For People. For Better.

Integrated Report and Financial Statements

2023

Regulated by the Central Bank of Kenya

Our Reporting Universe

Our integrated report is supplemented by various periodic publications and online disclosures to meet the diverse information needs of our stakeholders. These include:

Group Sustainability Report

This report details our progress in integrating environmental, social, and governance (ESG) practices in our strategy. It is prepared in accordance with the Global Reporting Initiative (GRI) standards and the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD). The report is available at **www.kcbgroup.com/sustainability/**

Shareholder Information

- **Notice of KCB Group's Annual General Meeting and proxy form:** The notice and proxy form provide valuable information for shareholders who want to participate at the Group's 53rd annual general meeting to be held on 23 May 2024.
- **Outcomes from the AGM:** The polling results and responses to questions raised are published on our website after the conclusion of the AGM.
- **Shareholding structure:** These quarterly disclosures provide a breakdown of the Group's shareholding structure.

They are available at **www.kcbgroup.com/investor-relations/**

Financial Disclosures

- Quarterly financial statements and other disclosures.
- Quarterly investor presentations.

These disclosures provide an update on the Group's financial results and operations on a quarterly basis. The 2024 disclosures will be available at **www.kcbgroup.com/investor-relations/** on the dates listed on the investor calendar on page 19.

COVER CONCEPT

For People. For Better.

Our cover depicts the ushering in of our next chapter at KCB guided by our new brand purpose, For People. For Better. Through this purpose, we seek to build a unified team that acts as one in thought, purpose, and values. We have highlighted this through a composite image capturing the diverse nature of our stakeholders, cutting through nationality, gender, culture, age, and ethnicity among others, as well as the various industries we support.

About this Report

Scope and purpose

The KCB Group Plc Integrated Report and Financial Statements is our principal reporting disclosure for the Group's activities and performance in 2023.

The goal of this report is to provide our stakeholders with an integrated view of how our company operates. It provides our stakeholders with a concise view of KCB's business model, material matters, external environment, strategy, governance, approach to risk, financial outputs, and outcomes for all stakeholders.

It also provides a balanced assessment of how we leverage the six capitals at our disposal to execute our strategy to create and preserve value while minimising value erosion over the short, medium, and long term which we define as less than one year, between one year & three years and beyond three years respectively.

Reporting period

It covers the period from 1 January 2023 to 31 December 2023. Notable material events after this period and up to the publication of this report on 1 May 2024 have also been included.

Forward-looking statements

This report contains certain forward-looking statements about the Group's financial position, results, strategy, operations, and businesses. These statements and forecasts involve risk and uncertainty, as they relate to events and depend on circumstances that may occur in the future.

There are various factors beyond the Group's control that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Consequently, forward-looking statements are not guarantees of future financial or operating results.

Our audience

This report is primarily addressed to our providers of capital, namely equity and debt investors. We have also included information relevant to our other stakeholders including employees, customers, regulators, and the wider society.

Investors

Employees

Customers

Government and Regulators

Society

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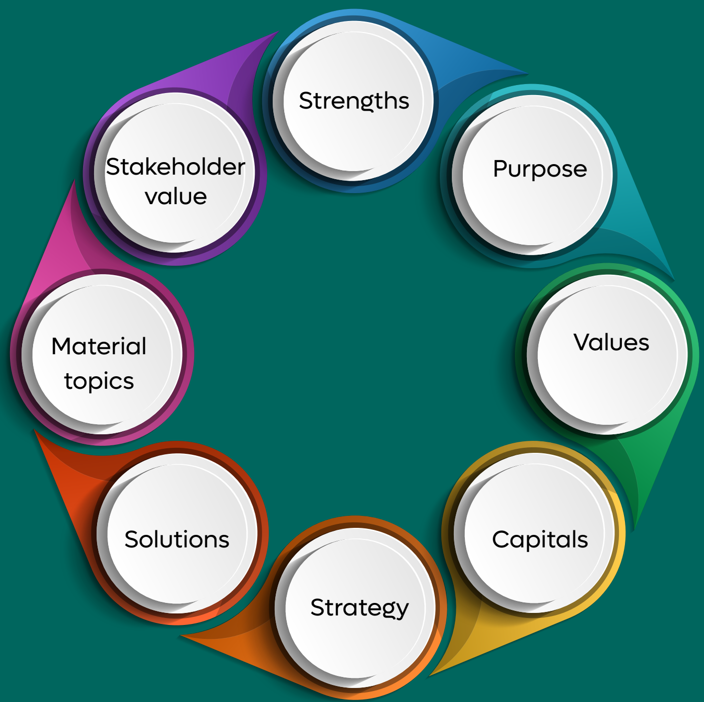
Our approach to integrated thinking

Our integrated thinking approach to decision-making, management, and reporting facilitates the alignment of our purpose and values with our strategy and guides our value creation process. We applied the principle of double materiality in assessing the material matters included in this report. Material matters are those matters with the ability to significantly influence value creation over the short, medium, and long term.

