CIB BANK KENYA LIMITED FINANCIAL STATEMENTS FOR THE NINE- MONTH PERIOD ENDED 30 SEPTEMBER 2023

Contents

Statement on corporate governance

Corporate Governance

CIB Kenya has been keen on entrenching a sound corporate governance culture within its business to ensure transparency and accountability with all stakeholders.

The Board of Directors of CIB Kenya Limited strongly believe that a sound corporate governance framework sets the foundation for sustained growth and maximization of shareholder value. Consequently, the Board of Directors is guided by a Board Charter, in terms of Corporate Governance, and in line with the Central Bank of Kenya Prudential Guidelines, 2013. The Charter is also subject to the provisions of the Laws of Kenya, the Bank's Articles of Association, and any other applicable law or regulatory provision.

Additionally, the Bank has put in place a Code of Corporate Governance, Code of Conduct, Code of Ethics and Conflict of Interest, inter alia, that bind all its directors, employees and all its stakeholders to ensure the Bank's business is undertaken with utmost integrity, transparency and in an ethical and fair manner, in keeping with the local and external regulations and global best practices.

Governance Framework

CIB Kenya Limited is governed by a Board of Directors consisting of 5 members elected by the shareholders. The Board comprises, 1 Chief Executive Officer, 4 Non-Executive Directors out of which 2 are Independent Non-Executive Directors.

The responsibility of the Board is to ensure the strategic direction, management supervision and adequate control of the Bank, with the goal of increasing the long-term value of the Bank.

The Bank's governance framework includes a vibrant and dynamic risk management framework characterized by active Board and Senior Management oversight, adequate policies, procedures, charters, terms of reference and Management Information system (MIS) reporting. These collectively shape the governance of a wide range of issues including risk supervision, compliance, audit, remuneration, evaluation, succession planning, ethics and conduct, budgeting, and capital management.

Clear lines of responsibility, accountability and communication exist within the Bank. This includes a continuous chain of supervision at all levels, as well as effective communication channels between the Management and the Board of Directors. Strategic objectives setting, corporate values and promoting high standards of conduct have been established and widely communicated throughout the Bank, providing appropriate incentives to ensure and encourage professional behavior.

The primary goal of risk management is to ensure that the outcomes of risk-taking activities are consistent with the Bank's strategies and risk appetite, and that there is an appropriate balance between risk and reward, in order to maximize shareholder returns.

The Bank has a robust and dynamic risk management framework, which provides the foundation for achieving these goals. This framework is subject to constant evaluation to ensure that it meets the changing requirements of the market in which the Bank operates, including regulatory standards, industry and global best practice.

Arising from our belief that integrating a strong risk and compliance management program into the daily management of business and strategic planning gives the Bank a strategic competitive advantage, we have ensured that our risk management framework is applied enterprise-wide across all our branches, departments and across all our activities.

The Bank's Enterprise-wide Risk Management Policies encompass: Strategic, Credit, Market, Liquidity, Operational, Compliance, Legal, Regulatory, Climate-Related, Retail, Fraud, Third-Party and Reputational risks.

Risk Management Principles

The Bank's Risk Management Policies are meant to allow the Bank to assess and enhance its approach to managing risk by articulating high-level risk management principles that are comprehensive, proven in practice to be effective, and likely to stand the test of time. These principles include:

a) Governance (Board and Senior Management Accountabilities and responsibilities): Overall Risk Management Policies and tolerances are set on a comprehensive, Bank-wide basis by Senior Management, and reviewed with, and approved by, the Board of Directors.

b) Business Line/Unit Accountability: Business lines/units are the Bank's first line of defence and are accountable for managing the risks associated with their respective activities/operations within established tolerances, as well as for the results, both positive and negative, of taking those risks.

c) Framework for Managing Risk: To effectively manage and control risks, policies and procedures are considered to be essential for the Bank. Risk & Compliance Departments, the second line of defence, exist within the Bank to develop the Risk Management Framework and monitor its execution.

d) Integration of Risk Management: Ensures that interactions among risks are identified, understood and managed as appropriate; risks are not evaluated in isolation.

e) Risk Evaluation and Measurement: Risks are qualitatively evaluated on a recurring basis and, wherever practical, the evaluation includes quantitative analysis. Risk assessments consider the effects of both likely and unlikely events based on the risk profiling.

f) Independent Audits: This third line of defence helps to validate and provide assurance on the effectiveness of the Bank's risk management activities, with recommendations for improvements or remedial action being made where necessary.

Risk Management Governance

The Bank's Risk Management Framework is based on best practice, strong corporate governance principles and guided by the Central Bank of Kenya Prudential Guidelines (2013) and Risk Management Guidelines (RMGs). The Board also determines the Bank's risk appetite, risk tolerance and strategy, and oversees the implementation of effective risk management systems in the Bank.

Board of Directors

The Board of Directors has the overall responsibility of establishing a sound risk management framework in the Bank. The Board sets the Bank's risk appetite and tolerance levels from time-to-time and monitors implementation of same by management.

The Board is supported in carrying out its duties by the following committees:

- Board Audit Committee (BAC),
- Board Risk Management Committee (BRMC),
- Board Nomination and Human Resource Committee (BNHRC),
- Board Credit Committee (BCC).

Each of these Board Committees is governed by Board-approved terms of reference. The Board committees report to the Board on a quarterly basis.

Senior Management

The senior management is responsible for overseeing the day-to-day activities and ensuring these are in line with the approved risk management framework and Board strategy.

Management is supported in carrying out its responsibilities by management committees which provide the vital link between management and directors and serve as important channels of cascading board decisions to management-level staff; and also communicating to directors the activities that management staff are engaged in, as well as the risks involved. These committees include:

- Asset Liability Management Committee (ALCO)
- Executive Committee (ExCo),
- Management Credit Committee (MCC),
- Executive Credit Committee (ECC),
- Non-Financial Risk and Compliance Committee (NFRCC)
- IT Steering Committee (ITSC)

The management committees are governed by Board-approved terms of reference and report to their respective Board committees on a quarterly basis.

Risk Management Philosophy and Risk Appetite

Risk Management Philosophy

CIB Kenya's Risk Management Philosophy recognizes risk management is a value-adding, rather than a regulatory compliance, issue.

It is our simple philosophy that:

- we will only take on board risks that we fully understand, and know how to mitigate,
- risk management shall be at the heart of whatever we do; risk management is central to all our operations,
- everybody is a risk manager; we primarily focus on preventive and remedial actions as opposed to fault-finding,
- we encourage a risk culture where every staff proactively identifies and manages the risks in their respective areas,
- risk management is everybody's business, and should not only be left to the Board, Risk Department and Senior Management.

Risk Appetite & Risk Tolerance

The Board of Directors determines the Bank's risk appetite, which is the general level of risk that the Bank is willing to take while pursuing its objectives.

Risk tolerance is defined as the level of risk that the Bank is willing to assume per individual risk. Our Board of directors also determines the Bank's Risk tolerance levels across all investing, trading, lending and operational activities.

Our Risk Management Framework

In addition to fulfilling regulatory requirements and adopting best-practice when it comes to risk management, it is the Bank's objective to take on an approach in which a risk culture exists amongst all employees of the organization.

The Bank has entrenched an enterprise-wide and integrated approach to risk management that will enable us to consider the potential impact of all types of risks the Bank is exposed to; including risks inherent to its processes, activities, stakeholders, products, channels and systems and mitigate same.

The Bank's Risk Management Framework has greatly evolved in the recent past to capture changes in the Bank's operating environment, including introduction of new products, shifts in channels / customer touch points, as well as changes in the regulatory environment.

Risk & Compliance Departments

The 'Risk & Compliance Departments' are independent functions reporting to the Board Risk Management Committee. It is a critical part of the Bank's risk management framework and is responsible for assessing the risks that the Bank is exposed to, while continuously giving a report to the Board and Management on the Bank's position in terms of risk exposure, as well as recommending remedial action.

Effectively managing risks arising from the Bank's daily business activities maximizes its opportunities in the market and enhances the Bank's competitive position in the industry.

Integrating a strong risk and compliance management program into the daily management of business and strategic planning gives the Bank a strategic competitive advantage. It helps the Bank to protect its reputation, lower the cost of capital, reduce costs and helps minimize the risk of investigation, prosecution, and penalties.

Internal Audit Department (IAD)

The Internal Audit Department is a critical and integral part of the CIB Kenya Risk Management Framework.

It is an independent function within the Bank, separate from Business Divisions, which directly reports to the Board Audit Committee of the Board of Directors.

Through its reviews and audits, IAD gives independent assurance that the risk management framework and the inherent controls therein are effective and working as intended.

Tom M. Gitogo
Chairman

Hossam Rageh
Chief Executive Officer & MD

Review report

The Directors
Commercial International Bank (Kenya) Limited
Mezzanine Floor, KAM House
Mwanzi Road, Westlands
P.O Box 2051-00606
Nairobi, Kenya

Dear Sirs,

Introduction

We have reviewed the accompanying statement of financial position of Commercial International Bank (Kenya) Limited (the "Bank") as at 30 September 2023 and the statements of profit or loss and other comprehensive income, cashflows and changes in equity for the 9 months period then ended and notes comprising significant accounting policies and other explanatory information. Management is responsible for the preparation and fair presentation of this financial information in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this financial information based on our review.

Scope of our review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information does not present fairly, in all material respects, the financial position of the Bank as at 30 September 2023 and its results for the 9 months period then ended in accordance with International Financial Reporting Standards.

Brian Ngunjiri

CPA Brian Ngunjiri, Practicing Certificate Number 2451
Engagement partner responsible for the review

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

15 November 2023

Statement of profit or loss and other comprehensive income for the period ended September 30, 2023

	Notes	Sep. 30, 2023 Ksh Thousands	Sep. 30, 2022 Ksh Thousands
Interest and similar income		**1,169,613**	1,042,519
Interest and similar expense		**(544,984)**	(423,254)
Net interest income	*6*	**624,629**	619,265
Fees and commission income	*7*	**16,117**	18,289
Net trading income	*8*	**82,503**	14,369
Other operating income	*10*	**6,265**	927
Operating income		**729,513**	652,850
Administrative expenses	*9*	**(895,618)**	(668,619)
Impairment charge for credit losses	*11*	**141,537**	(206,223)
Profit / (loss) before income tax		**(24,567)**	(221,992)
Income tax credit	*12*	**196,231**	579,510
Net profit for the period		**171,664**	357,518

Other comprehensive income

	Notes	Sep. 30, 2023 Ksh Thousands	Sep. 30, 2022 Ksh Thousands
Net profit for the period		**171,664**	357,518
Items that will be reclassified subsequently to profit or loss:			
Net change in fair value of debt instruments measured at fair value through other comprehensive income		**(282,934)**	(172,710)
Net gain on financial assets reclassified to statement of profit or loss		**14,955**	2,933
Total other comprehensive loss for the period	*17*	**(267,979)**	(169,777)
Total comprehensive profit for the period		**(96,315)**	187,741
Profit per share	*13*	**42.06**	87.59

Statement of financial position as at September 30, 2023

	Notes	Sep. 30, 2023 Ksh Thousands	Dec. 31, 2022 Ksh Thousands
Assets			
Cash and balances with Central Bank of Kenya	14	**890,050**	716,669
Due from banks, net	15	**2,641,437**	260,107
Loans and advances to customers, net	16	**3,640,436**	5,012,029
Derivative financial instruments	20	-	-
Financial investments securities			
At Fair value through OCI	17	**2,982,329**	3,347,073
At Amortized cost	17	**2,358,390**	1,720,638
Other assets	19	**211,311**	299,971
Property and equipment	21	**281,085**	304,098
Intangible assets	22	**196,319**	195,080
Deferred income tax	28	**1,163,738**	968,080
Right of use asset	31	**78,920**	105,332
Total assets		**14,444,015**	12,929,077
Liabilities and equity			
Liabilities			
Due to banks	23	**11,065**	132,810
Customer deposits	24	**9,879,888**	7,949,075
Other liabilities	25	**108,083**	278,089
Lease liabilities	32	**95,819**	123,628
Total liabilities		**10,094,855**	8,483,602
Equity			
Issued and paid up share capital	26	**4,081,633**	4,081,633
Share premium	27	**1,613,139**	1,613,139
Fair value reserve		**(415,010)**	(147,031)
Accumulated deficit		**(930,602)**	(1,102,266)
Total equity		**4,349,160**	4,445,475
Total liabilities and equity		**14,444,015**	12,929,077

The financial statements on page 13 to 62 were approved and authorized for issue by the board of directors on 07 November 2023 and were signed on its behalf by:

Tom M. Gitogo
Chairman

Hossam Rageh
Chief Executive Officer & MD

Statement of changes in equity for the period ended September 30, 2023

Ksh Thousands

Sep. 30, 2023	Issued and paid up share capital	Share premium	Fair value reserve	Accumulated Deficit	Total Shareholders Equity
At start of period	**4,081,633**	**1,613,139**	**(147,031)**	**(1,102,266)**	**4,445,475**
Net profit for the period	**-**	**-**	**-**	**171,664**	**171,664**
Other comprehensive loss	**-**	**-**	**(267,979)**	**-**	**(267,979)**
At end of period	**4,081,633**	**1,613,139**	**(415,010)**	**(930,602)**	**4,349,160**

Statement of changes in equity for the year ended December 31, 2022

Ksh Thousands

Dec. 31, 2022	Issued and paid up share capital	Share premium	Fair value reserve	Accumulated Deficit	Total Shareholders Equity
At start of year	4,081,633	1,613,139	5,330	(1,547,165)	**4,152,938**
Net profit for the year	-	-	-	444,899	**444,898**
Other comprehensive loss	-	-	(152,361)	-	**(152,361)**
At end of year	**4,081,633**	**1,613,139**	**(147,031)**	**(1,102,266)**	**4,445,475**

Statement of Cash flow for the period ended September 30, 2023

	Notes	Sep. 30, 2023 Ksh Thousands	Sep. 30, 2022 Ksh Thousands
Cash flows from operating activities			
(Loss)/Profit before Income tax		**(24,567)**	(221,992)
Adjustments for:			
Gain from disposal of property and equipment		**-**	(866)
Impairment charge/(write back) for credit losses	*11*	**(141,537)**	206,223
Depreciation of property and equipment	*21*	**73,095**	76,403
Intangible assets amortization	*22*	**40,899**	20,886
Depreciation of right-of-use assets	*31*	**26,412**	25,529
Interest on lease liabilities	*32*	**8,949**	11,702
Operating income before changes in operating assets and liabilities		**(16,749)**	117,885
Working capital changes:			
Increase in financial investment securities		**(554,609)**	(67,017)
Decrease/(increase) in loans and advances to customers	*16*	**1,536,573**	(635,319)
Decrease/(increase) in other assets	*19*	**88,661**	(34,188)
Decrease in due to banks	*23*	**(121,745)**	(209,592)
Increase/(decrease) in customer deposits	*24*	**1,930,813**	(36,744)
(Increase)/decrease in cash reserve ratio balances		**(132,452)**	53,974
Decrease in other liabilities	*25*	**(170,006)**	(15,769)
Net cash flow generated / (used) in operating activities		**2,560,486**	(826,770)
Cash flows from investing activities			
Purchase of property and equipment	*21*	**(50,083)**	(140,710)
Purchase of intangible assets	*22*	**(42,137)**	(44,868)
Proceeds from disposal of property and equipment		**-**	-
Net cash flows used in investing activities		**(92,220)**	(185,578)
Cash flows from financing activities			
Payment of principal portion of lease liabilities	*32*	**(36,758)**	(35,171)
Net cash flow used in financing activities		**(36,758)**	(35,171)
Net decrease in cash and cash equivalents during the period		**2,431,508**	(1,047,519)
Beginning balance of cash and cash equivalents		**584,641**	1,776,449
Cash and cash equivalents at the end of the period		**3,016,149**	728,930
Cash and cash equivalents comprise:			
Cash and balances with the CBK - available for use by the bank	*14*	**365,463**	137,385
Due from banks	*15*	**2,650,686**	591,545
Total cash and cash equivalents		**3,016,149**	728,930

Notes to the financial statements for the nine-month period ended September 30, 2023.

1. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the requirements of the Companies Act, 2015.

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

2. Incorporation

The Bank is incorporated and domiciled in Kenya under the Kenyan Companies Act, 2015.

3. Summary of accounting policies

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

3.1 Basis of preparation

The financial statements are prepared under the historical cost basis of accounting as modified to include the revaluation of financial instruments that are measured at fair value or revalued amounts at the end of each reporting period. The principal accounting policies adopted in the preparation of these financial statements remain unchanged from the previous period.

Going concern

The Bank recorded a (loss)/profit before tax of Shs (24,568,000 for the period ended 30 September 2023 (2022: LBT of Shs 221,992,000) and had positive/(negative) cash generated from operations of Shs 2,560,486,000 for the period ended 30 September 2023 (2022: negative Shs 826,770,000). In addition, the Bank had a closing balance of cash and cash equivalents during the period of Shs 3,016,149,000 2022: Shs 728,930,000 and accumulated deficit of Shs 930,602,000 as at 30 September 2023 (2022: Shs 1,189,647,000).

The Bank recorded a net profit after tax of Shs 171,664,000 (2022: Shs 357,518,000) decrease in deferred tax asset. In addition, the Bank had net assets of Shs 4,349,160,000 at 30 September 2023 (2022: Shs 4,340,678,000). The Bank maintains sufficient capital and no capital adequacy ratios were breached during the period.

In view of the foregoing, the directors consider it appropriate to prepare the financial statements on a going concern basis.

3.1.1 Changes in accounting policies and disclosure. New standards, amendments and interpretations adopted by the bank.

International Financial Reporting Standards and amendments effective for the first time for December 2022 year-ends		
Number	**Effective date**	**Executive summary**
IFRS 16, ‘Leases’ COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 April 2021 (early adoption is permitted) (Published March 2021)	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. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such 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 variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient.
Annual improvements cycle 2018 - 2020	Annual periods beginning on or after 1 January 2022	These amendments include minor changes to: • IFRS 1, ‘First time adoption of IFRS’ has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for

	(Published May 2020)	foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. • IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. • IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives. • IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.
Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.
Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

New and amended standards, interpretation and amendments issued but not effected.

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Number	**Effective date**	**Executive summary**
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17. (Published May 2017)	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.
Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2023 (Published Jan 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment. Further detailed information is available at the following link: In Brief 2020-3
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. Earlier	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Number	**Effective date**	**Executive summary**
	application is permitted. (Published February 2021	

3.2 Revenue recognition

3.2.1 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within the profit or loss on accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instruments (or, where appropriate, a shorter period) to the carrying amount of the financial instruments. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

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

Once a financial asset or a portfolio of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest that was used to discount the future cash flows for purposes of measuring the allowance for impairment.

3.2.2 Fees and commissions

In the normal course of business, the Bank earns fees and commission income from a diverse range of services to its customers. Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Fees and commission income, including account servicing fees, investment management fees, placement fees and syndication fees, are recognized as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

Fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

3.3 Property and equipment

Property and equipment are stated at historical cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation is calculated on the straight-line basis at the following annual rates estimated to write off the cost of property and equipment over its expected useful life as per below.

	Depreciation rates
Leasehold improvements	12.50%
Furniture and fittings	20%
Motor vehicle	20%
Computer equipment	33.33%
Office equipment	20%
Right of use asset	Dependent on lease period/Estimated useful life of asset.
Intangible assets (Core Banking Software)	10%
Intangible assets (Application Software)	33.33%

3.4 Foreign currency translation

3.4.1 Functional and presentation currency

The financial statements are presented in Kenya Shillings (Ksh), which is also the Bank's functional currency.

3.4.2 Transactions and balances in foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Kenyan Shillings (Ksh), which is the Bank's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss within net foreign exchange gain. All other foreign exchange gains and losses are presented in the statement of profit or loss within 'other income' or 'other expenses'

3.5 Employee entitlements

Entitlements to annual leave are recognized when they accrue to employees. Provision is made for the estimated liability in respect of annual leave accrued at the end of the reporting period.

3.6 Retirement benefits

The Bank operates a defined contribution retirement benefit scheme for its employees. The assets of this scheme are held in a separate trustee administered fund. The scheme is funded by payments from both the employees and the employer. The Bank also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute.

The Bank's contributions in respect of retirement benefit costs are charged to profit or loss in the period to which they relate.

3.7 Financial instruments

Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and, for financial assets, adjusted for any loss allowances.
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired financial assets – assets that are credit-impaired at initial recognition, the Bank calculates the credit adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in the profit or loss account.

Interest income

Interest income and interest expense on interest bearing financial instruments is calculated by applying the effective interest rate to the gross carrying amount, except for:

a) Purchased or originated credit impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset; and

b) Financial assets that are not "POCI" but have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e.net of the expected credit loss provision) in subsequent reporting periods.

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date which the Bank commits to purchase or sell the asset.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through the profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities at fair value through profit or loss are expensed in profit or loss. Immediately after the initial recognition, an expected credit loss allowance (ECL) is recognized for the financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognized in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Bank recognizes the difference as follows:

a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss; and

b) In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or recognized through settlement.

Financial assets

i. Classification and subsequent measurement

The Bank applies IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); and
- Amortised cost.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse. Classification and subsequent measurement of debt instruments depends on the Bank's business model for managing the asset and the cash flow characteristics of the asset.
The Bank classifies its debt instruments into one of the following three measurement categories:

- 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 are adjusted by any expected credit loss allowance. Interest income from financial assets is included in "interest and similar income" using the effective interest rate method.

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on instrument's amortised cost which are recognized in profit or loss. When the financial asset is recognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Net trading income" using the effective interest rate method; and

- Fair value through the 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 recognized in profit or loss and presented within "Net trading income" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in "Net investment income".

Business model: The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank'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 Bank in determining the business model for a bank 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 Bank as part of liquidity management and is generally classified within 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.

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

The Bank 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 period.

ii. Impairment

The Bank 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 Bank recognizes 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.

iii. Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether the new terms are substantially different to the original terms. The Bank 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.
- 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 Bank derecognizes the original financial asset and recognized 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 credit risk has occurred.

However, the Bank also assesses whether the new financial asset recognized 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 recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes 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 or credit-adjusted effective interest rate for POCI financial assets.

iv. Derecognition other than on a modification

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

The Bank 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 derecognition if the Bank:

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 Bank under standard repurchase agreements and securities lending and borrowings transactions are not recognized because the Bank retains substantially all the risks and rewards on the basis of predetermined repurchase price, and the criteria for derecognition are therefore not met.

Financial liabilities

Classification and subsequent measurement

In both the current period and prior period, financial liabilities are classified as 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 book) 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 derecognition, whereby a financial liability is recognized for the consideration received for the transfer. In subsequent periods, the Bank recognizes any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

ii) Derecognition

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

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modification of the terms of the existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration.

If the exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Offsetting financial assets and financial liabilities

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

3.8 Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are generally written by the Bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default. These obligations are accounted for as transactions off the statement of financial position and disclosed as contingent liabilities.

3.9 Income tax

Income tax expense represents the sum of the current income tax and deferred income tax.

3.9.1 Current income tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other period and items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.9.2 Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences are utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from good will or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset recognized, based on tax rates that have been enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred Income tax for the period

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity.

3.10 Leases

The Bank assesses whether a contract is or contains a lease at inception of the contract. The Bank recognizes a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Bank recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprises of fixed lease payments (including the substance fixed payments), less any lease incentives.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Bank did not make any such adjustments during the period presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease

The right-of-use assets are presented as a separate line in the statement of financial position.

The Bank applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

3.11 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

3.12 Derivatives

The Bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Bank (i.e., assets with positive fair value), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities, or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Bank market transactions on any single day.

3.13 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in profit or loss in the period in which the expenditure is incurred. Intangible assets with finite lives are amortized on a straight-line basis in profit or loss over their estimated useful economic lives, from the date that they are available for use. The amortization method, useful life and the residual value are reviewed at each reporting date and adjusted if appropriate. Changes in the expected useful life, residual value or amortization method are accounted for as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset. The useful lives of intangible assets are assessed to be either finite or indefinite. Costs associated with maintaining computer software programmes are recognized as an expense as incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets are amortized using the straight-line method. There are no intangible assets with indefinite useful lives.

3.14 Segment Reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the executive committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

3.15 Share capital and reserve

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.

3.16 Comparatives

Comparative figures have been adjusted to conform with changes in the presentation of the current period where necessary.

3.17 Critical accounting judgments and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

Critical accounting judgements in applying the Bank's policies.

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Measurement of expected credit loss allowance

The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas:

- Determining the criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL

- Establishing the number and relative weightings for a forward-looking scenarios for each type of product and associated ECL
- Establishing groups of similar assets for the purposes of measuring ECL

The expected credit loss allowance on loans and advances is disclosed in more detail in note 4.

4. Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance, and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and rewards and minimize potential adverse effects on the Bank's financial performance. The most important types of financial risks are credit risk, market risk, liquidity risk and other operating risks. Also, market risk includes exchange rate risk, rate of return risk and other prices risks.

The Board Risk and Compliance and the Board Audit Committees are responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. These Committees are assisted in these functions by the Risk and Compliance and Internal Audit units. The units undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board Risk and Compliance and the Board Audit Committees.

All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities. The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

4.1 Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities), investments in debt securities and derivatives that are in asset position. The Bank considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

4.1.1 Credit risk measurement

The Board of Directors has delegated responsibility for the management of credit risk to the Board Credit Committee. A separate Credit department, reporting to the Board Credit Committee, is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Head of Credit, Executive Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk. Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and receivables), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Categorising Bank's exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive committee as appropriate. Risk grades are subject to regular reviews by Board Credit Committee.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, and product types. Regular reports are provided to Credit Committee on the credit quality of local portfolios and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

4.1.2 Significant increase in credit risk

The Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

4.1.3 Incorporation of forward-looking information.

The Bank uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Bank employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Bank applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Bank for strategic planning and budgeting. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Bank has not made changes in the estimation techniques or significant assumptions made during the reporting period.

4.1.4 Measurement of ECL

The Bank measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the Bank is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial instruments such as revolving credit facilities and overdraft facilities that include drawn and an undrawn commitment component, the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. The Bank has ensured that the appropriate methodology is used when calculating ECL for both accounting and regulatory purposes.

The measurement of ECL is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). In relation to the assessment of whether there has been a significant increase in credit risk it can be necessary to perform the assessment on a collective basis.

The key inputs used for measuring ECL are:

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

Probability of default

PD is an estimate of the likelihood of default over a given time horizon and is estimated as at a point in time. The calculation is based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures.

The 12-month PD is modelled at sector level in line with the sectors prescribed by CBK. The Bank collates internal historical data and determines the PDs using a transition matrix by modelling the monthly transition of loans from one risk rating to the next in the subsequent month. This historical time series will be analyzed over an extended period with a wide range of data points to factor in adequate economic cycles and smoothen irregular economic extremities. The transition modelling will be based on count of loans within the respective sectors.

The transition matrices are aggregated to form a basis of the first months' PD rate and a statistical analysis i.e *Markov process,* is applied to obtain the lifetime monthly PDs. Markov chain is a mathematical methodology that can model transitions to estimate future default probabilities using historical data. The marginal PDs are then derived from the cumulative PDs in the transitions and is used to represent the likelihood of a default occurring in a defined period with no experienced default experienced in a prior period.

As per IFRS9 guidelines [B5.5.4], the credit risk information must incorporate not only past due information but also all relevant credit information, including forward-looking macroeconomic information, to approximate the lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition on an individual instrument level. Once the marginal PDs are modelled, the Vasicek methodology is applied to integrate the historical default probabilities and the forward-looking information as a basis for the macro-adjusted PDs. A regression is run across wide range of macroeconomic factors to model the variables that have a statistical significance to the bank's non-performing loans experience. The Vasicek framework is a commonly used framework based on a single risk factor model assumed by the Basel committee on banking supervisions to transform unconditional Point in Time (PiT) PDs into conditional PiT PDs.

The IFRS9 guidelines additionally requires the estimate of expected credit losses to reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. To achieve these scenarios and probability weighted PDs, the bank incorporates the CBK credit survey quarterly report which provides an estimated projection determined within the banking industry on whether the NPL ratio for different sectors will rise, fall, or remain unchanged.

The Bank's estimation of the PD has been reviewed and verified independently and subsequently found to be compliant with the IFRS9 standard.

Loss given default

Loss given default (LGD) is the magnitude of the likely loss if there is a default. This is computed as the loss the Bank would experience after considering the discounted value of all possible cash flows that can be obtained from the borrower. The Bank considers various forms of collateral in making this determination. The LGD models for secured assets consider forecasts of future collateral valuation considering sale discounts and time to realisation of collateral. LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

Exposure at default

Exposure at default (EAD) is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

The Bank's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Bank uses EAD models that reflect the characteristics of the portfolios. The ECL is computed on an annual basis, hence a rundown of the current outstanding balance to nil is calculated to determine the EAD at these annual points.

4.1.5 Internal credit risk ratings

In order to minimise credit risk, the Bank has tasked its credit management committee to develop and maintain the Bank's credit risk grading to categorise exposures according to their degree of risk of default. The Bank's credit risk grading framework comprises five categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored, and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure. The following data are typically used to monitor the Bank's exposures:

- Delinquency in contractual payments of principal or interest.
- Cash flow difficulties experienced by the borrower.
- Breach of loan covenants or conditions.
- Initiation of bankruptcy proceedings.
- Deterioration of the borrower's competitive position.
- Deterioration in the value of collateral

The Bank collects performance and default information about its credit risk exposures analysed by type of product and borrower. The table below provides a mapping of the Bank's internal credit grades.

Bank's credit risk grades	Description CBK	Description IFRS 9
Grade 1	Normal risk	Stage 1
Grade 2	Watch risk	Stage 2
Grade 3	Substandard risk	Stage 3
Grade 4	Doubtful risk	Stage 3
Grade 5	Loss	Stage 3

The Bank analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as GDP growth, unemployment, benchmark interest rates and house prices. The Bank generates a 'base case' scenario of the future direction of relevant economic variables for each region as well as a representative range of other possible forecast scenarios. The Bank then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

The Bank uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

The Bank has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due. The Bank performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

CBK Provisioning

Below is a statement of institutional worthiness according to internal ratings, compared to CBK ratings and rates of provisions needed for assets impairment related to credit risk:

CBK Rating	Category	CBK Provision %	Internal rating	Category
Normal	Low risk	1%	Grade 1	Performing loans
Watch	Watch list	3%	Grade 2	Watch list
Substandard	Substandard	20%	Grade 3	Non performing loans
Doubtful	Doubtful	100%	Grade 4	Non performing loans
Loss	Bad debts	100%	Grade 5	Non performing loans

4.1.6. Maximum exposure to credit risk before collateral held

The Bank is exposed to credit risk arising on other financial assets as included in the statement of financial position. As part of the credit risk management system, the Bank's management reviews information on significant amounts. The Bank's management assesses the credit quality of each counterparty, taking into account its financial position, past experience and other factors. The credit risk on amounts due from banking institutions, corporate bonds, government securities and balances with Central Bank of Kenya is limited because the counterparties are banks, the governments and corporations with high credit ratings.

