213,769)	42,239	(85,375)	(8,713,501)
Profit for the year	**14,323,248**	**(1,779,919)**	**767,580**	**467,116**	**13,778,025**

50. SEGMENTAL REPORTING (Continued)

Statement of profit or loss – Year ended 31 December 2021

Amount in Shs 000	Kenya	Tanzania	Uganda	Rwanda	Group
Interest income and other credit-related fees	51,881,126	2,093,946	2,208,287	1,119,166	57,302,525
Interest expense	(17,571,418)	(909,764)	(626,860)	(369,413)	(19,477,455)
Net interest income	**34,309,708**	**1,184,182**	**1,581,427**	**749,753**	**37,825,070**
Non – interest revenue	8,921,392	385,155	346,650	167,181	9,820,378
Operating and other income	**43,231,100**	**1,569,337**	**1,928,077**	**916,934**	**47,645,448**
Impairment charges	(8,836,499)	(680,224)	(1,428,781)	(265,210)	(11,210,714)
Operating expenses	(17,798,256)	(1,828,732)	(1,264,462)	(597,780)	(21,489,230)
Profit before share of associate's profit	**16,596,345**	**(939,619)**	**(765,166)**	**53,944**	**14,945,504**
Share of associates profit	89,485	-	-	-	89,485
Profit before income tax	**16,685,830**	**(939,619)**	**(765,166)**	**53,944**	**15,034,989**
Income tax expense	(4,906,167)	(216,550)	281,920	29,451	(4,811,346)
Profit for the year	**11,779,663**	**(1,156,169)**	**(483,246)**	**83,395**	**10,223,643**

50. SEGMENTAL REPORTING (Continued)

Statement of financial position – As at 31 December 2022

Amount in Shs '000	Kenya	Tanzania	Uganda	Rwanda	Group
Assets					
Cash and balances with Central banks	30,870,881	2,875,399	3,495,314	1,384,515	38,626,109
Government securities	205,373,018	4,265,677	9,712,724	3,099,241	222,450,660
Due from banking institutions	18,671,505	2,960,308	2,515,374	1,545,655	25,692,842
Customer loans and advances	247,011,015	11,971,813	6,992,342	10,058,014	276,033,184
Investment securities	10,168,484	-	-	-	10,168,484
Other assets	42,656,406	878,763	1,877,004	1,278,192	46,690,365
Total assets	**554,751,309**	**22,951,960**	**24,592,758**	**17,365,617**	**619,661,644**
Liabilities					
Customer deposits	458,619,230	17,114,437	16,310,149	10,632,138	502,675,954
Due to banking institutions	172,213	1,579,341	1,606,446	2,556,127	5,914,127
Borrowings	4,206,965	-	-	-	4,206,965
Other liabilities	19,489,777	1,826,391	1,762,119	1,364,620	24,442,907
Total liabilities	**482,488,185**	**20,520,169**	**19,678,714**	**14,552,885**	**537,239,953**
Shareholders' funds	72,263,124	2,431,791	4,914,045	2,812,731	82,421,691
Total liabilities and shareholders' funds	**554,751,309**	**22,951,960**	**24,592,759**	**17,365,616**	**619,661,644**

50. SEGMENTAL REPORTING (Continued)

Statement of financial position – As at 31 December 2021

Amount in Shs '000	Kenya	Tanzania	Uganda	Rwanda	Group
Assets					
Cash and balances with Central banks	37,313,718	2,354,922	2,678,558	807,125	43,154,323
Government securities	196,051,953	3,858,698	6,931,844	2,608,352	209,450,847
Due from banking institutions	38,114,581	1,902,633	4,376,663	725,509	45,119,386
Customer loans and advances	216,319,333	11,700,178	6,780,914	5,537,253	240,337,678
Investment securities	13,970,581	-	-	-	13,970,581
Other assets	34,572,523	1,509,446	1,908,501	1,064,753	39,055,223
Total assets	**536,342,689**	**21,325,877**	**22,676,480**	**10,742,992**	**591,088,038**
Liabilities					
Customer deposits	430,781,371	13,751,586	18,115,509	7,241,618	469,890,084
Due to banking institutions	10,497,192	3,472,419	14,434	791,239	14,775,284
Borrowings	6,096,755	-	-	-	6,096,755
Other liabilities	18,452,096	1,935,805	1,124,371	826,613	22,338,885
Total liabilities	**465,827,414**	**19,159,810**	**19,254,314**	**8,859,470**	**513,101,008**
Shareholders' funds	70,515,275	2,166,067	3,422,166	1,883,522	77,987,030
Total liabilities and shareholders' funds	**536,342,689**	**21,325,877**	**22,676,480**	**10,742,992**	**591,088,038**