In identifying our material matters, we relied on a Group-wide process that incorporated input from all our subsidiaries. This process enabled us to identify issues that have the potential to impact our ability to create and preserve value and guard against value erosion for our stakeholders. We thereafter prioritised those with the greatest relevance in our operations, validated these material matters against our strategy, and continuously assessed them to ensure that our strategy remains relevant.



Our reporting frameworks

This report was developed in accordance with international best practices, reporting guidelines and prudent accounting standards. It complies with the Companies Act of 2015, the Capital Markets Authority's (CMA) rules, the Nairobi Securities Exchange's (NSE) Listings Manual, and the Central Bank of Kenya's (CBK) Prudential Guidelines. This report follows the guidelines of the International Integrated Reporting Council (IIRC) on the presentation of non-financial information.

The financial statements of the Group have been prepared in accordance with IFRS Accounting Standards and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS Accounting Standards and the Companies Act of 2015. The financial statements comply with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and have been prepared on the historical cost basis except where otherwise indicated.

The Group continuously strives to incorporate additional frameworks and metrics into our reporting to improve our transparency and meet the diverse information needs of our stakeholders. Please provide any feedback or direct your questions to investorrelations@kcbgroup.com for any additional information on matters contained within this report.

Process and assurance

Our integrated report and financial statements resulted from a Group-wide process with input from various teams across all business lines. This process is under the oversight of the Group Board and the Executive Committee. A cross-functional team composed of different subject-matter experts curated the content contained in this report.

Our Group Board ensures the integrity of the integrated report through our integrated reporting process. A series of rigorous internal reviews support the accuracy of the disclosures contained herein. Our Strategy & IT Committee provide internal assurance to the Board on the execution of our strategic priorities. The Group's financial, operating, compliance, and risk management controls are assessed by its internal audit function, which is overseen by the Board Audit & Risk Committee.

The accompanying financial statements of KCB Group Plc (the Company) and its subsidiaries (together, the Group) were audited by PricewaterhouseCoopers LLP and received an unqualified opinion. The report of the independent auditor to the shareholders of KCB Group Plc is available on page 129 to 134 of this report.

Approval by the Board

The Board acknowledges its responsibility to ensure the integrity of this integrated report and its responsibility to entrench good corporate governance across the Group. The Board believes that this report addresses issues material to the Group's ability to create and preserve value while guarding against value erosion over the short, medium, and long term.

In addition, the Board believes that this report offers a concise view of the Group's business model, external environment, strategy, governance, approach to risk, financial outputs, and outcomes in 2023.

The set of annual financial statements on which this report is based was approved by the Board of Directors of KCB Group Plc on 20 March 2024 and signed on its behalf by;

FCS Dr. Joseph Kinyua, EGH
Chairman

Lawrence Njiru
Director

Paul Russo, EBS
Chief Executive Officer

Bonnie Okumu
Company Secretary

We are CLOSER

In touch with our customers.

Looking out for our colleagues.

Proactive, enhancing their lives.

OVERVIEW

DELIVERING OUR STRATEGY

About Us

KCB Group Plc ("KCB" or the "Group") is a non-operating holding company incorporated in Kenya. We are East Africa's largest financial institution, owning one of Africa's oldest and strongest banks with over 128 years of operations. The Group is headquartered in Nairobi, Kenya and operates in seven countries in Eastern Africa.

Where we operate

In Kenya, we are an industry leader with the largest market share and two banking subsidiaries. Outside Kenya, we operate in Tanzania, South Sudan, Rwanda, Uganda, Burundi, and the Democratic Republic of the Congo. Our subsidiaries, KCB Bank Kenya and Trust Merchant Bank have representative offices in Ethiopia and Brussels respectively.

We offer an extensive suite of tailor-made, market-leading financial solutions through two key segments of corporate and retail banking. These are complemented by a range of digital financial services, mortgages, bancassurance, investment banking, asset management, and shariah-compliant products, to meet the diverse needs of our customers.

With millions of customers, thousands of employees, and the largest balance sheet in the region, the Group has been a catalyst for development for more than a century, opening doors of opportunity by facilitating growth and economic advancement, promoting regional commerce, and linking millions of people throughout the world to possibilities on the African continent and beyond.

Highlights

12,221 employees

1M+ agents and merchants

597 branches

38 million customers

1,330 ATMs

Our key subsidiaries

More details on page 230

Global Recognition and Accolades in 2023

We take pride in having consistently been rated and ranked amongst the leading financial institutions on the continent based on various parameters. In 2023, we received over 20 accolades from different local and international organisations, which go a long way in cementing our leadership position and affirming our resolve to deliver the very best in customer experience and drive a digital future.

KCB Group subsidiaries won The Banker awards for:

Bank of the Year 2023 in Kenya and DRC.