The amount that best represents the Bank's such exposure to credit risk, at the end of the period is made up as follows:

On balance sheet items exposed to credit risk	Sep. 30, 2023 Ksh Thousands	Dec. 31, 2022 Ksh Thousands
Cash and balances with central bank	**890,050**	716,669
Due from banks	**2,650,686**	260,892
Less:Impairment provision	**(9,249)**	(785)
Gross loans and advances to customers	**4,145,289**	5,681,862
Individual:		
- Overdraft	**44,131**	48,126
- Personal loans	**208,376**	1,177,905
- Mortgages	**52,494**	49,478
Corporate:		
- Overdraft	**817,690**	777,301
- Loans	**3,022,598**	3,629,052
Impairment provision	**(504,853)**	(669,833)
Financial investments:		
-Debt instruments	**5,394,792**	5,107,162
Impairment provision	**(54,073)**	(39,451)
Other assets	**211,311**	247,888
Total	**12,723,953**	**11,304,404**
Off balance sheet items exposed to credit risk		
Other contingent liabilities	**-**	702
Letters of credit (import and export)	**8,877**	874,574
Letter of guarantee	**313,058**	165,724
Total	**321,935**	**1,041,000**

The above table represents the Bank's Maximum exposure to credit risk on September 30, 2023, before taking into account any held collateral. For assets recognized on balance sheet, the exposures set out above are based on net carrying amounts as reported in the balance sheet.
As shown above, 28.61% of the total maximum exposure is derived from loans and advances to customers, 20.67% due from banks while investments in debt instruments represent 41.97%.
Management is confident in its ability to continue to control and sustain minimal exposure of credit risk resulting from both the bank's loans and advances portfolio and debt instruments based on the following:

- 83.05% of the loans and advances are concentrated in the top two grades of the internal credit risk rating system.
- 72.61% of loans and advances portfolio are considered to be neither past due nor impaired.
- The Bank has implemented more prudent processes when granting loans and advances during the financial period ended on September.30, 2023.
- 100% of the investments in debt instruments are Kenyan sovereign instruments.

4.1.7. Classification of loans and other receivables

Stage 1 assets

The Bank classifies loans and receivables under this category if they are up to date and in line with their contractual agreements. Such loans would have demonstrated the meeting of their financial and non-financial conditions and the borrowers would have proven capacity to repay the loans. These exposures will normally be maintained largely within approved facility programs and with no depiction of impairment or distress signs. These exposures are categorised as normal accounts (category 1) in accordance with the Central Bank of Kenya Prudential Guidelines.

Stage 2 assets

Loans and securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the stage of collection of amounts owed to the Bank. These loans are categorised as watch accounts (category 2) in accordance with the Central Bank of Kenya Prudential Guidelines.

Stage 3 assets

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These loans are graded substandard, doubtful and loss in accordance with the Central Bank of Kenya Prudential Guidelines.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured under these terms, it remains in this category for six months after which the category is reviewed.

Allowances for impairment

The Bank records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses.

Write-off policy

The Bank writes off a loan / balance (and any related allowances for impairment losses) when the Credit Committee determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance loans, write off decisions are generally based on specific past due status.

Collateral held

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of restructuring or downgrading of the account, and generally are not updated except when a loan is individually assessed as impaired or where there is a market for the security. Collateral is generally not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral is usually not held against government securities, and no such collateral was held at September.30, 2023 (2022: nil).

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

	Sep. 30, 2023	Dec. 31, 2022
	Ksh Thousands	Ksh Thousands
Stage 1 assets		
Property	**3,697,778**	4,758,260
Other	**2,991,369**	2,685,467
Stage 2 assets		
Property	**543,804**	2,606,760
Other	**186,550**	365,560
Stage 3 assets		
Property	**1,174,741**	2,201,410
Other	**296,471**	131,126
	8,890,713	**12,748,583**

The main types of collateral and the types of assets these are associated with are listed in the table below. The collateral presented relates to instruments that are measured at FVTOCI and amortised cost

	Percentage of Exposure that is subject to collateral		Type of Collateral held
	Sep. 30, 2023	**Dec. 31, 2022**	
Loans and advances to banks	**-**	-	-
Mortgage lending	**100%**	100%	Property
Personal lending	**80%**	66%	Property, equipment & insurance bonds, Guarantees, Cash ,Govt Securities, Shares
Corporate lending	**92%**	90%	Property, equipment, Stock, insurance bonds, Guarantees, Cash ,Govt Securities, Shares

The Bank holds collateral to mitigate against the credit risk of its financial instruments. Accordingly, where the forced sale value of the collateral is higher than the total credit risk exposure for any financial instrument, after the consideration of the time to realisation of the collateral, no loss allowance is recognised at September 30, 2023. There was no change in the Bank's collateral policy during the period.

4.1.8. Credit quality

Concentrations of risk

The Bank monitors concentrations of credit risk by sector. Details of significant concentrations of the Bank's assets, liabilities and items off the statement of financial position by industry are as detailed below:

Advances to customers

	Sep. 30, 2023 Ksh Thousands	**Sep. 30, 2023** %	Dec. 31, 2022 Ksh Thousands	Dec. 31, 2022 %
Agriculture	**83,736**	**2%**	85,637	2%
Building and Construction	**517,095**	**10%**	565,468	10%
Business Services	**342,816**	**4%**	208,691	4%
Electricity and Water	**375**	**0%**	1,021	0%
Finance and Insurance	**1,209,968**	**15%**	832,538	15%
Manufacturing	**339,715**	**14%**	805,415	14%
Mining and Quarrying	**86,210**	**2%**	110,526	2%
Other Activities and Enterprises	**219,746**	**11%**	606,220	11%
Real Estate	**59,969**	**1%**	86,152	2%
Personal/Household	**305,001**	**22%**	1,277,729	22%
Transport & Communication	**283,319**	**6%**	345,042	6%
Wholesale and Retail Trade	**697,339**	**13%**	757,423	13%
Total	**4,145,289**	**100%**	**5,681,862**	**100%**

Customer deposits

	Sep. 30, 2023 Ksh Thousands	**Sep. 30, 2023** %	Dec. 31, 2022 Ksh Thousands	Dec. 31, 2022 %
Non-profit institutions and individuals	**5,270,929**	**53%**	4,100,827	52%
Private enterprises	**4,452,912**	**45%**	3,660,938	64%
Insurance companies	**156,047**	**2%**	187,310	3%
Total	**9,879,888**	**100%**	**7,949,075**	**100%**

Off balance sheet items

	Sep. 30, 2023 Ksh Thousands	**Sep. 30, 2023** %	Dec. 31, 2022 Ksh Thousands	Dec. 31, 2022 %
Building and Construction	**216,761**	**417%**	-	0%
Business Services	**-**	**0%**	-	0%
Electricity and Water	**33,444**	**10%**	17,788	2%
Finance and Insurance	**19,709**	**6%**	8,000	1%
Manufacturing	**-**	**0%**	863,306	83%
Social, Community & Personal Services	**-**	**0%**	1,000	0%
Transport & Communication	**-**	**0%**	-	0%
Wholesale and Retail Trade	**52,021**	**16%**	150,204	14%
Real Estate	**-**	**0%**	-	0%
Other contingent liabilities	**-**	**0%**	702	0%
Total	**321,935**	**100%**	**1,041,000**	**100%**

4.1.9. Loans and advances

Loans and advances are summarized as follows:

	Sep.30, 2023	Dec.31, 2022
	Ksh Thousands	Ksh Thousands
	Loans and advances to customers	Loans and advances to customers
Gross Loans and advances	**4,145,289**	5,681,862
Less:		
Impairment provision	**(504,853)**	(669,833)
Net	**3,640,436**	**5,012,029**

Total balances of loans and advances to customers divided by stages:

Sep.30, 2023

	Stage 1: Expected credit losses over 12 months	**Stage 2: Expected credit losses Over a lifetime that is not creditworthy**	**Stage 3: Expected credit losses Over a lifetime Credit default**	**Individually impaired**	**Total**
Individuals	**230,771**	**4,821**	**69,409**	**-**	**305,001**
Corporate and Business Banking	**2,779,317**	**427,712**	**633,259**	**-**	**3,840,288**
Total	**3,010,088**	**432,533**	**702,668**	**-**	**4,145,289**

Dec.31, 2022

	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
Individuals	1,057,371	142,212	75,926	-	1,275,509
Corporate and Business Banking	3,254,089	441,260	711,004	-	4,406,353
Total	4,311,460	583,472	786,930	-	5,681,862

Expected credit losses for loans and advances to customers divided by stages:

Sep.30, 2023

	Stage 1: Expected credit losses over 12 months	**Stage 2: Expected credit losses Over a lifetime that is not creditworthy**	**Stage 3: Expected credit losses Over a lifetime Credit default**	**Individually impaired**	**Total**
Individuals	**14,748**	**-**	**63,702**	**-**	**78,450**
Corporate and Business Banking	**67,842**	**31,907**	**326,654**	**-**	**426,403**
Total	**82,590**	**31,907**	**390,356**	**-**	**504,853**

Dec.31, 2022

	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
Individuals	5,837	473	52,345	-	58,655
Corporate and Business Banking	126,589	44,828	439,761	-	611,178
Total	132,426	45,301	492,106	-	669,833

Expected credit losses for government securiries

Sep.30, 2023

	Stage 1: Expected credit losses over 12 months	**Stage 2: Expected credit losses Over a lifetime that is not creditworthy**	**Stage 3: Expected credit losses Over a lifetime Credit default**	**Individually impaired**	**Total**
Amortized cost	**54,073**	**-**	**-**	**-**	**54,073**
Total	**54,073**	**-**	**-**	**-**	**54,073**

Dec.31, 2022

	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
Amortized cost	39,451	-	-	-	39,451
Total	39,451	-	-	-	39,451

The total balances of loans and facilities divided according to the internal classification:

Corporate and Business Banking loans:

Sep.30, 2023	**Scope of probability of default (PD)**	**Stage 1: Expected credit losses over 12 months**	**Stage 2: Expected credit losses Over a lifetime that is not creditworthy**	**Stage 3: Expected credit losses Over a lifetime Credit default**	**Individually impaired**	**Total**
Grade 1: Normal	**1%-14%**	**2,779,317**	**-**	**-**	**-**	**2,779,317**
Grade 2: Watch	**14%-28%**	**-**	**427,712**	**-**	**-**	**427,712**
Grade 3: Substandard	**100%**	**-**	**-**	**55,999**	**-**	**55,999**
Grade 4: Doubtful	**100%**	**-**	**-**	**274,174**	**-**	**274,174**
Grade 5: Loss	**100%**	**-**	**-**	**303,086**	**-**	**303,086**
		2,779,317	**427,712**	**633,259**	**-**	**3,840,288**

Individual Loans:

Sep.30, 2023	**Scope of probability of default (PD)**	**Stage 1: Expected credit losses over 12 months**	**Stage 2: Expected credit losses Over a lifetime that is not creditworthy**	**Stage 3: Expected credit losses Over a lifetime Credit default**	**Individually impaired**	**Total**
Grade 1: Normal	**1%-15%**	**230,771**	**-**	**-**	**-**	**230,771**
Grade 2: Watch	**15%-30%**	**-**	**4,821**	**-**	**-**	**4,821**
Grade 3: Substandard	**100%**	**-**	**-**	**860**	**-**	**860**
Grade 4: Doubtful	**100%**	**-**	**-**	**9,661**	**-**	**9,661**
Grade 5: Loss	**100%**	**-**	**-**	**58,888**	**-**	**58,888**
		230,771	**4,821**	**69,409**	**-**	**305,001**

Corporate and Business Banking loans:

Dec.31, 2022	Scope of probability of default (PD)	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
Grade 1: Normal	1%-14%	3,254,089	-	-	-	3,254,089
Grade 2: Watch	14%-28%	-	441,260	-	-	441,260
Grade 3: Substandard	100%	-	-	405,263	-	405,263
Grade 4: Doubtful	100%	-	-	235,562	-	235,562
Grade 5: Loss	100%	-	-	70,179	-	70,179
		3,254,089	441,260	711,004	-	4,406,353

Individual Loans:

Dec.31, 2022	Scope of probability of default (PD)	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
Grade 1: Normal	1%-15%	1,057,371	-	-	-	1,057,371
Grade 2: Watch	15%-30%	-	142,212	-	-	142,212
Grade 3: Substandard	100%	-	-	7,105	-	7,105
Grade 4: Doubtful	100%	-	-	4,183	-	4,183
Grade 5: Loss	100%	-	-	64,638	-	64,638
		1,057,371	142,212	75,926	-	1,275,509

Expected credit losses divided by internal classification:

Corporate and Business Banking loans:

Sep.30, 2023	**Scope of probability of default (PD)**	**Stage 1: Expected credit losses over 12 months**	**Stage 2: Expected credit losses Over a lifetime that is not creditworthy**	**Stage 3: Expected credit losses Over a lifetime Credit default**	**Individually impaired**	**Total**
Grade 1: Normal	**1%-14%**	**67,842**	**-**	**-**	**-**	**67,842**
Grade 2: Watch	**14%-28%**	**-**	**31,907**	**-**	**-**	**31,907**
Grade 3: Substandard	**100%**	**-**	**-**	**10,770**	**-**	**10,770**
Grade 4: Doubtful	**100%**	**-**	**-**	**138,567**	**-**	**138,567**
Grade 5: Loss	**100%**	**-**	**-**	**177,317**	**-**	**177,317**
		67,842	**31,907**	**326,654**	**-**	**426,403**

Individual Loans:

Sep.30, 2023	**Scope of probability of default (PD)**	**Stage 1: Expected credit losses over 12 months**	**Stage 2: Expected credit losses Over a lifetime that is not creditworthy**	**Stage 3: Expected credit losses Over a lifetime Credit default**	**Individually impaired**	**Total**
Grade 1: Normal	**1%-15%**	**14,748**	**-**	**-**	**-**	**14,748**
Grade 2: Watch	**15%-30%**	**-**	**-**	**-**	**-**	**-**
Grade 3: Substandard	**100%**	**-**	**-**	**860**	**-**	**860**
Grade 4: Doubtful	**100%**	**-**	**-**	**6,795**	**-**	**6,795**
Grade 5: Loss	**100%**	**-**	**-**	**56,047**	**-**	**56,047**
		14,748	**-**	**63,702**	**-**	**78,450**

Corporate and Business Banking loans:

Dec.31, 2022	Scope of probability of default (PD)	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
Grade 1: Normal	1%-14%	126,589	-	-	-	126,589
Grade 2: Watch	14%-28%	-	44,828	-	-	44,828
Grade 3: Substandard	100%	-	-	226,536	-	226,536
Grade 4: Doubtful	100%	-	-	156,832	-	156,832
Grade 5: Loss	100%	-	-	56,393	-	56,393
		126,589	44,828	439,761	-	611,178