The Banker Magazine Top 1,000 Banks

KCB Group is ranked at position 21 in Africa

Other key accolades included:

Award Organisation	Award
Global Finance - World's Best Bank Awards 2023	Best Bank Kenya
Finance Derivative	Best Responsible Retail Bank Kenya 2023
	Best SME Bank
	Best Sustainable Bank
Global Banking and Finance	Best CSR Bank Kenya 2023
	Best Retail Bank Kenya 2023
	Best Digital Wallet Kenya 2023
International Business Magazine	Best Sustainable Bank 2023
	Best CSR Bank Kenya 2023
	Best Commercial Bank
Brand Finance	Most Valuable Banking Brand

Award Organisation	Award
Global Finance	Safest Bank in Kenya
Think Business Awards	Best Bank in Corporate Social Responsibility
Africa Banker Awards	Best SME Bank
African Banker Awards 2023	Central Africa Regional Bank of the Year – Trust Merchant Bank
Think Business Insurance Awards – KCB Bancassurance	Overall winner
	Most Customer-Centric Bancassurance Intermediary
	Best Bancassurance Intermediary on Digital Applications and Usage
	Best Bancassurance Intermediary in the Non-Life Insurance Category
Automotive Industry Awards	Best Bank in Auto Finance 2023

Our Business Model

Our wide regional footprint, strong balance sheet and exceptional talent enables us to facilitate seamless service, intra-regional trade, and investment flows in the region. To deliver on our strategic goals and maintain our position as a market leader, we set ambitious growth goals under our beyond banking strategy. Through this strategy, in 2023 we sought to deliver an exceptional customer experience across all our touchpoints and drive a digital future. As we usher in our new 2024–2026 strategy, we will leverage this solid background to further cement our position as the undisputed leader across the region.

We leverage our strengths and capabilities to fulfil our purpose and bring our values to life...

Our strengths and capabilities

- Strong balance sheet.
- Diversified revenue streams.
- Leader in digital financial solutions.
- Track record in delivering sustainable shareholder returns.
- Leader in sustainability and governance.
- Exceptional talent.
- Strong brand and customer experience.

Our Purpose

For People. For Better.

Our Values

- **Closer**
- **Connected**
- **Courageous**

by harnessing our Capitals...

Financial Capital

- Total shareholders' equity: Ksh. 228 billion.
- Total capital: Ksh. 258 billion.
- Borrowings: Ksh. 89 billion.
- Customer deposits: Ksh. 1.7 trillion.

Manufactured Capital

- 597 branches.
- 1M+ agents and merchants.
- Robust digital banking channels.
- 99.9% core banking system uptime.

Intellectual Capital

- Strong customer value proposition.
- Innovative digital products.
- Robust risk management.
- Strong brand.

Human Capital

- Exceptional talent and skillset.
- Strong employee value proposition.
- 12,221 employees.
- 51% are women.
- 75% below 40 years of age.
- 80% full-time employees.

Social Capital

- 38 million customers.
- Diverse pool of suppliers with focus on special interest groups of women, youth, and differently abled persons.
- Transformative partnerships.
- Impactful KCB Foundation programmes.

Natural capital

- Industry leader in sustainability.
- Signatory to key alliances to champion sustainable practices.
- Alignment towards growing our green loans portfolio.

to deliver our strategy and avail market leading solutions...

Our strategy

- Customer first, with leading value propositions.
- Step change in efficiency and productivity.
- Digital leader and digital to the core.
- Scale to achieve regional relevance.

Read more on page 58.

Our market leading solutions

- A well-diversified business model that offers an extensive suite of tailor-made, market leading financial solutions to enable our customers transact, save, and make payments.
- We extend secured and unsecured credit to our customers based on their repayment ability and our risk appetite.
- We offer investment banking solutions and asset management services.
- We facilitate provision of protection against insurable risks.

Our material matters

- Customer obsession
- External environment
- Cyber security
- Data protection
- Business ethics
- Financial inclusion
- Sustainability
- Employee engagement, diversity, and inclusion
- Shared value

Read more on page 54.

that create sustainable value for all our stakeholders.

Value for customers

Market-leading customer value proposition.

- Ksh. 233 billion loan growth.
- Ksh. 115 billion in loans to female led/owned businesses.
- 99% of transactions outside branch network.
- Customer Net Promoter Score of 61.

Read more on page 16 and 74.

Value for employees

Strong employee value proposition.

- Ksh. 38 billion in total employee benefits.
- 759 promotions in 2023.
- 80 Group Organisational Health Index Score.

Read more on page 17 and 78.

Value for investors

Sustainable shareholder returns.

- 17.8% return on equity.
- Strong internal capital generation capacity.
- 14% growth in equity attributable to equity holders of the Group.

Read more on page 18 and 48.

Value for government and regulators

Partner of choice for impactful government led initiatives.

- Compliance with regulatory requirements.
- Ksh. 11 billion income tax expense in 2023.
- Successful rollout of government led financial inclusion product dubbed the Huster Fund.
- Banker of choice for several collection and distribution services required by the governments in the region in which we operate.

Read more on page 20 and 83.

Value for society

ESG leader

- 15% green loans in our portfolio.
- 6% of procurement contracts by value awarded to special interest groups.
- KCB Foundation programmes continue to deliver meaningful impact across the region.

Read more on page 21, 70 and 80.

What Differentiates KCB

As East Africa's largest financial institution, we work towards sustainably harnessing our capitals to deliver superior returns for our shareholders and create shared value for our customers, employees, partners, and communities. Our Group has several characteristics that set it apart including:

Strong balance sheet

Our strong balance sheet enables us to support millions of customers in the region and catalyse economic growth.

Total assets

Ksh.
2.2
trillion

- #1 in Eastern Africa
- Up 40% in 2023 (2022: Ksh. 1.6 trillion)

Customer deposits

Ksh.
1.7
trillion

- #1 in Eastern Africa
- Up 49% in 2023 (2022: Ksh. 1.1 trillion)

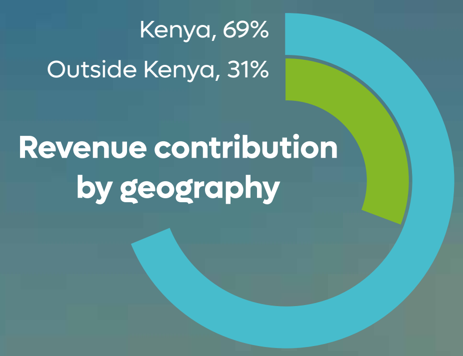
Net loans and advances

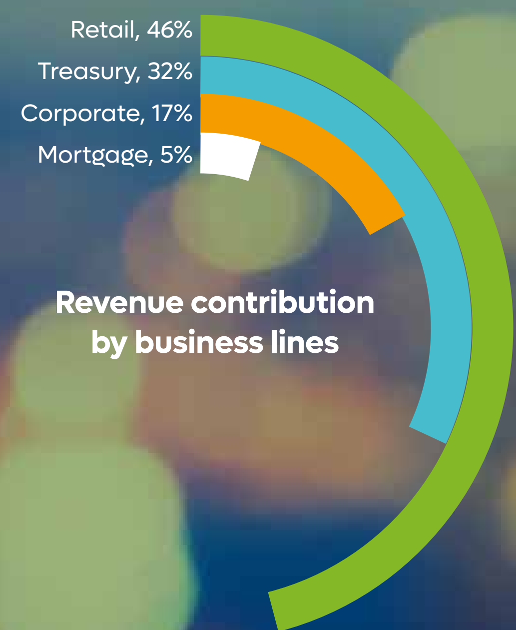
Ksh.
1.1
trillion

- #1 in Eastern Africa
- Up 27% in 2023 (2022: Ksh. 863 billion)

Diversified revenue streams

A well-diversified business model across geographical and business segments.





Leader in digital financial solutions

Our innovative digital financial solutions and robust platforms facilitate the provision of exceptional service to customers with unmatched convenience while driving financial inclusion.

99%
of transactions by number conducted through non-branch channels (2022: 99%)

Ksh. 337B
Mobile loans advanced (2022: Ksh. 193 billion)

23x
growth in value of business loans disbursed on mobile in 2023 to Ksh. 34 billion.

Sustainable shareholder returns

Track record in delivering superior returns to our shareholders and supported by prudent profit allocation strategies.

17.8%
Return on equity
(2022: 23.0%)

Ksh.
48.5
billion
profits before tax
(2022: Ksh. 57.3 billion)

Leader in sustainability and governance

We have embedded ESG practices in our strategy.

Loans worth
Ksh.
615
billion
underwent Environmental and Social Due Diligence screening.
(2022: Ksh. 270.4 billion)

Committed to be Net Zero by 2050

Industry leader in sustainable finance. Committed to increasing the proportion of green loans in our loan book to 25% by 2025. (2023: 15.0%, 2022: 12.3%)

Exceptional talent

A diverse team of engaged and experienced employees working to deliver our strategy. The Group offers a superior employee value proposition to attract and retain exceptional talent.

51%
Proportion of female employees (2022: 47%)

80
Group Organisational Health Index Score, among the top decile of the global comparison, up from a score of 79 in the previous survey conducted in 2021.

Ksh.
38.5
billion
total employee benefits
(2022: Ksh. 30.4 billion)

Strong brand and customer experience

Renewed focus on customer obsession powered by our new brand purpose,
For People. For Better.

61
Net promoter score, up by 9% from 56 in 2022.

13%
customer effort score representing a 35% improvement from the the previous year.

Our Capitals

Financial Capital

The Group maintains an optimal amount of capital to support our growth goals, drive investment opportunities, and meet regulatory needs. To manage our operations and implement our goals in 2023, we used a balanced mix of shareholders' equity, customer deposits, and borrowings.

Our investors, both debt and equity, played a big part in the makeup of our financial capital and the operationalization of our strategy. Additionally, our retained earnings form part of the financial capital used in the execution and growth of our strategic investments.

Ksh. 159B

Total income

(2022: Ksh. 128B)

Ksh 121B

Net interest income

(2022: Ksh. 101B)

Ksh. 38.6B

Nonfunded income

(2022: Ksh 27.3B)

Ksh. 27.1B

Net fees and commissions income

(2022: Ksh. 12.4B)

Ksh. 459.6B

Cash and cash equivalents at year end

(2022: Ksh. 213.3B)

Manufactured Capital

KCB Group's manufactured capital consists of cutting-edge digital systems, tools, and our operational philosophy, all of which help to speed the flow of knowledge and information. These capitals are in the form of leased or totally owned systems, whose value is earned through the delivery of products and services. Our strong distribution network, which includes the region's largest branch network as well as cutting-edge digital platforms, is a key source of our competitive advantage.