Individual Loans:

Dec.31, 2022	Scope of probability of default (PD)	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
Grade 1: Normal	1%-15%	5,837	-	-	-	5,837
Grade 2: Watch	15%-30%	-	473	-	-	473
Grade 3: Substandard	100%	-	-	1,261	-	1,261
Grade 4: Doubtful	100%	-	-	2,101	-	2,101
Grade 5: Loss	100%	-	-	48,983	-	48,983
		5,837	473	52,345	-	58,655

The following table provides information on the quality of financial assets during the financial period:

Sep.30, 2023

Due from banks	Stage 1	Stage 2	Stage 3	Total
Credit rating	12 months	Life time	Life time	
Grade 1: Normal	2,650,686	-	-	2,650,686
Grade 2: Watch	-	-	-	-
Grade 3: Substandard	-	-	-	-
Grade 4: Doubtful	-	-	-	-
Grade 5: Loss	-	-	-	-
Total	2,650,686	-	-	2,650,686
Less:Impairment provision	(9,249)	-	-	(9,249)
Net	2,641,437	-	-	2,641,437

Individual Loans:	Stage 1	Stage 2	Stage 3	Total
Credit rating	12 months	Life time	Life time	
Grade 1: Normal	230,771	-	-	230,771
Grade 2: Watch	-	4,821	-	4,821
Grade 3: Substandard	-	-	860	860
Grade 4: Doubtful	-	-	9,661	9,661
Grade 5: Loss	-	-	58,888	58,888
Total	230,771	4,821	69,409	305,001
Less:Impairment provision	(14,748)	-	(63,702)	(78,450)
Net	216,023	4,821	5,707	226,551

Corporate and Business Banking loans:	Stage 1	Stage 2	Stage 3	Total
Credit rating	12 months	Life time	Life time	
Grade 1: Normal	2,779,317	-	-	2,779,317
Grade 2: Watch	-	427,712	-	427,712
Grade 3: Substandard	-	-	55,999	55,999
Grade 4: Doubtful	-	-	274,174	274,174
Grade 5: Loss	-	-	303,086	303,086
Total	2,779,317	427,712	633,259	3,840,288
Less:Impairment provision	(67,842)	(31,907)	(326,654)	(426,403)
Net	2,711,475	395,805	306,605	3,413,885

Financial Assets at Fair value through OCI	Stage 1	Stage 2	Stage 3	Total
Credit rating	12 months	Life time	Life time	
Grade 1: Normal	2,982,329	-	-	2,982,329
Grade 2: Watch	-	-	-	-
Grade 3: Substandard	-	-	-	-
Grade 4: Doubtful	-	-	-	-
Grade 5: Loss	-	-	-	-
	2,982,329	-	-	2,982,329
Less:Impairment provision	-	-	-	-
Net	2,982,329	-	-	2,982,329

Financial Assets at Amortized cost	Stage 1	Stage 2	Stage 3	Total
Credit rating	12 months	Life time	Life time	
Grade 1: Normal	2,412,463	-	-	2,412,463
Grade 2: Watch	-	-	-	-
Grade 3: Substandard	-	-	-	-
Grade 4: Doubtful	-	-	-	-
Grade 5: Loss	-	-	-	-
	2,412,463	-	-	2,412,463
Less:Impairment provision	(54,073)	-	-	(54,073)
Net	2,358,390	-	-	2,358,390

The following table provides information on the quality of financial assets during the financial year:

Dec.31, 2022

Ksh Thousands

Due from banks	Stage 1	Stage 2	Stage 3	Total
Credit rating	12 months	Life time	Life time	
Grade 1: Normal	260,893	-	-	260,893
Grade 2: Watch	-	-	-	-
Grade 3: Substandard	-	-	-	-
Grade 4: Doubtful	-	-	-	-
Grade 5: Loss	-	-	-	-
Total	260,893	-	-	260,893
Less:Impairment provision	(785)	-	-	(785)
Net	260,107	-	-	260,107

Individual Loans:	Stage 1	Stage 2	Stage 3	Total
Credit rating	12 months	Life time	Life time	
Grade 1: Normal	1,057,371	-	-	1,057,371
Grade 2: Watch	-	142,212	-	142,212
Grade 3: Substandard	-	-	7,105	7,105
Grade 4: Doubtful	-	-	4,183	4,183
Grade 5: Loss	-	-	64,638	64,638
Total	1,057,371	142,212	75,926	1,275,509
Less:Impairment provision	(5,837)	(473)	(52,345)	(58,655)
Net	1,051,534	141,739	23,581	1,216,854

Corporate and Business Banking loans:	Stage 1		Stage 3	Total
Credit rating	12 months	Life time	Life time	
Grade 1: Normal	3,254,089	-	-	3,254,089
Grade 2: Watch	-	441,260	-	441,260
Grade 3: Substandard	-	-	405,263	405,263
Grade 4: Doubtful	-	-	235,562	235,562
Grade 5: Loss	-	-	70,179	70,179
Total	3,254,089	441,260	711,004	4,406,353
Less:Impairment provision	(126,589)	(44,828)	(439,761)	(611,178)
Net	3,127,500	396,432	271,243	3,795,175

Financial Assets at Fair value through OCI	Stage 1	Stage 2	Stage 3	Total
Credit rating	12 months	Life time	Life time	
Grade 1: Normal	3,347,073	-	-	3,347,073
Grade 2: Watch	-	-	-	-
Grade 3: Substandard	-	-	-	-
Grade 4: Doubtful	-	-	-	-
Grade 5: Loss	-	-	-	-
	3,347,073	-	-	3,347,073
Less:Impairment provision	-	-	-	-
Net	3,347,073	-	-	3,347,073

Financial Assets at Amortized cost	Stage 1	Stage 2	Stage 3	Total
Grade 1: Normal	1,760,089	-	-	1,760,089
Grade 2: Watch	-	-	-	-
Grade 3: Substandard	-	-	-	-
Grade 4: Doubtful	-	-	-	-
Grade 5: Loss	-	-	-	-
	1,760,089	-	-	1,760,089
Less:Impairment provision	(39,451)	-	-	(39,451)
Net	1,720,638	-	-	1,720,638

The following table shows changes in expected ECL losses between the beginning and end of the period as a result of these factors:

Sep.30, 2023

Ksh Thousands

Due from banks	Stage 1	Stage 2	Stage 3	Total
Provision for credit losses on 1 January 2022	785	-	-	785
New financial assets purchased or issued	9,249	-	-	9,249
Matured or disposed financial assets	(785)	-	-	(785)
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes in the probability of default and loss in case of default and the exposure at default	-	-	-	-
Changes to model assumptions and methodology	-	-	-	-
Write off during the period	-	-	-	-
Cumulative foreign currencies translation differences	-	-	-	-
Ending balance	9,249	-	-	9,249

Individual Loans:	Stage 1	Stage 2	Stage 3	Total
Provision for credit losses on 1 January 2022	5,837	473	52,345	58,655
Impairment during the period	8,911	(473)	11,357	19,795
Write off during the period	-	-	-	-
Recoveries	-	-	-	-
Cumulative foreign currencies translation differences	-	-	-	-
Ending balance	14,748	-	63,702	78,450

Corporate and Business Banking loans:	Stage 1	Stage 2	Stage 3	Total
	12 months	Life time	Life time	
Provision for credit losses on 1 January 2022	126,589	44,828	439,760	611,177
New financial assets purchased or issued	57,061	9,495	15,520	82,076
Matured or disposed financial assets	(1,612)	(107)	(118,536)	(120,255)
Transferred to stage 1	3,609	(3,623)	14	-
Transferred to stage 2	(3)	93,856	(93,853)	-
Transferred to stage 3	(88,795)	(3,090)	91,885	-
Changes in the probability of default and loss in case of default and the exposure at default	-	-	-	-
Changes to model assumptions and methodology	(29,007)	(109,452)	(8,136)	(146,595)
Recoveries	-	-	-	-
Write off during the period	-	-	-	-
Cumulative foreign currencies translation differences	-	-	-	-
Ending balance	67,842	31,907	326,654	426,403

Financial Assets at Fair value through OCI	Stage 1	Stage 2	Stage 3	Total
	12 months	Life time	Life time	
	-	-	-	-
New financial assets purchased or issued	-	-	-	-
Matured or disposed financial assets	-	-	-	-
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes in the probability of default and loss in case	-	-	-	-
Changes to model assumptions and methodology	-	-	-	-
Write off during the period	-	-	-	-
Cumulative foreign currencies translation differences	-	-	-	-
Ending balance	-	-	-	-

Financial Assets at Amortized cost	Stage 1	Stage 2	Stage 3	Total
	12 months	Life time	Life time	
New financial assets purchased or issued	54,073	-	-	54,073
Matured or disposed financial assets	-	-	-	-
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes in the probability of default and loss in case of default and the exposure at default	-	-	-	-
Changes to model assumptions and methodology	-	-	-	-
Write off during the period	-	-	-	-
Cumulative foreign currencies translation differences	-	-	-	-
Ending balance	54,073	-	-	54,073

The following table shows changes in expected ECL losses between the beginning and end of the period as a result of these factors:

Dec.31, 2022

Due from banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Provision for credit losses on 1 January 2022	2,085	-	-	2,085
New financial assets purchased or issued	785	-	-	785
Matured or disposed financial assets	(2,085)	-	-	(2,085)
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes in the probability of default and loss in case of default and the exposure at default	-	-	-	-
Changes to model assumptions and methodology	-	-	-	-
Write off during the period	-	-	-	-
Cumulative foreign currencies translation differences	-	-	-	-
Ending balance	785	-	-	785

Individual Loans:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Provision for credit losses on 1 January 2022	5,396	4,003	87,795	97,194
Impairment during the period	441	(3,530)	(35,312)	(38,402)
Write off during the period	-	-	(137)	(137)
Recoveries	-	-	-	-
Cumulative foreign currencies translation differences	-	-	-	-
Ending balance	5,837	473	52,345	58,655

Corporate and Business Banking loans:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12 months	**Life time**	**Life time**	
Provision for credit losses on 1 January 2022	51,790	27,521	101,644	180,955
New financial assets purchased or issued	94,328	4,259	164,097	262,684
Matured or disposed financial assets	(1,347)	(243)	(28,937)	(30,527)
Transferred to stage 1	7,256	(7,256)	-	-
Transferred to stage 2	(2,965)	13,467	(10,502)	-
Transferred to stage 3	(4,338)	(17,043)	21,381	-
Changes in the probability of default and loss in case of default and the exposure at default	-	-	-	-
Changes to model assumptions and methodology	(18,135)	24,123	192,078	198,066
Recoveries	-	-	-	-
Write off during the period	-	-	-	-
Cumulative foreign currencies translation differences	-	-	-	-
Ending balance	126,589	44,828	439,761	611,178

Financial Assets at Fair value through OCI	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12 months	**Life time**	**Life time**	
Provision for credit losses on 1 January 2022	-	-	-	-
New financial assets purchased or issued	-	-	-	-
Matured or disposed financial assets	-	-	-	-
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes in the probability of default and loss in case	-	-	-	-
Changes to model assumptions and methodology	-	-	-	-
Write off during the period	-	-	-	-
Cumulative foreign currencies translation differences	-	-	-	-
Ending balance	-	-	-	-

Financial Assets at Amortized cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12 months	**Life time**	**Life time**	
Provision for credit losses on 1 January 2022	**39,451**	**-**	**-**	**39,451**
New financial assets purchased or issued	-	-	-	-
Matured or disposed financial assets	-	-	-	-
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes in the probability of default and loss in case of default and the exposure at default	-	-	-	-
Changes to model assumptions and methodology	-	-	-	-
Write off during the period	-	-	-	-
Cumulative foreign currencies translation differences	-	-	-	-
Ending balance	**39,451**	**-**	**-**	**39,451**

As discussed in the significant increase in credit risk section, under the Bank's monitoring procedures a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due. The table below provides an analysis of the gross carrying amount of loans and advances to customers by past due status.

Loans and advances to customers

	Ksh Thousands Gross
Sep.30, 2023	
IFRS 9 Stage 1 (0- 30 days)	**3,010,088**
IFRS 9 Stage 2 (31- 90 days)	**432,533**
IFRS 9 Stage 3(Over 90 days)	**702,668**
Total	**4,145,289**
Dec.31, 2022	
IFRS 9 Stage 1 (0- 30 days)	4,311,460
IFRS 9 Stage 2 (31- 90 days)	583,472
IFRS 9 Stage 3(Over 90 days)	786,930
Total	5,681,862

Restructured loans and advances

Restructuring activities include rescheduling arrangements, applying obligatory management programs, modifying and deferral of payments. The application of restructuring policies are based on indicators or criteria of credit performance of the borrower that is based on the personal judgment of the management, which indicate that payment will most likely continue. Restructured loans at the end of the period were as below:

Loans and advances to customer	**Sep.30, 2023** **Ksh Thousands**	**Dec.31, 2022** Ksh Thousands
Corporates	**1,333**	34,292
Individuals	**-**	-
Total	**1,333**	34,292

4.1.10. Financial investments:

The following table represents an analysis of financial investment balances by rating agencies at the end of the period based on Standard & Poor's valuation and its equivalent.

Sep.30, 2023

Ksh Thousands

Amortized cost	**Stage 1: Expected credit losses over 12 months**	**Stage 2: Expected credit losses Over a lifetime that is not creditworthy**	**Stage 3: Expected credit losses Over a lifetime Credit default**	**Individually impaired**	**Total**
AAA	**-**	**-**	**-**	**-**	**-**
AA+ to -AA	**-**	**-**	**-**	**-**	**-**
A to -A+	**-**	**-**	**-**	**-**	**-**
Less than -A	**2,358,390**	**-**	**-**	**-**	**2,358,390**
Not rated	**-**	**-**	**-**	**-**	**-**
Total	**2,358,390**	**-**	**-**	**-**	**2,358,390**

Sep.30, 2023

Fair value through OCI	**Stage 1: Expected credit losses over 12 months**	**Stage 2: Expected credit losses Over a lifetime that is not creditworthy**	**Stage 3: Expected credit losses Over a lifetime Credit default**	**Individually impaired**	**Total**
AAA	**-**	**-**	**-**	**-**	**-**
AA+ to -AA	**-**	**-**	**-**	**-**	**-**
A to -A+	**-**	**-**	**-**	**-**	**-**
Less than -A	**2,982,329**	**-**	**-**	**-**	**2,982,329**
Not rated	**-**	**-**	**-**	**-**	**-**
Total	**2,982,329**	**-**	**-**	**-**	**2,982,329**

The following table represents an analysis of financial investment balances by rating agencies at the end of the period based on Standard & Poor's valuation and its equivalent.

Dec.31, 2022

Ksh Thousands

Amortized cost	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
AAA	-	-	-	-	-
AA+ to -AA	-	-	-	-	-
A to -A+	-	-	-	-	-
Less than -A	1,720,638	-	-	-	1,720,638
Not rated	-	-	-	-	-
Total	1,720,638	-	-	-	1,720,638

Dec.31, 2022

Ksh Thousands

Fair value through OCI	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
AAA	-	-	-	-	-
AA+ to -AA	-	-	-	-	-
A to -A+	-	-	-	-	-
Less than -A	3,347,073	-	-	-	3,347,073
Not rated	-	-	-	-	-
Total	3,347,073	-	-	-	3,347,073

The following table shows the analysis of impairment on credit losses of financial investments by rating agencies at the period end based on Standard & Poor's valuation and its equivalent.