We remain a top-tier financial institution because of our continued investment in the digital space, providing new solutions, improving ease of access to banking services, and ensuring system reliability. To manage results generated by manufactured capital we keep optimising our structures, systems, processes, and tools.

	2023	2022
Number of transactions across our channels	1.0B	0.7B
Number of transactions on mobile	908M	613M
Proportion of non-branch transactions	99%	99%
Number of transactions in branches	10.8M	10.1 M
Value of transactions across our channels	Ksh. 10.8T	Ksh. 9.3T
Value of transactions on mobile	Ksh. 3.2T	Ksh. 2.5T

Intellectual Capital

Intellectual capital refers to our collection of factors such as how our brand is regarded, intellectual property, technical know-how, and the ability to be creative and innovative in the delivery of products and technology deployment. We place a high value on intellectual capital to gain a competitive advantage.

For us to remain adaptable and sustainable, our products and services must be reflective of ever-evolving industry practices. Furthermore, through rigorous stakeholder engagement, regulatory compliance, and a strategic communications approach, the Group ensures that its reputation credentials stay strong.

In this regard, the Group has continued to outperform the market on key intellectual capital metrics. Every year, the Bank's research arm conducts a brand health assessment, identifying top brand drivers and stress spots, as well as specific remedial steps.

Social media engagements in numbers

Facebook	1.3M followers	16M reach
X	617K followers	49M impressions
YouTube	40K subscribers	72M views
Instagram	60K followers	37M impressions
LinkedIn	173K followers	2M impressions

Human Capital

Human capital is a significant component of the Group's strategy and a key differentiator. Talent attraction, retention, motivation, and development continue to drive our transformational strategy. The most significant ingredient in generating exceptional results from all other capitals remains our people, who carry out the Group's mission. Our reputation and track record of strong performance contribute to the Group's capacity to attract exceptional talent across our markets. Our employee compensation and benefit plans are continually benchmarked to ensure that we remain competitive in the market.

12,221
Number of employees
(2022: 11,098)

9,793
Number of fulltime employees
(2022: 9,194)

2,428
Number of part time employees
(2022: 1,904)

6,233
Number of female employees
(2022: 5,216)

5,988
Number of male employees
(2022: 5,882)

35
Employees living with disabilities
(2022: 36)

Social & Relationship Capital

At KCB, we believe that a business should exist not just for profit, but also to transform communities around it. As such, the Group has adopted a shared value approach in its operations — integrating social programmes into business — in collaboration with other stakeholders, which is the baseline of our social and relationship capital.

In 2023, on the back of the roll-out of our new Brand purpose — For People. For Better. — we launched our brand campaign dubbed Opening Doors of Opportunity. It symbolizes our powerful ambition of reimagining the future, where we stand united, sharing a common mission to uplift lives, empower dreams, and create a positive impact.

In addition, through our social investment arm, KCB Foundation, the Group nurtures enterprises across East Africa to enable them to scale and enhance their social impact through innovative and sustainable business models.

	2023	2022
Customers	38M	32M
Active bank agents	25,258	21,480
Vooma agents	1M	0.7M
Active merchants/POS	8,440	7,354
Jobs created through 2Jiajiri	13,352	4,386
Number of new scholarships	1,000	1,000
Schools supported with LPG cooking solutions	72	-

Natural Capital

The Group is committed to creating long-term value for shared prosperity through the alignment of our strategy with sustainable practices. As we deepen our presence across the region, we continuously seek to embed best sustainability practices as we endeavour to build a future-proof business. We recognise that we have a responsibility to our stakeholders to adopt and apply the best practices for the management of climate-related risks and opportunities across our operations.

We are at the forefront, in this region, of leading the transition to a net-zero society and a circular economy. This shift is not only good for the environment but also presents immense opportunities for the Group to channel financing to projects aimed at addressing climate change. We are committed to be Net Zero by 2050.

Value for stakeholders

We recognise that our ability to sustainably create shared value is dependent upon building deep relationships with our stakeholders. Our stakeholders entail those individuals, entities, or groups who have an interest in our company or can either affect or be affected by our operations. They include our investors, customers, employees, governments, regulators, and society. We regularly engage with our stakeholders to ensure we understand their evolving needs and expectations. This helps to guide the deployment of our strategy to drive the creation and preservation of value and guard against value erosion.

Customers

Who they are	What are their needs and expectations	Key metrics that we track
Over 38 million customers across seven countries. They include: » Personal banking customers. » Micro, small, and medium size entities. » Medium and large corporates. » Public sector including county governments, national government ministries, departments, and state-owned entities. » Mortgage customers.	» Exceptional customer service. » Accessible and reliable touchpoints. » Affordable financial solutions. » System stability and security on digital channels. » Timely service and faster turnaround times. » Credible brand. » Responsible banking with transparent pricing.	» Net Promoter Score (NPS). » Customer Effort Score (CES). » System uptime. » Proportion of transactions conducted through non-branch channels. » Credit processing turnaround times. » Brand health score. » Product value propositions for priority customer segments.