Sep.30, 2023

Fair value through OCI	**Stage 1: Expected credit losses over 12 months**	**Stage 2: Expected credit losses Over a lifetime that is not creditworthy**	**Stage 3: Expected credit losses Over a lifetime Credit default**	**Individually impaired**	**Total**
AAA	-	-	-	-	-
AA+ to -AA	-	-	-	-	-
A to -A+	-	-	-	-	-
Less than -A	-	-	-	-	-
Not rated	-	-	-	-	-
Total	-	-	-	-	-

Dec.31, 2022

Fair value through OCI	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
AAA	-	-	-	-	-
AA+ to -AA	-	-	-	-	-
A to -A+	-	-	-	-	-
Less than -A	-	-	-	-	-
Not rated	-		-	-	-
Total	-	-	-	-	-

4.1.11. Concentration of risks of financial assets with credit risk exposure

4.1.11.1. Geographical sectors

Following is a breakdown of the Bank's main credit exposure at their book values categorized by geographical region at the end of the period.

The Bank has allocated exposures to regions based on the region of domicile of its counterparties.

Ksh Thousands

Sep.30, 2023	**Nairobi**	**Coast**	**Rift valley**	**Total**
Cash and balances with Central Bank of Kenya	870,535	10,388	9,128	890,050
Due from banks	2,650,686	-	-	2,650,686
Gross loans and advances to banks				-
Less:Impairment provision	(9,249)	-	-	(9,249)
Gross loans and advances to customers				
Individual:				
- Overdrafts	43,535	596	-	44,131
- Personal loans	171,114	26,623	10,638	208,376
- Mortgages	40,754	11,740	-	52,494
Corporate:				
- Overdrafts	775,376	21,415	20,899	817,690
- Other loans	1,580,668	898,819	543,111	3,022,598
Impairment provision	(324,522)	(69,210)	(111,120)	(504,852)
Financial investments:				
-Debt instruments	5,394,792	-	-	5,394,792
Impairment provision	(54,073)	-	-	(54,073)
Total	11,139,616	900,371	472,655	12,512,643

Dec.31, 2022	Nairobi	Coast	Rift valley	Total
Cash and balances with Central Bank of Kenya	695,581	9,356	11,732	716,669
Due from banks	260,892	-	-	260,892
Less:Impairment provision	(785)	-	-	(785)
Gross loans and advances to customers				
Individual:				
- Overdrafts	47,550	576	-	48,126
- Personal loans	1,028,372	141,018	8,515	1,177,905
- Mortgages	29,569	14,229	5,680	49,478
Corporate:				-
- Overdrafts	648,057	25,699	103,545	777,301
- Other loans	2,208,015	875,113	545,924	3,629,052
Impairment provision	(346,010)	(91,675)	(232,148)	(669,833)
Financial investments:				
- Debt instruments	5,107,161	-	-	5,107,161
Impairment provision	(39,451)	-	-	(39,451)
Total	9,638,951	974,316	443,248	11,056,515

4.1.11.2. Industry sectors

The following table analyses the Bank's main credit exposure at their book value categorized by the customers activities.

Ksh Thousands

Sep.30, 2023	Agriculture	Building and Construction	Business Services	Electricity and Water	Finance and Insurance	Individual	Manufacturing	Government sector	Mining and Quarrying	Other Activities and	Real estate	Transport and Communication	Wholesale and retail trade	Total
Cash and balances with Central Bank of Kenya	-	-	-	-	890,050	-	-	-	-	-	-	-	-	890,050
Due from banks	-	-	-	-	2,650,686	-	-	-	-	-	-	-	-	2,650,686
Less:Impairment provision	-	-	-	-	(9,249)	-	-	-	-	-	-	-	-	(9,249)
Gross loans and advances to customers														
Individual:														
- Overdrafts	-	-	-	-	-	44,131	-	-	-	-	-	-	-	44,131
- Personal loans	-	-	-	-	-	208,376	-	-	-	-	-	-	-	208,376
- Mortgages	-	-	-	-	-	52,494	-	-	-	-	-	-	-	52,494
Corporate:														
- Overdrafts	-	230,244	44,874	-	152,500	-	33,227	-	-	44,998	5,085	142,938	163,824	817,690
- Loans	83,736	286,851	297,942	375	1,057,468	-	306,489	-	86,210	174,748	54,884	140,381	533,515	3,022,598
Impairment provision	(928)	(22,445)	(114,891)	-	(22,306)	(78,450)	(26,268)	-	-	(22,521)	(17,480)	(55,745)	(143,818)	(504,852)
Net loans and advances to customers	82,808	494,650	227,926	375	1,187,662	226,551	313,448	-	86,209	197,225	42,488	227,574	553,520	3,640,436
Financial investments:														
-Debt instruments	-	-	-	-	-	-	-	5,394,792	-	-	-	-	-	5,394,792
Impairment provision	-	-	-	-	-	-	-	(54,073)	-	-	-	-	-	(54,073)
Total	82,808	494,650	227,926	375	4,719,150	226,551	313,448	5,340,719	86,210	197,225	42,488	227,574	553,520	12,512,643

Dec.31, 2022	Agriculture	Building and Construction	Business Services	Electricity and Water	Finance and Insurance	Individual	Manufacturing	Government sector	Mining and Quarrying	Other Activities and	Real estate	Transport and Communication	Wholesale and retail trade	Total
Cash and balances with Central Bank of Kenya	-	-	-	-	716,669	-	-	-	-	-	-	-	-	716,669
Due from banks	-	-	-	-	260,892	-	-	-	-	-	-	-	-	260,892
Less:Impairment provision	-	-	-	-	(785)	-	-	-	-	-	-	-	-	(785)
Gross loans and advances to customers														-
Individual:														-
- Overdrafts	-	-	-	-	-	48,126	-	-	-	-	-	-	-	48,126
- Personal loans	-	-	-	-	-	1,177,905	-	-	-	-	-	-	-	1,177,905
- Mortgages	-	-	-	-	-	49,478	-	-	-	-	-	-	-	49,478
Corporate:														-
- Overdrafts	-	225,890	45,898	1	111,032	-	44,851	-	1	44,779	4,750	137,272	162,827	777,301
- Loans	85,637	339,578	162,793	1,020	721,506	-	760,564	-	110,524	563,662	81,402	207,770	594,596	3,629,052
Impairment provision	(3,737)	(52,342)	(21,155)	-	(3,228)	(58,655)	(74,222)	-	-	(116,728)	(35,158)	(25,140)	(279,468)	(669,833)
Net loans and advances to customers	81,900	513,126	187,536	1,021	829,310	1,216,854	731,193	-	110,525	491,713	50,994	319,902	477,955	5,012,029
Financial investments:														-
-Debt instruments	-	-	-	-	-	-	-	5,107,161	-	-	-	-	-	5,107,161
	-	-	-	-	-	-	-	(39,451)	-	-	-	-	-	(39,451)
Total	81,900	513,126	187,536	1,021	1,806,086	1,216,854	731,193	5,067,710	110,525	491,713	50,994	319,902	477,955	11,056,515

4.2. Market risk

The objective of market risk management process is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile as a provider of financial products and services. Market risk is the risk that movement in market factors, including interest rates and foreign currency exchange rates, will reduce income or value of portfolio.

The Bank's Risk and Compliance Department is responsible for the development of detailed market risk management policies and for the day to day implementation of those policies.

4.2.1. Market risk measurement techniques

As part of the management of market risk, the Bank undertakes various strategies and enters into interest rate swaps to match the interest rate risk associated with the fixed-rate long-term debt instrument and loans to which the fair value option has been applied .

4.2.2. Foreign exchange risk

The Bank operates in Kenya and its assets and liabilities are carried in Kenya shilling. The Bank maintains trade with correspondent banks and takes deposits and lends in foreign currencies.

The Bank's currency position and exposure are managed within the exposure guideline of 20% of the core capital as stipulated by the Central Bank of Kenya. This position is reviewed on a daily basis by the management. The table below summarises the Bank's exposure to foreign exchange rate risk as at Septemner.30, 2023. Included in the table are the Bank's financial instruments at carrying amounts categorised by currency.

Ksh Thousands

Sep.30, 2023	Ksh	USD	EUR	GBP	Other	Total
Financial assets						
Cash and balances with central bank	785,156	79,232	17,745	7,917	0	890,050
Gross due from banks	759	2,641,832	6,938	810	346	2,650,686
Gross loans and advances to customers	3,795,181	350,108	-	-	-	4,145,289
Other assets	211,311	-	-	-	-	211,311
Financial investments						
Gross financial investment securities	4,411,348	983,444	-	-	-	5,394,792
Total financial assets	9,203,756	4,054,615	24,683	8,726	346	13,292,127
Financial liabilities						
Due to banks	-	-	11,065	-	-	11,065
Due to customers	5,847,471	4,013,746	11,276	7,396	-	9,879,888
Other liabilities	203,862	40	-	-	-	203,902
Lease liabilities	95,819	-	-	-	-	95,819
Total financial liabilities	6,147,152	4,013,786	22,341	7,396	-	10,190,675
Net on-balance sheet financial position	3,056,604	40,830	2,343	1,330	346	3,101,452

Dec.31, 2022	Ksh	USD	EUR	GBP	Other	Total
Total financial assets	10,169,419	1,519,399	17,908	20,185	223	11,727,134
Total financial liabilities	6,526,838	1,518,725	16,958	19,365	-	8,081,885
Net on-balance sheet financial position	3,642,581	674	950	820	223	3,645,248

Foreign exchange risk – Appreciation/Depreciation of KSh against other currencies by 10%.

The Foreign Exchange risks sensitivity analysis is based on the following assumptions;
•Foreign exchange exposures represent net currency positions of all currencies other than Kenya Shillings.
•The currency risk sensitivity analysis is based on the assumption that all net currency positions are highly effective.

•The base currency in which the Bank's business is transacted is Kenya Shillings.

The table below sets out the impact on earnings of an incremental 10% parallel fall or rise in all foreign currencies at the beginning of each quarter during the 9 months from 1 January 2023.

Assuming no management actions, a series of such rises and falls would impact the earnings and capital as illustrated in the table below;

Sep.30, 2023

Ksh Thousands

	Amount	Scenario 1 10% appreciation	Scenario 2 10% depreciation
Core Capital	**3,514,600**	**3,509,279**	**3,519,922**
Total Capital	**3,514,600**	**3,509,279**	**3,519,922**
Risk Weighted Assets (RWA)	**10,288,255**	**10,288,255**	**10,288,255**
Adjusted Core Capital to RWA	**34.16%**	**34.11%**	**34.21%**
Adjusted Total Capital to RWA*	**34.16%**	**34.11%**	**34.21%**

*all variables are constant except for movement of the foreign exchange rate under each scenario

4.2.3. Interest rate risk

The Bank is exposed to the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The maturities of asset and liabilities and the ability to replace at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the Bank's exposure to changes in interest rates and liquidity. Interest rates on advances to customers and other risk assets are either pegged to the Bank's base lending or the treasury bill rate. The base rate is adjusted from time to time to reflect the cost of deposits.

The Risk and Compliance Committee closely monitors the interest rate trends to minimize the potential adverse impact of interest rate changes.

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorized by the earlier of repricing or contractual maturity dates.

Ksh Thousands

	Up to1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Non- Interest Bearing	Total
Sep.30, 2023							
Financial assets							
Cash and balances with central bank	**-**	**-**	**-**	**-**	**-**	**890,050**	**890,050**
Gross due from banks	**2,255,040**	**299,800**	**-**	**-**	**-**	**95,845**	**2,650,686**
Gross loans and advances to customers	**4,145,289**	**-**	**-**	**-**	**-**	**-**	**4,145,289**
Financial investments	**-**	**-**	**-**	**-**	**-**	**-**	
Gross financial investment securities	**-**	**-**	**-**	**781,320**	**4,559,399**	**-**	**5,340,719**
Total financial assets	**6,400,329**	**299,800**	**-**	**781,320**	**4,559,399**	**985,896**	**13,026,743**
Financial liabilities							
Due to banks	**11,065**	**-**	**-**	**-**	**-**	**-**	**11,065**
Due to customers	**1,996,377**	**2,915,722**	**3,956,140**	**313,243**	**-**	**698,407**	**9,879,888**
Total financial liabilities	**2,007,442**	**2,915,722**	**3,956,140**	**313,243**	**-**	**698,407**	**9,890,953**
Total interest re-pricing gap	**4,392,887**	**(2,615,921)**	**(3,956,140)**	**468,077**	**4,559,399**	**287,489**	**3,135,791**
Dec.31, 2022							
Total financial assets	5,699,319	200,197	-	246,800	4,820,911	759,907	11,727,134
Total financial liabilities	1,136,544	3,011,174	3,175,476	60,284	-	698,407	8,081,885
Total interest re-pricing gap	4,562,775	(2,810,977)	(3,175,476)	186,516	4,820,911	61,500	3,645,249

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank.

Interest rate risks – Increase/Decrease of 10% in Net Interest Margin

The interest rate risks sensitivity analysis is based on the following assumptions.

•Changes in the market interest rates affect the interest income or expenses of variable interest financial instruments.
•Changes in market interest rates only affect interest income or expenses in relation to financial instruments with fixed interest rates if these are recognized at their fair value.
•The interest rate changes will have a significant effect on interest sensitive assets and liabilities and hence simulation modelling is applied to net interest margins.
•The interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged.
•The projections make other assumptions including that all positions run to maturity.

The table below sets out the impact on net interest income of an incremental 10% parallel fall or rise in all yield curves at the beginning of each quarter during the 3 months from 1 January 2023.

Sep.30, 2023

Ksh Thousands

	Amount	Scenario 1 Increase net interest margin by 10%	Scenario 2 Decrease net interest margin by 10%
Profit before tax	(24,568)	36,740	(85,875)
Core Capital	3,514,600	3,575,908	3,453,293
Total Capital	3,514,600	3,575,908	3,453,293
Risk Weighted Assets (RWA)	10,288,255	10,288,255	10,288,255
Adjusted Core Capital to RWA	34.16%	34.76%	33.57%
Adjusted Total Capital to RWA	34.16%	34.76%	33.57%

*all variables are constant except for movement of the interest rate under each scenario.

4.3. Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

Liquidity Risk Management Organization and Measurement Tools

Liquidity risk is governed by Asset and Liability Committee (ALCO) and Board Risk Committee (BRC) subject to provisions of Treasury Policy Guide (TPG).

Board Risk Committee (BRC): Provides oversight of risk management functions and assesses compliance to the set risk strategies and policies approved by the Board of Directors (BoD) through periodic reports submitted by the Risk Group. The committee makes recommendations to the BoD with regards to risk management strategies and policies (including those related to capital adequacy, liquidity management, various types of risks: credit, market, operation, compliance, reputation and any other risks the Bank may be exposed to).

Asset & Liability Committee (ALCO): Optimises the allocation of assets and liabilities, taking into consideration expectations of the potential impact of future interest rate fluctuations, liquidity constraints, and foreign exchange exposures. ALCO monitors the Bank's liquidity and market risks, economic developments, market fluctuations, and risk profile to ensure ongoing activities are compatible with the risk/ reward guidelines approved by the BoD.