We assess the quality of the relationship with our customers considering among other things, feedback from customer interactions, our net promoter score, customer effort score, gains in market share and accolades received from independent external organisations.

Quality of our relationship

We engage and serve customers through multi-channel touchpoints. Our customers have access to 597 branches in the region. Through these branches, we manage customer relationships, sell and cross sell products, onboard customers to digital touchpoints, and process customer transactions. Our non-branch channels encompass mobile banking, internet banking, agency banking outlets, and merchant points of sale. In addition, we have a 24/7 multichannel contact centre.

In 2023, for our customers, we:

Improved

61
Net promoter score
(2022: 56)

13%
Customer effort score
(2022: 20%)

5 days
Average credit turnaround time.
(2019 baseline: 8 days)

Increased

Ksh. **115 billion**
Loans disbursed to women led businesses.
(2022: Ksh 31B)

Ksh. **42 billion**
Interest earned by depositors.
(2022: Ksh 25B)

Ksh. **521 billion**
Total value of loans disbursed
(2022: Ksh 343B)

We safeguarded customer deposits worth Ksh. 1.7 trillion at competitive rates.
(2022: Ksh 1.1 trillion)

Strained asset quality

17.3%
Nonperforming loans ratio
(2022: 17.3%)

We are taking measures to resolve this nonperforming portfolio as discussed on page 50 of this report.

Value created · Value preserved · Value eroded

Read more on how we place our customers first through delivering leading value propositions on page 58 and how we created value for customers on page 74

Employees

Who they are	What are their needs and expectations	Key metrics that we track
The Group has a diverse and exceptionally talented staff complement. The key highlights from our staff complement are: » 12,221 total employees. » 51% are women. » 75% below the age of 40 years. » 94% below the age of 50 years. » 80% full-time and 20% part-time employees	» Competitive employee value proposition. » Safe and ethical workplace. » Career progression and training opportunities. » Job security and strong leadership.	» Organisational Health Index (OHI) » Talent retention rate. » Learning and development. » Career progression and skill development programmes.

We assess the quality of our relationship with our employees by considering our OHI score, feedback received during staff engagements, employee attrition rate, learning and development results, and remuneration outcomes among others.

Quality of our relationship

At KCB, we create a conducive environment for employees to fulfil their potential and deliver our strategy. We bank on our competitive employee value proposition to attract and retain the best talent. In addition, we provide opportunities for development and career growth, a comprehensive wellness programme, and performance-based reward and recognition.

We deliberately take steps to build a diverse and inclusive workforce and regularly engage with our employees to ensure alignment with the Group's strategic direction and values. In addition, we champion a culture of teamwork and nurture a healthy exchange of ideas within teams to drive more collaboration and break silos.

In 2023, for our employees, we:

Improved

51%
Proportion of female employees
(2022: 47%)

80
Group Organisational Health Index
(2021: 79)

3.3%
Attrition rate excluding voluntary early retirement **(2022: 6.0%)**

44%
Proportion of female employees in management level **(2022: 41%)**

Increased

Ksh. 38 billion
Employee benefits.
(2022: Ksh 30B)

759
Number of promotions
(2022: 417)

362
Employees took a voluntary early retirement.
(2022: Nil)

75%
Number of employees below the age of 40 years
(2022: 67%)

- We continued to champion mental health, physical wellness and an ethical workplace.
- We continued to enhance our focus on diversity and inclusion at the workplace.
- We handled 48 disciplinary cases related to fraud. Out of these, 22 employees were terminated after going through the disciplinary process, while 26 resigned during the investigation process.

Value created · Value preserved · Value eroded

Read more on how we drive diversity and inclusion, build talent, enhance our employee value proposition, and empower employees to thrive within and outside the workplace on page 78.

Investor Community

Who they are	What are their needs and expectations	Key metrics that we track
Our investor community comprises both equity and debt investors who provide the financial capital to run the Group's activities. This capital, alongside our retained earnings, powers the deployment of our strategy. This community is composed of: » Over 194,000 local and foreign shareholders, including individual and institutional shareholders. » Debt investors. » Fund managers and investment analysts. » Credit rating agencies. » Prospective investors.	» Timely reporting and effective communication. » Consistent capital gains and attractive dividend yield. » Strong revenue growth and sustainable profitability. » Prudent risk management. » Strong capital and liquidity ratios. » Sound ESG practices. » Operational efficiency. » Access to management. » Consistent narrative and the delivery of the strategic plan	» Relative share price performance to the NSE20 index. » Dividends paid and yield. » Return on equity (RoE). » AGM voting outcomes and investor feedback. » Adherence to financial covenants

We assess the quality of our relationship with the investor community through feedback received during engagements, shareholder value created, business profitability, balance sheet growth, share price performance, consistency of dividend payouts, access to management, understanding of our strategy, and compliance with key financial covenants.

Quality of our relationship

The Group has a robust shareholder engagement programme that encourages an open and transparent dialogue with existing and potential shareholders. We treat all our shareholders equally; thus, the Board does not take separate meetings with any individual or institutional investors. The Board interacts with our shareholders during annual general meetings and extraordinary general meetings. The Board will engage with shareholders through the upcoming AGM, to be held on 23 May 2024, and will also continue to communicate with shareholders on important developments throughout the year.

Our primary contact with institutional shareholders and debt holders is through our senior management team which provides a standing invitation to shareholders and debt holders to meet and discuss any matters of concern. Our annual results announcement, half-year results, and quarterly results are supported by a combination of investor presentations and results conference calls. The presentations and the statutory financial performance publications are uploaded to our website. The website also provides our shareholders with access to the Group's press releases and profiles of our directors and senior management.

Over the course of 2023, our senior management team engaged with various institutional investors and participated in investor conferences and road shows, most of which were virtual. The top engagement topics from these interactions included:

» The region's macroeconomic outlook, regulatory developments, and growth prospects.
» Business growth and earnings projections.
» Asset quality trends and outlook.
» Capital levels and outlook.
» Cost of funding and liquidity.
» Update on the Group's mergers and acquisitions and the anticipated benefits and underlying synergies.

In 2023, for our investors, we:

Increased shareholders' wealth

Ksh. 228B

Total equity attributable to equity holders of the Group
(2022: Ksh. 200B)

Enhanced diversification

36.7%

Share of profit from subsidiaries outside of KCB Bank Kenya
(2022: 17.0%)

Maintained share liquidity

3

Rank by turnover at the Nairobi Stock Exchange
(2022: 3)

Pause in dividend payment

Nil

Dividends
(2022: Ksh. 6.4B)

Value created   Value preserved   Value eroded

Read more on our business performance and guidance for 2024 on page 48

Investor Information

The Group has a diverse base of investors and has been listed on the Nairobi Securities Exchange since 1988. It has since been cross listed on the Dar-es-Salaam Stock Exchange, Uganda Securities Exchange, and Rwanda Stock Exchange. As at the end of 2023, the Group had 194,847 individual and institutional shareholders.

We are proud of our solid fundamentals and our earnings-generation capacity. Our dividend policy provides for the distribution of up to 50% of net earnings, underscoring the need to strike a balance between adequate capital buffers to support key strategic business growth initiatives and shareholder returns.

KCB Share Information

Description	2023	2022
Number of issued shares	3,213,462,815	3,213,462,815
Total number of authorized shares	4,500,000,000	4,500,000,000
Number of shareholders	194,847	193,615
Free float	80%	80%
End of period share price (Ksh.)	21.90	38.10
Market capitalization (Ksh. billion)	70.4	122.4
Return on equity	17.8%	23.0%
Dividend yield	-	5.2%
KCB Group shareholder's equity (Ksh. billion)	227.5	200.2
Total borrowings (Ksh. billion)	88.7	63.6
Debt to equity ratio	39.0%	31.8%

Shareholders per category

	2023	2022
Local Institutional Investors	64.1%	64.7%
Local Individual Investors	27.0%	26.4%
Foreign Investors	8.9%	8.9%

Major shareholders (above 5%)

	2023	2022
C.S. National Treasury of Kenya	19.76%	19.76%
National Social Security Fund	9.73%	9.73%

2024 Investor Calendar

Tentative date	Activity
22 May 2024	Q1 2024 Financial Results
23 May 2024	53rd Annual General Meeting
21 August 2024	H1 2024 Financial Results
27 November 2024	Q3 2024 Financial Results

Government and regulators

Who they are	What are their needs and expectations	Key metrics that we track
Government and regulatory entities in our markets include: » National and local governments in Kenya, Tanzania, South Sudan, Uganda, Rwanda, Burundi, and the DRC. » Central Banks and tax authorities in the above countries. » Capital market regulators in Kenya, Uganda, Tanzania, and Rwanda	» Contribution to national development goals through financing, market creation, and direct and indirect employment creation. » Responsible taxpayer in our markets. » Compliance with regulatory requirements.	» Compliance with regulatory ratios. » Timely reporting and filing of statutory and regulatory requirements. » Direct and indirect taxes paid. » Strong corporate governance.

We assess the quality of our relationship with Government and regulators based on our contribution to national development goals and adherence to regulatory requirements.

Quality of our relationship

We continuously build and maintain solid relationships with governments and regulators in the markets we operate in. We are cognizant of the important role we play in catalysing economic activities in the region. In 2023, we delivered on this role via tailor-made products to channel financing to key segments and provided robust and affordable payment solutions for businesses. In addition, the Group continues to uphold regulatory requirements and ensure total adherence to guidelines and regulations. We also ensure that we pay the appropriate taxes and fees in the markets where we operate.