4.3.1. Liquidity risk management process

The Bank's liquidity management process is carried by the Treasury Department and monitored independently by the Risk Management Department, and includes projecting cash flows by major currency under various stress scenarios and considering the level of liquid assets necessary in relation thereto:
-Maintaining an active presence in global money markets to enable this to happen.
-Maintaining a diverse range of funding sources with back-up facilities
-Monitoring balance sheet liquidity and advances to core funding ratios against internal and CBK regulations.
-Managing the concentration and profile of debt maturities.
Monitoring and reporting takes the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

4.3.2. Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers with the minimum ratio required by the regulator being 20%. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from Banks, debt securities issued, other borrowings and commitments maturing within the next month. Details of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	Sep.30, 2023	Dec.31, 2022
At period end	**89.1%**	73.2%
Average for the period	**87.5%**	72.2%
Maximum for the period	**91.4%**	82.1%
Minimum for the period	**82.5%**	66.3%

4.3.3. Undiscounted cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities and the maturities assumption for non contractual products on the basis of their behaviour studies, at balance sheet date.

Sep.30, 2023	**Up to 1 month**	**One to three months**	**Three months to one year**	**One year to five years**	**Over five years**	**Total**
Financial liabilities						
Due to banks	**11,103**	**-**	**-**	**-**	**-**	**11,103**
Due to customers	**2,701,794**	**2,947,292**	**4,061,743**	**464,559**	**-**	**10,175,388**
Lease liabilities	**1,358**	**6,657**	**31,228**	**56,576**	**-**	**95,819**
Total liabilities (contractual and non contractual maturity dates)	**2,714,255**	**2,953,949**	**4,092,971**	**521,135**	**-**	**10,282,310**
Total financial assets (contractual and non contractual maturity dates)	**6,400,329**	**299,800**	**-**	**781,320**	**5,545,295**	**13,026,744**
Net liquidity gap	**3,686,074**	**(2,654,149)**	**(4,092,971)**	**260,184**	**5,545,295**	**2,744,435**

Dec.31, 2022	Up to 1 month	One to three months	Three months to one year	One year to five years	Over five years	Total
Financial liabilities						
Due to banks	132,939	-	-	-	-	132,939
Due to customers	1,704,582	3,059,552	3,333,239	72,586	-	8,169,959
Lease liabilities	3,978	11,941	32,940	97,954	280	147,093
Total liabilities (contractual and non contractual maturity dates)	1,841,499	3,071,493	3,366,179	170,540	280	8,449,991
Total financial assets (contractual and non contractual maturity dates)	5,699,319	200,197	-	246,800	5,580,818	11,727,134
Net liquidity gap	3,857,820	(2,871,296)	(3,366,179)	76,260	5,580,538	3,277,143

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, due from CBK and due from banks, treasury bills, other government notes , loans and advances to banks and customers.

In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt instrument and treasury bills and other governmental notes have been pledged to secure liabilities. The Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

Off balance sheet items				**Ksh Thousands**
Sep.30, 2023	**Up to 1 year**	**1-5 years**	**Over 5 years**	**Total**
Other contingent liabilities	-	-	-	-
Letters of credit, guarantees and other commitments	**291,394**	**30,540**	-	**321,934**
Total	**291,394**	**30,540**	-	**321,934**

Off balance sheet items				Ksh Thousands
Dec.31, 2022	Up to 1 year	1-5 years	Over 5 years	Total
Other contingent liabilities	702	-	-	702
Letters of credit, guarantees and other commitments	1,029,724	8,223	2,351	1,040,298
Total	1,030,426	8,223	2,351	1,041,000

4.4. Fair value of financial assets and liabilities

4.4.1. Financial instruments not measured at fair value

Quantitative disclosures fair value measurement hierarchy for assets as at September.30, 2023:

instruments:

Level 1 - Quoted prices in active markets for the same instrument (i.e. without modification or repacking);

Level 2 - Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3 - Valuation techniques for which any significant input is not based on observable market data.

The table below summarizes the book value and fair value of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	Level	Book value		Fair value	
		Sep.30, 2023	Dec.31, 2022	**Sep.30, 2023**	Dec.31, 2022
Financial assets					
Due from banks		**2,641,437**	260,107	**2,641,437**	260,107
Net loans and advances to customers		**3,640,436**	5,681,862	**4,145,289**	5,681,862
- Individual		**226,551**	1,275,509	**305,001**	1,275,509
- Corporate		**3,413,885**	4,406,353	**3,840,288**	4,406,353
Financial investments:					
Amortized cost	**1**	**2,358,390**	1,720,638	**2,176,839**	1,606,324
Total financial assets		**8,640,264**	7,662,607	**8,963,565**	7,548,293
Financial liabilities					
Due to banks		**11,065**	132,810	**11,065**	132,810
Due to customers		**9,879,889**	7,949,075	**9,879,889**	7,949,075
Total financial liabilities		**9,890,953**	8,081,885	**9,890,953**	8,081,885

The fair value is considered in the previous note from the second and third level in accordance with the fair value standard

Due from banks

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of floating interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and similar maturity date.

Fair values of financial instruments

The following table provides the fair value measurement hierarchy of the assets and liabilities.

			Fair value measurement using		
Sep.30, 2023	**Date of Valuation**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (level 2)**	**Valuation techniques (level 3)**
Measured at fair value:					
Financial assets					
Financial Assets at Fair value through OCI	**30-Sep-23**	**2,982,329**	**2,982,329**	**-**	**-**
Total		**2,982,329**	**2,982,329**	**-**	**-**

Dec.31, 2022	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (level 2)	Valuation techniques (level 3)
Measured at fair value:					
Financial assets					
Financial Assets at Fair value through OCI	31-Dec-22	3,347,073	3,347,073	-	-
Total		3,347,073	3,347,073	-	-

Fair value of financial assets and liabilities
Loans and advances to banks
The expected fair value of the loans and advances represents the discounted value of future cash flows expected to be collected. Cash flows are discounted using the current market rate of interest to determine fair value.

Loans and advances to customers
Loans and advances are net of provisions 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.

Financial investments
Investment securities include only interest-bearing assets, financial assets at amortized cost, and fair value through OCI.
Fair value for amortized cost assets is based on market prices or broker/dealer price quotations.

Due to other banks and customers
The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar maturity date.

4.5 Capital management
The Bank's objectives when managing capital are:
•To safeguard the Bank's ability to continue as a going concern in order to provide acceptable returns to the shareholders and benefits for other stakeholders while maintaining an optimal capital structure.
•To comply with capital requirements set by the Central Bank of Kenya.
•To maintain a strong capital base to support continued business development.
•To create an acceptable buffer catering for unexpected losses that the Bank may incur in adverse market scenarios during the course of its business

Regulatory capital

The Bank's objective when managing regulatory capital is broadly covered as follows:

Banking

In line with our industry, the broader concept of capital and its adequacy is based on guidelines developed by the Basel Committee's Accords and implemented for supervisory purposes by the Central Bank of Kenya (CBK).
CBK largely segregate the total regulatory capital into two tiers;
•Tier 1 Capital (Core Capital), means permanent shareholders equity in the form of issued and fully paid-up shares plus all disclosed reserves, less goodwill or any intangible assets. It includes ordinary share capital, share premium and retained earnings.
•Tier 2 Capital (Supplementary Capital) includes among others, property revaluation reserves (up to a certain level subject to regulatory approval) and collective impairment allowances.

Various limits are applied to elements of the capital base. The amount of innovative tier 1 securities cannot exceed 15 percent of total tier 1 capital; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. There also are restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of Banks and certain other regulatory items.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-statement of financial position exposures.

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

In implementing current capital requirements, the Central Bank of Kenya requires each Bank to maintain;
•A minimum level of regulatory capital of Shs 1 billion.
•A ratio of core capital to the risk–weighted assets plus risk-weighted off-statement of financial position assets at or above the required minimum of 10.50%.
•Core capital of not less than 8% of total deposit liabilities.
•Total capital of not less than 14.50% of risk-weighted assets plus risk-weighted off-statement of financial position items.

The Bank has complied with all externally imposed capital requirements throughout the period.

There have been no material changes in the Bank's management of capital during the period.

The Bank's regulatory capital position at 30 September was as follows as per Central Bank of Kenya:

1-The capital adequacy ratio	**Sep.30, 2023**	Dec.31, 2022
	Ksh Thousands	Ksh Thousands
Tier 1 capital		
Ordinary share capital	**4,081,633**	4,081,633
Share premium	**1,613,139**	1,613,139
Accumulated deficit	**(1,016,434)**	(1,102,266)
Less: Deferred tax asset	**(1,163,738)**	(968,080)
Total qualifying tier 1 capital	**3,514,600**	3,624,426
Tier 2 capital		
Revaluation reserve	**-**	-
Total qualifying tier 2 capital	**-**	-
Total capital 1+2	**3,514,600**	3,624,426
Risk weighted assets		
On balance sheet items	**5,381,740**	5,043,950
Off balance sheet items	**276,351**	920,524
Market risk	**3,136,694**	2,866,878
Operational risk	**1,493,470**	1,042,325
Total Risk-weighted assets	**10,288,255**	9,873,677
Core capital to Total Risk Weighted assets ratio	**34.16%**	36.71%
Total capital to Total Risk Weighted Assets ratio	**34.16%**	36.71%

Total regulatory capital expressed as a percentage of total risk-weighted assets (Minimum requirement 14.50%)

Total tier 1 capital expressed as a percentage of risk-weighted assets (Minimum requirement 10.50%)

The risk weighted assets are as follows:

	Sep.30, 2023			Dec.31, 2022		
	Amount	**Weight**	**Risk Weighted**	Amount	Weight	Risk Weighted
On balance sheet assets	**Ksh Thousands**	**%**	**Ksh Thousands**	Ksh Thousands	%	Ksh Thousands
Cash (including foreign notes and coins)	**86,283**	**0%**	**-**	105,354	0%	-
Balances with Central Bank of Kenya	**803,767**	**0%**	**-**	611,315	0%	-
Kenya Government Treasury Bills	**-**	**0%**	**-**	-	0%	-
Kenya Government Treasury Bonds	**5,340,719**	**0%**	**-**	5,067,711	0%	-
Deposits and balances due from local institutions	**2,547,794**	**20%**	**509,559**	218,334	20%	43,667
Deposits and balances due from foreign institutions	**93,643**	**20%**	**18,729**	41,773	20%	8,355
Lending fully secured by cash	**690,751**	**0%**	**-**	1,854,119	0%	-
Loans and receivables Secured by residential property	**42,470**	**35%**	**14,864**	59,297	35%	20,754
Other Loans and advances (net of provisions)	**2,907,216**	**100%**	**2,907,216**	3,098,613	100%	3,098,613
Fixed Assets(net of depreciation)	**556,324**	**100%**	**556,324**	604,510	100%	604,510
Other assets	**1,375,048**	**100%**	**1,375,048**	1,268,051	100%	1,268,051
Total	**14,444,015**		**5,381,740**	12,929,077		5,043,950
Local Financial Institutions (Notional amount of swap deals)	**-**	**20%**	**-**	-	20%	-
Off balance sheet assets						
Transactions Secured by Cash	**45,583**	**0%**	**-**	120,476	0%	-
Others	**276,351**	**100%**	**276,351**	920,524	100%	920,524
Total	**321,934**		**276,351**	1,041,000		920,524

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.
The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by Risk and Compliance and Credit.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

5. Segment analysis

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the executive committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

5.1. Classification by business segment

The Bank is divided into three main business segments:

- Corporate banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.

deposits.

Transactions between the business segments are on normal commercial terms and conditions.

Major Customers - The Bank does not have major customers contributing to 10% or more of the Bank's income.

Ksh Thousands

	Corporate banking	Investments	Retail banking	Total
Sep.30, 2023				
Interest income	349,500	658,630	161,483	1,169,612
Interest expense	(219,516)	(289,930)	(35,539)	(544,984)
Net interest income	129,984	368,700	125,944	624,628
Net fees and commission income	25,632	46,190	11,843	83,665
Other income	-	21,220	-	21,220
Depreciation and amortization	(56,163)	(49,142)	(35,101)	(140,406)
Impairment	76,731	25,884	38,922	141,537
Operating expenses	(420,525)	(134,753)	(199,933)	(755,211)
Profit before tax	(244,340)	278,098	(58,325)	(24,567)
Tax expense	30,270	161,197	4,764	196,231
(Loss)/Profit for the period	(214,071)	439,296	(53,561)	171,664

	Corporate banking	Investments	Retail banking	Total
Sep.30, 2022				
Interest income	345,676	481,987	187,260	1,014,923
Interest expense	(118,912)	(87,096)	(217,246)	(423,254)
Net interest income	226,764	394,891	(29,986)	591,669
Net fees and commission income	32,000	20,083	5,073	57,156
Other income	-	4,025	-	4,025
Depreciation and amortization	(49,127)	(42,986)	(30,704)	(122,817)
Impairment	(111,799)	(37,714)	(56,710)	(206,223)
Operating expenses	(204,584)	(291,435)	(49,783)	(545,802)
Profit before tax	(106,746)	46,864	(162,111)	(221,992)
Tax expense	365,547	121,017	92,946	579,510
(Loss)/Profit for the year	258,801	167,881	(69,165)	357,518

Ksh Thousands

	Corporate banking	Investments	Retail banking	Total
Sep.30, 2023				
Cash and cash equivalents	-	8,785,923	86,283	8,872,207
Loans and advances	2,864,542	-	775,895	3,640,436
Other Assets	441,051	1,603,702	4,421,017	6,465,771
Funding Centre	404,506	(6,366,734)	1,427,830	(4,534,399)
Total assets	3,710,099	4,022,891	6,711,025	14,444,015
Customer deposits	3,710,099	-	6,169,789	9,879,888
Dues to banks	-	11,065	-	11,065
Other liabities	-	(337,334)	541,236	203,902
Equity	-	4,349,160	-	4,349,160
Total liabilities and shareholders' funds	3,710,099	4,022,891	6,711,025	14,444,015

	Corporate banking	Investments	Retail banking	Total
Dec.31, 2022				
Cash and cash equivalents	-	4,690,238	105,354	4,795,592
Loans and advances	3,174,850	-	1,837,179	5,012,029
Other Assets	-	213,637	2,907,819	3,121,456
Total assets	3,174,850	4,903,875	4,850,352	12,929,077
Customer deposits	3,004,937	-	4,944,138	7,949,075
Dues to banks	-	132,810	-	132,810
Other liabities	-	31,820	369,897	401,717
Equity	-	4,445,475	-	4,445,475
Funding Centre	169,913	293,770	(463,683)	-
Total liabilities and shareholders' funds	3,174,850	4,903,875	4,850,352	12,929,077

5.2. Classification by geographical segment

Sep.30, 2023	**Nairobi**	**Coast**	**Rift valley**	**Total**
Interest income	**974,345**	**118,896**	**76,371**	**1,169,612**
Interest expense	**(445,848)**	**(74,205)**	**(24,931)**	**(544,984)**
Net interest income	**528,497**	**44,691**	**51,440**	**624,628**
Net fees and commission income	**78,437**	**4,446**	**782**	**83,665**
Other income	**21,220**	**-**	**-**	**21,220**
Depreciation and amortization	**(130,630)**	**(6,276)**	**(3,500)**	**(140,406)**
Impairment	**(1,730)**	**22,240**	**121,027**	**141,537**
Operating expenses	**(649,558)**	**(76,390)**	**(29,263)**	**(755,211)**
Profit before tax	**(153,764)**	**(11,288)**	**140,485**	**(24,567)**
Tax expense	**196,231**	**-**	**-**	**196,231**
(Loss)/Profit for the period	**42,467**	**(11,288)**	**140,485**	**171,664**

Sep.30, 2022	Nairobi	Coast	Rift valley	Total
Interest income	824,911	133,340	56,672	1,014,923
Interest expense	(358,340)	(52,519)	(12,396)	(423,255)
Net interest income	466,571	80,821	44,276	591,668
Net fees and commission income	35,071	16,102	5,983	57,156
Other income	4,014	12	-	4,026
Depreciation and amortization	(110,680)	(8,581)	(3,556)	(122,817)
Impairment	(95,086)	(73,577)	(37,560)	(206,223)
Operating expenses	(487,763)	(34,851)	(23,188)	(545,802)
Profit before tax	(187,873)	(20,074)	(14,045)	(221,992)
Tax expense	581,631	(1,495)	(627)	579,510
(Loss)/Profit for the period	393,758	(21,569)	(14,671)	357,518

Sep.30, 2023	**Nairobi**	**Coast**	**Rift valley**	**Total**
Cash and cash equivalents	**8,852,691**	**10,388**	**9,128**	**8,872,206**
Loans and advances	**2,280,656**	**894,200**	**465,580**	**3,640,437**
Other Assets	**1,759,290**	**162,613**	**9,468**	**1,931,372**
Net inter branch	**(821,789)**	**718,788**	**103,001**	**-**
	12,070,848	**1,785,990**	**587,177**	**14,444,015**
Customer deposits	**7,350,250**	**1,908,025**	**621,612**	**9,879,888**
Dues to banks	**11,065**	**-**	**-**	**11,065**
Other liabities	**151,367**	**15,123**	**37,413**	**203,902**
Equity	**4,558,166**	**(137,159)**	**(71,848)**	**4,349,160**
Total liabilities and shareholders' funds	**12,070,848**	**1,785,990**	**587,177**	**14,444,015**

Dec.31, 2022	Nairobi	Coast	Rift valley	Total
Cash and cash equivalents	6,023,399	9,356	11,732	6,044,487
Loans and advances	3,610,389	967,007	434,633	5,012,029
Other Assets	1,792,547	68,219	11,795	1,872,561
Net inter branch	466,776	(168,751)	(298,025)	-
Total assets	11,893,111	875,831	160,135	12,929,077
Customer deposits	6,553,969	1,029,097	366,009	7,949,075
Dues to banks	132,810	-	-	132,810
Other liabities	358,267	22,063	21,387	401,716
Equity	4,848,065	(175,329)	(227,261)	4,445,475
Total liabilities and shareholders' funds	11,893,111	875,831	160,135	12,929,077

6 . Net interest income

	Sep.30, 2023 Ksh Thousands	Sep.30, 2022 Ksh Thousands
Interest and similar income		
- Banks	**191,122**	15,031
- Clients	**510,983**	566,028
Total	**702,105**	581,059
Government securities – treasury bills	-	-
Government securities – treasury bonds	**467,508**	461,460
Total	**467,508**	461,460
Total interet income	**1,169,613**	1,042,519
Interest and similar expense		
- Banks	**(10,129)**	(11,202)
- Clients	**(525,906)**	(400,351)
Lease liability interest expense	**(8,949)**	(11,702)
Total	**(544,984)**	(423,255)
Net interest income	**624,629**	619,264

7 . Net fees and commission income

	Sep.30, 2023 Ksh Thousands	Sep.30, 2022 Ksh Thousands
Fees and commission income		
Fees and commissions related to trade finance	**6,821**	7,909
Other fees	**9,296**	10,380
Total	**16,117**	18,289

8 . Net trading income

	Sep.30, 2023 Ksh Thousands	Sep.30, 2022 Ksh Thousands
Gain from foreign exchange	**67,548**	10,371
Gain from bond trading	**14,954**	3,998
Total	**82,503**	14,369

9 . Administrative expenses

	Sep.30, 2023 Ksh Thousands	Sep.30, 2022 Ksh Thousands
Employee benefits*	523,237	381,665
Depreciation - property and equipment (Note 21)	73,095	76,403
Depreciation - right of use assets (Note 31)	26,412	25,529
Amortization - intangible assets (Note 22)	40,899	20,886
Audit fees	7,117	6,400
Directors' emoluments - fees	3,746	4,586
Other operating expenses	221,111	153,150
Total	895,618	668,619

* Employee benefits

	Sep.30, 2023 Ksh Thousands	Sep.30, 2022 Ksh Thousands
Staff costs		
Salaries and allowances	466,658	344,954
Retirement benefits costs:		
Defined contribution benefits scheme	11,218	10,281
National social security fund	547	255
Housing levy	2,206	-
Staff insurance	24,018	21,975
Other staff expenses	18,590	4,200
Total	523,237	381,665
Average number of staff	131	114

10 . Other operating income

	Sep.30, 2023 Ksh Thousands	Sep.30, 2022 Ksh Thousands
Profits from selling property and equipment	-	900
Other income	6,265	27
Total	6,265	927

11 . Impairment charge for credit losses

	Sep.30, 2023 Ksh Thousands	Sep.30, 2022 Ksh Thousands
Charge on loans	164,980	(172,251)
Write offs during the perid	-	0
Charge on government securities	(14,622)	(38,473)
Write back on due from banks	(8,463)	759
Write back /(charge) on off balance sheet items	(357)	3,742
Total	141,537	(206,223)

12 . Current income tax

	Sep.30, 2023 Ksh Thousands	Sep.30, 2022 Ksh Thousands
Income tax expense		
Charge to profit or loss for the period	573	(6,078)
Deferred income tax		
Deferred income tax credit	195,658	585,588
Total income tax credit for the period	196,231	579,510

13 . Profit per share

	Sep.30, 2023 Ksh Thousands	Sep.30, 2022 Ksh Thousands
Net profit for the period, available for distribution	171,664	357,518
Profit attributable to owners of the Bank	171,664	357,518
Weighted average number of shares	4,081,633	4,081,633
Basic profit per share	42.06	87.59

14 . Cash and balances with Central Bank of Kenya

	Sep.30, 2023	Dec.31, 2022
	Ksh Thousands	Ksh Thousands
Cash	**86,283**	105,354
Cash reserve ratio*	**524,587**	392,135
Balances with the CBK - available for use by the Bank	**279,180**	219,180
Total	**890,050**	716,669
Fixed interest bearing balances	**-**	-
Non-interest bearing balances	**890,050**	716,669
Total	**890,050**	716,669

* The cash reserve ratio requirement is non-interest bearing and is based on the customer deposits held by the Bank as per the Central Bank of Kenya (CBK) requirements. At September 30, 2023 the cash reserve ratio requirement for Kenya was 5.25% of all customer deposits (December.31, 2022 - 5.25%). These funds are not available for the day to day operations of the Bank.

15 . Due from banks

	Sep.30, 2023	Dec.31, 2022
	Ksh Thousands	Ksh Thousands
Current accounts	**105,094**	44,023
Deposits	**2,545,592**	216,869
Expected credit losses	**(9,249)**	(785)
Total	**2,641,437**	260,107
Local banks	**2,547,794**	218,334
Foreign banks	**93,643**	41,773
Total	**2,641,437**	260,107
Non-interest bearing balances	**105,094**	44,023
Fixed interest bearing balances	**2,536,343**	216,084
Total	**2,641,437**	260,107
Current balances	**2,641,437**	260,107

Due from banks

	Stage 1	Stage 1
Gross due from banks	**2,650,686**	260,892
Expected credit losses	**(9,249)**	(785)
Net due from banks	**2,641,437**	260,107

The weighted average effective interest rate at September.30, 2023 for deposits due from Banking institutions was (LCY - 7.15%, FCY – 6.05%) (Dec.31, 2022 LCY - 4.56% , FCY – 2.53%).

16 . Loans and advances to customers, net

	Sep.30, 2023 Ksh Thousands	Dec.31, 2022 Ksh Thousands
Individual		
- Overdraft	**44,131**	48,126
- Personal loans	**208,376**	1,177,905
- Mortgages	**52,494**	49,478
Total 1	**305,001**	1,275,509
Corporate		
- Overdraft	**817,690**	777,301
- Loans	**3,022,598**	3,629,052
Total 2	**3,840,288**	4,406,353
Total loans and advances to customers (1+2)	**4,145,289**	5,681,862
Less:		
Impairment provision	**(504,853)**	(669,833)
Net loans and advances to customers	**3,640,436**	5,012,029

The weighted average effective interest rate on LCY loans and advances to customers as at September.30, 2023 was 15.26% (2022 – 13.71%). The weighted average effective interest rate on FCY loans as at September.30, 2023 was 8.73% (2022 – 8.62%).

Analysis of gross advances by maturity:	Sep.30, 2023 Ksh Thousands	Dec.31, 2022 Ksh Thousands
Maturing within one month	**673,908**	1,031,679
Maturing within 90 days	**269,062**	1,050,423
Maturing after 90 days and within one year	**1,117,226**	1,216,246
Maturing after one to five years	**1,928,560**	2,311,067
Maturing after 5 years	**156,532**	72,447
Total	**4,145,289**	5,681,862

Analysis of the expected credit losses on loans and advances to customers by type during the period was as follows:

Ksh Thousands

	Sep.30, 2023			
Individual Loans:	**Overdrafts**	**Personal loans**	**Mortgages**	**Total**
Beginning balance	**24,939**	**28,927**	**4,789**	**58,655**
Impairment charge during the period	**687**	**17,223**	**1,885**	**19,795**
Ending balance	**25,626**	**46,150**	**6,675**	**78,450**

	Sep.30, 2023		
Corporate and Business Banking loans:			
	Overdraft	**Loans**	**Total**
Beginning balance	**88,960**	**522,218**	**611,178**
Write back during the period	**(20,715)**	**(164,060)**	**(184,775)**
Ending balance	**68,245**	**358,158**	**426,403**

Ksh Thousands

	Dec.31, 2022			
Individual Loans:	Overdrafts	Personal loans	Mortgages	Total
Beginning balance	24,791	70,570	1,833	97,194
Impairment charge/(write back) during the year	148	(41,643)	2,956	(38,539)
Ending balance	24,939	28,927	4,789	58,655

	Dec.31, 2022		
Corporate and Business Banking loans:	Overdraft	Loans	Total
Beginning balance	30,790	150,164	180,954
Impairment charge during the year	58,170	372,054	430,224
Ending balance	88,960	522,218	611,178

17 . Financial investments securities

Ksh Thousands

Sep.30, 2023	**Fair value through OCI**	**Amortized cost**	**Total**
Investments listed in the market			
Treasury bonds	**2,982,329**	**2,358,390**	**5,340,719**
Total	**2,982,329**	**2,358,390**	**5,340,719**

Ksh Thousands

Dec.31, 2022	Financial Assets at Fair value through OCI	Amortized cost	Total
Investments listed in the market			
Treasury bonds	3,347,073	1,720,638	5,067,711
Total	3,347,073	1,720,638	5,067,711

Sep.30, 2023	**Fair value through OCI**	**Amortized cost**	**Total**
Beginning balance	**3,347,073**	**1,760,089**	**5,107,162**
Additions during the period		**741,150**	**741,150**
Disposals/ maturities during the period	**(98,600)**		**(98,600)**
Movement in premium /discount during the period	**32,622**	**(67,178)**	**(34,557)**
Movement in interest receivable during the period	**(30,786)**	**(21,598)**	**(52,383)**
Movement in fair value loss during the period	**(267,979)**	**-**	**(267,979)**
Total	**2,982,329**	**2,412,463**	**5,394,792**
Expected credit losses	**-**	**(54,073)**	**(54,073)**
Ending Balance as of September 30, 2022	**2,982,329**	**2,358,390**	**5,340,719**

Dec.31, 2022	Fair value through OCI	Amortized cost	Total
Beginning balance	3,610,465	1,597,756	5,208,221
Additions during the year	1,058,500	185,100	1,243,600
Disposals/maturities during the year	(1,111,700)	-	(1,111,700)
Movement in premium /discount during the year	(48,595)	(24,876)	(73,471)
Movement in interest receivable during the year	(9,236)	2,109	(7,127)
Movement in fair value loss during the year	(152,361)	-	(152,361)
Total	3,347,073	1,760,089	5,107,162
Expected credit losses	-	(39,451)	(39,451)
Ending Balance as of Dec.31, 2022	3,347,073	1,720,638	5,067,711

18 Disclosure and measurement of financial assets and financial liabilities:

The following table shows the financial assets and the net financial commitments according to the business model classification:

Ksh Thousands

Sep.30, 2023	Amortized cost	Debt financial Assets at Fair value through OCI	Equity financial Assets at Fair value through OCI	Financial Assets at Fair value through P&L	Total book value
Cash and balances with central bank	890,050	-	-	-	890,050
Due from banks	2,641,437	-	-	-	2,641,437
Financial Assets at Amortized cost	2,358,390	-	-	-	2,358,390
Loans and advances to customers, net	3,640,436	-	-	-	3,640,436
Derivative financial instruments	-	-	-	-	-
Financial assets at fair value through OCI	-	2,982,329	-	-	2,982,329
Total 1	9,530,313	2,982,329	-	-	12,512,642
Due to banks	11,065	-	-	-	11,065
Due to customers	9,879,889	-	-	-	9,879,889
Total 2	9,890,953	-	-	-	9,890,953

19 Other assets

	Sep.30, 2023 Ksh Thousands	Dec.31, 2022 Ksh Thousands
Prepaid expenses	86,744	33,669
Prepaid staff benefit	18,415	18,414
Accounts receivables and other assets	106,152	247,888
Total	211,311	299,971

20.0 . Derivative financial instruments

20.1 . Derivatives

The Bank uses the following financial derivatives for non hedging purposes.

Forward contracts represent commitments to buy foreign and local currencies including unexecuted spot transactions, future contracts for foreign currencies and/or interest rates represent contractual commitments to receive or pay net on the basis of changes foreign exchange rates or interest rates, and/or to buy/sell foreign currencies or financial instruments in a future date with a fixed contractual price under active financial market.

Credit risk is considered low, and future interest rate contract represents future exchange rate contracts negotiated for case by case, These contracts require financial settlements of any differences in contractual interest rates and prevailing market interest rates on future interest rates on future dates based on contractual amount (nominal value) pre agreed upon.

Foreign exchange and/or interest rate swap represents commitments to exchange cash flows, resulting from these contracts are exchange of currencies or interest (fixed rate versus variable rate for example) or both (meaning foreign exchange and interest rate contracts). Contractual amounts are not exchanged except for some foreign exchange contracts.

Credit risk is represented in the expected cost of foreign exchange contracts that takes place if other parties default to fulfill their liabilities. This risk is monitored continuously through comparisons of fair value and contractual amount, and in order to control the outstanding credit risk, the Bank evaluates other parties using the same methods as in borrowing activities.

Options contracts in foreign currencies and/or interest rates represent contractual agreements for the buyer (issuer) to the seller (holders) a right not an obligation whether to buy (buy option) or sell (sell option) at a certain day or within certain year for a predetermined amount in foreign currency or interest rate. Options contracts are either traded in the market or negotiated between The Bank and one of its clients (Off balance sheet). The Bank is exposed to credit risk for purchased options contracts only and in the line of its book cost which represent its fair value.

The contractual value for some derivatives options is considered a base to analyze the realized financial instruments on the balance sheet, but it doesn’t provide an indicator for the projected cash flows of the fair value for current instruments, and those amounts don’t reflects credit risk or interest rate risk.

Derivatives in the Bank's benefit that are classified as (assets) are conversely considered (liabilities) as a result of the changes in foreign exchange prices or interest rates related to these derivatives. Contractual / expected total amounts of financial derivatives can fluctuate from time to time as well as the range through which the financial derivatives can be in benefit for the Bank or conversely against its benefit and the total fair value of the financial derivatives in assets and liabilities. Hereunder are the fair values of the booked financial derivatives:

20.1.1 . For trading derivatives

			Ksh Thousands			Ksh Thousands
		Sep.30, 2023			Dec.31, 2022	
Foreign currencies derivatives	**Notional amount**	**Assets**	**Liabilities**	Notional amount	Assets	Liabilities
- Forward foreign exchange contracts	-	-	-	-	-	-
- Currency swap	-	-	-	-	-	-
- Options	-	-	-	-	-	-
Total (1)	-	-	-	-	-	-

21 . Property and equipment

Sep.30, 2023

	Computer equipment	Motor vehicles	Leasehold Improvements	Office equipment	Furniture, and fittings	Capital work in progress	Total
							Ksh Thousands
Beginning gross assets (1)	118,902	39,200	183,183	366,952	26,707	48,336	783,280
Additions during the period	3,566	-	20,237	19,160	4,517	2,603	50,083
Disposals during the period	-	-	-	-	-	-	-
Transfer from work in progress	-	-	27,283	10,138	4,886	(42,307)	-
Ending gross assets (2)	122,468	39,200	230,703	396,250	36,110	8,632	833,363
Accumulated depreciation at beginning of the period (3)	79,043	14,296	111,307	251,881	22,656	-	479,183
Current period depreciation	9,507	5,400	19,552	36,277	2,359	-	73,095
Disposals during the period	-	-	-	-	-	-	-
Accumulated depreciation at end of the period (4)	88,550	19,696	130,859	288,158	25,015	-	552,278
Ending net assets (2-4)	33,918	19,504	99,844	108,092	11,095	8,632	281,085
Beginning net assets (1-3)	39,859	24,904	71,876	115,071	4,051	48,336	304,097
Depreciation rates	33.33%	20.00%	12.50%	20.00%	20.00%		

** Capital work in progress relates to IT projects and Office fit out not yet complete as at the reporting date.*

Dec.31, 2022

	Computer equipment	Motor vehicles	Leasehold Improvements	Office equipment	Furniture, and fittings	Capital work in progress	Total
Beginning gross assets (1)	77,053	33,900	183,183	277,163	26,408	47,838	645,545
Additions during the year	42,305	9,000	-	69,778	299	20,510	141,892
Disposals during the year	(456)	(3,700)	-	-	-	-	(4,156)
Transfer from work in progress	-	-	-	20,012	-	(20,012)	-
Ending gross assets (2)	118,902	39,200	183,183	366,953	26,707	48,336	783,281
Accumulated depreciation at beginning of the year (3)	65,593	11,913	88,409	199,879	18,731	-	384,525
Current year depreciation	13,740	6,083	22,898	52,002	3,925	-	98,648
Disposals during the year*	(290)	(3,700)	-	-	-	-	(3,990)
Accumulated depreciation at end of the year (4)	79,043	14,296	111,307	251,881	22,656	-	479,183
Ending net assets (2-4)	39,859	24,904	71,876	115,072	4,051	48,336	304,098
Beginning Net Assets	11,460	21,987	94,774	77,284	7,677	47,838	261,020
Depreciation rates	33.33%	20.00%	12.50%	20.00%	20.00%		

22 Intangible assets

	Sep. 30, 2023 Ksh Thousands	Dec.31, 2022 Ksh Thousands
Computer software		
Cost		
At 1 January	337,630	280,810
Additions during the period	41,368	47,643
Transfer from Work in progress	62,901	9,177
Total 1	441,899	337,630
Work In Progress		
At 1 January	68,694	26,078
Additions during the period	770	51,793
Transfer from Work in progress	(62,901)	(9,177)
Total 2	6,563	68,694
Amortisation		
At 1 January	211,244	179,854
Current period amortization	40,899	31,390
Total 3	252,143	211,244
Net book value at period end (1+2-3)	196,319	195,080

23 Due to banks

	Sep.30, 2023 Ksh Thousands	Dec.31, 2022 Ksh Thousands
Current accounts	-	-
Deposits	11,065	132,810
Total	11,065	132,810
Local banks	-	-
Foreign banks	11,065	132,810
Total	11,065	132,810
Non-interest bearing balances	-	-
Floating interest bearing balances	-	-
Fixed interest bearing balances	11,065	132,810
Total	11,065	132,810
Current balances	11,065	132,810
Non-current balances	-	-
Total	11,065	132,810

The weighted average effective interest rate of FCY balances due to banks at September.30, 2023 was 3.83% (2022 – 2.09%).

24 Due to customers

	Sep.30, 2023 Ksh Thousands	Dec.31, 2022 Ksh Thousands
Demand deposits	803,995	859,106
Time deposits	8,311,518	6,522,164
Saving deposits	677,921	477,223
Other deposits (Call)	86,454	90,582
Total	9,879,888	7,949,075
Corporate deposits	4,824,859	3,904,838
Individual deposits	5,055,029	4,044,237
Total	9,879,888	7,949,075
Non-interest bearing balances	803,995	859,106
Floating interest bearing balances	677,921	477,223
Fixed interest bearing balances	8,397,972	6,612,746
Total	9,879,888	7,949,075
Current balances	9,879,888	7,949,075
Total	9,879,888	7,949,075

The weighted average effective interest rate on LCY customer deposits at September.30, 2023 was 8.42% (2022 - 7.37%) and the rate for FCY was 3.45% (2022 - 2.92%).

25 Other liabilities

	Sep.30, 2023 Ksh Thousands	Dec.31, 2022 Ksh Thousands
Accrued expenses	22,593	36,828
Accounts payable	25,122	176,151
Others	60,369	65,110
Total	108,083	278,089

26 . Share capital

	Sep.30, 2023 Ksh Thousands	Dec.31, 2022 Ksh Thousands
Authorised:		
4,081,633 ordinary shares of Sh 1,000 each (2021:4,081,633)	4,081,633	4,081,633
Issued and fully paid:		
4,081,633 ordinary shares of Sh 1,000 each (2021:4,081,633)	4,081,633	4,081,633

27 . Share premium

	Sep.30, 2023 Ksh Thousands	Dec.31, 2022 Ksh Thousands
Share Premium	1,613,139	1,613,139

28 . Deferred income tax assets/(liabilities)

Deferred income tax is calculated on all temporary differences under the liability method using the enacted rate of 30%. (2022:30%)

Deferred tax assets and liabilities are attributable to the following:

	Assets (Liabilities) Sep.30, 2023 Ksh Thousands	Assets (Liabilities) Dec.31, 2022 Ksh Thousands
Fixed assets	19,917	14,373
Tax losses carried forward	845,714	686,791
Other deductible differences	173,604	222,807
Deferred tax on fair value gain on government securities through OCI	124,503	44,109
Deferred tax asset not recognised	-	-
Deferred tax asset	1,163,738	968,080

The deferred tax asset has been recognised in the financial statements on the basis that the since the Bank has generated profit in the past and will be able to generate sufficient taxable profits in the subsequent period.

Movements in temporary differences during the period

Ksh Thousands	At start of period	Movement in the period	Other comprehensive income	At end of period
Sep.30, 2023				
Property and equipment	(14,373)	(5,544)	-	(19,917)
Unrealised exchange gains	2,695	7,053	-	9,748
ROU (negative)	31,600	(7,924)	-	23,676
Deferred tax on fair value gain on government securities through OCI	(44,109)	(80,394)	-	(124,503)
Provisions	(220,014)	41,731	-	(178,283)
Tax losses	(686,791)	(158,923)	-	(845,714)
Lease Liability	(37,088)	8,342	-	(28,746)
Net asset	(968,080)	(195,658)	-	(1,163,738)
Deferred tax asset recognised	(968,080)	(195,658)	-	(1,163,738)
Dec.31, 2022				
Property and equipment	(6,500)	(14,373)	-	(14,373)
Unrealised exchange gains	11,200	2,695	-	2,695
ROU (negative)	33,053	31,600	-	31,600
Deferred tax on fair value gain on government securities through OCI	1,599	(44,109)	-	(44,109)
Provisions	(92,318)	(220,014)	-	(220,014)
Tax losses	(495,034)	(686,791)	-	(686,791)
Lease Liability	(37,588)	(37,088)	-	(37,088)
Net asset	(585,588)	(968,080)	-	(968,080)
Deferred tax asset not recognised	(585,588)	(968,080)	-	(968,080)

29 . Contingent liabilities and commitments including off Balance Sheet items

29.1 . Legal claims

- There are no legal claims against the Bank as at September.30, 2023,(2022:Nil).

29.2 . Capital commitments

	Sep.30, 2023 Ksh Thousands	Dec.31, 2022 Ksh Thousands
Authorised and contracted for	22,820	24,206

29.3 . Letters of credit, guarantees and other commitments

	Sep.30, 2023 Ksh Thousands	Dec.31, 2022 Ksh Thousands
Letters of credit (import and export)	8,877	874,574
Letters of guarantee	313,058	165,724
Other contingent liabilities	-	702
Total	321,935	1,041,000

29 . Transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Commercial International Bank (CIB) Kenya is a fully owned subsidiary of Commercial International Bank (CIB) Egypt.
There are other entities related to the Bank through shareholding or directorship.

Placements at 30 September 2023 include placements made in the Bank by directors, their associates and companies associated to directors.
Advances to customers and deposits at 30 September 2023 include loans and advances to companies associated to directors, employees of the Bank and, also deposits held with related parties respectively.

The table below outlines these balances as included in the loans and advances and deposits balances at period end:

	Directors' associated companies		Employees/staff	
	Sep.30, 2023	Dec.31, 2022	**Sep.30, 2023**	Dec.31, 2022
	Ksh Thousands	Ksh Thousands	**Ksh Thousands**	Ksh Thousands
Movement in related party balances was as follows:				
Loans and advances:				
At 1 January	**1,504,184**	462,410	**77,928**	80,221
Net movement during the period	**(1,504,184)**	1,041,774	**45,117**	(2,293)
At period end	**-**	1,504,184	**123,045**	77,928
Interest earned during the period	**-**	162,699	**11,778**	7,864
Letter of credit, guarantees	**-**	12,588	**-**	-
Deposits:				
At 1 January	**3,356,485**	3,600,646	**56,648**	28,028
Net movement during the peiod	**(3,356,485)**	(244,161)	**(3,155)**	28,620
At period end	**-**	3,356,485	**53,493**	56,648
Interest paid during the period	**-**	269,986	**1,132**	1,311

Key management compensation

The remuneration of directors and other members of key management during the period were as follows:

	Sep.30, 2023	Sep.30, 2022
	Ksh Thousands	Ksh Thousands
Key management salaries and other benefits	**168,833**	85,497
Directors' emoluments - fees	**3,746**	4,586
	172,578	90,083

The remuneration of directors and key executives is determined by the board of directors having regard to the performance of the individuals and market trends.

	Sep.30, 2023	Sep.30, 2022
	Ksh Thousands	Ksh Thousands
Other transactions with related parties		
Balances due from CIB Bank	**87,636**	222,268
Balances due to CIB Bank	**11,065**	391,679

30 . Main currencies positions

	Sep.30, 2023	Dec.31, 2022
	Ksh Thousands	Ksh Thousands
US dollar	**40,830**	674
Sterling pound	**1,330**	820
Euro	**2,343**	950
Other	**346**	223

31 . Right of use asset

The Bank leases office space and IT equipment for its use. Information about the leases in which the Bank is a lessee is presented below:

	2023		
	Office space	**Ksh Thousands**	**Total**
	Ksh Thousands	**IT Equipment**	**Ksh Thousands**
Amounts recognised in the statement of financial position			
Cost			
At 1 January	**198,455**	**-**	**198,455**
Additions/lease asset recognized during the period	**-**	**-**	**-**
Derecognition of lease	**-**	**-**	**-**
At 31 December	**198,455**	**-**	**198,455**
Accumulated Depreciation			
At 1 January	**93,123**	**-**	**93,123**
Derecognition of lease	**-**	**-**	**-**
Current period depreciation	**26,412**	**-**	**26,412**
At 31 December	**119,535**	**-**	**119,535**
Net book value at end of the period	**78,920**	**-**	**78,920**

Amounts recognised in profit and loss

Depreciation expense on right-of-use assets	**26,412**	**-**	**26,412**
Interest expense on lease liabilities	**8,949**	**-**	**8,949**
Total	**35,361**	**-**	**35,361**

The Bank is not committed to any arrangements that are short term as at Sep.30,2023, (2022:nil)
The total cash outflow for leases amounted to Ksh 37 million for the 9 months period ended 30 Sep 2023 (2022: Ksh 46 million).
There are no restrictions or covenants imposed by lessors and the Bank did not enter into any sale and leaseback transactions during the period (2022 Nil)

	2022		
	Ksh Thousands	Ksh Thousands	Ksh Thousands
	Office space	IT Equipment	Total
Amounts recognised in the Statement of financial position			
Cost			
At 1 January	171,197	-	171,197
Additions/lease asset recognized	36,433	-	36,433
Derecognition of lease	(9,175)	-	(9,175)
At 31 December	198,455	-	198,455
Accumulated Depreciation			
At 1 January	61,022	-	61,022
Derecognition of lease	(2,232)	-	(2,232)
Current year depreciation	34,333	-	34,333
At 31 December	93,123	-	93,123
Net book value at end of year	105,332	-	105,332

Amounts recognised in profit and loss

Depreciation expense on right-of-use assets	34,333	-	34,333
Interest expense on lease liabilities	15,203	-	15,203
Total	49,536	-	49,536

32 . Lease liabilities

	Sep. 30, 2023 Ksh Thousands	Dec. 31, 2022 Ksh Thousands
The movement in the lease liabilities is as follows:		
Balance at 1 January	**123,628**	125,293
Payment of lease liabilities	**(36,758)**	(46,358)
Interest on lease liabilities	**8,949**	15,203
Additions/lease asset recognized	**-**	36,433
Derecognition of lease	**-**	(6,943)
At period end	**95,819**	123,628
Amounts due for settlement within 12 months	**41,222**	37,490
Amounts due for settlement after 12 months	**54,597**	86,138
Total	**95,819**	123,628
Maturity Analysis of undiscounted cashflows	**Ksh Thousands**	Ksh Thousands
Year 1	**49,115**	48,859
Year 2	**37,877**	48,490
Year 3	**13,174**	29,309
Year 4	**7,863**	12,568
Year 5	**2,619**	7,587
Above 5 years	**-**	280
Total	**110,648**	147,093

The Bank does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Bank's treasury function.

33 . Events after the reporting date

The Board of Directors approved the financial statements on 07 November 2023 and authorised that the financial statements be issued. On this date, the Directors were not aware of any other matters or circumstances arising since the end of the financial period, not otherwise dealt with in the financial statements, which would significantly affect the financial position of the Bank and results of its operations as laid out in these financial statements.

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