For governments and regulators, we:

	2023	2022
Contributed to corporate income taxes.	Ksh. 11.0 billion	Ksh. 16.5 billion
Partnered to deliver key programmes.	Provided trade instruments for import of fuel and essential commodities. Read more on page 83.	The rollout of a financial inclusion product dubbed Hustler Fund to provide affordable micro credit to the underserved segments of the economy.
Complied with regulatory ratios.	All our subsidiaries, except National Bank of Kenya, were compliant with regulatory core and total capital requirements.	All our subsidiaries were compliant with regulatory core capital requirements. All our subsidiaries, except National Bank of Kenya, were compliant with regulatory total capital requirements.

We continued to maintain strong liquidity positions across all our subsidiaries.

Legal awards against National Bank of Kenya saw the subsidiary post a loss for the year, for the first time as a KCB subsidiary. The loss ate into the Bank's capital base and thus the Bank was not compliant with regulatory capital ratios in the year. Read more on page 65.

Value created Value preserved Value eroded

Read more on how we partner with governments to deliver impactful socio-economic programmes on page 83 and compliance with capital requirements on page 205.

Society

Who they are	What are their needs and expectations	Key metrics that we track
» Communities » Suppliers » Media » Natural environment	» Contribution towards addressing socio-economic challenges. » Responsible procurement. » Enhanced brand value and solid reputation. » Contribution towards attaining the Sustainable Development Goals (SDGs)	» Level of support to social initiatives through sponsorship and thought leadership. » Procurement spend for special interest groups and local suppliers. » Our impact on the environment » Contribution to SDGs

We assess the quality of our relationship based on our level of contribution to social initiatives, the increase in procurement spend for special interest groups and local suppliers, and the progress achieved in contributing to the attainment of our adopted SDGs.

Quality of our relationship

We believe that our success is hinged upon driving shared progress in our markets. We seek to be a force that drives economic progress and leads the transition to the adoption of sustainable practices in the region. In addition, we play a major role in developing innovative products and driving partnerships that enable greater financial inclusion and access.

We also play a key role in regional sports sponsorships. Over the years, we have continuously made targeted investments through sponsorship across various sports disciplines. These include motor sports, football, rugby, volleyball, golf, chess, and athletics. KCB has invested over Ksh 2.5 billion in sports over the past four decades providing opportunities for young people.

In the year, we sponsored the Kenyan leg of the World Rally Championships (WRC) for the third year running. The WRC Safari Rally is an iconic event for Africa, and KCB's participation is significant. The partnership with WRC allows the Bank to connect with rally enthusiasts and drivers and complete a roster of partners to enable the staging of this calendar event in Kenya. Since its return, the WRC Safari Rally has refined the spirit of motorsport competition in Kenya and boosted the country's tourism and hospitality sectors.

In 2023, for the society, we:

Increased

Ksh.
615 billion
Value of loans screened through ESDD*
(2022: Ksh. 270 billion)

314,000
Number of trees planted
(2022: 11,000)

15.0%
Proportion of green loans in our portfolio
(2022: 12.3%)

13,352
Number of jobs created under KCB Foundation's 2jiajiri programme
(2022: 4,386)

Ksh. 875 million
Value of procurement contracts awarded to special interest groups
(2022: Ksh. 828million)

50
Number of inaugural scholarships under the KCB Foundation Athletics Programme

- The KCB Foundation sustained 4,280 scholarships for students at various levels of education.
- The KCB Foundation supported 120 farmer producer organisations with a membership and supplier base of 44,493 livestock producers.
- NBK continued to improve water access through its flagship MajiKonnect Programme.
- We continued to promote responsible procurement and ethical business practices.

**ESDD – Environmental and Social Due Diligence.*

Value created | Value preserved | Value eroded

Read more on how we created value for our communities on page 80 and highlights of our sustainability programmes on page 70

2023 Recap

2023 was a challenging but equally exciting year for us. We continued to innovate and formed more transformative partnerships to offer superior customer value propositions and drive customer obsession across all our touchpoints. These initiatives and more helped propel the Group forward. They enabled us to onboard five million more customers in the year and serve our customers over a billion times, with 99% of these transactions being conducted on our digital platforms. All this while navigating through a challenging operating environment. As we look forward to a phenomenal 2024, here is a recap of some of the key milestones we were able to achieve together in 2023.

JANUARY

- BPR Bank Rwanda successfully conducted an upgrade of its core banking system, marking the conclusion of the amalgamation of the former Banque Populaire du Rwanda (BPR) and KCB Bank Rwanda.
- BPR Bank Rwanda appointed Ms. Patience Mutesi as Managing Director to replace George Odhiambo, who moved to National Bank of Kenya (NBK) as its Managing Director.
- KCB Women's Volleyball team was crowned the Best Female Sports Team of the Year during the Sports Personality of the Year Awards (SOYA).

FEBRUARY

KCB Chess team players proved their prowess after producing 5 players out of 10 who formed the team which represented the country at the All-African Games in Accra, Ghana.

MARCH

- NBK launched its Women Proposition, dubbed 'NIA'.
- NBK participated at the UN Water conference in New York, showcasing the impact of the Majikonnect programme.

APRIL

- KCB unveiled the 2023 East Africa Golf Tour. The inaugural East Africa golf tour will traverse six countries in the region and 12 counties in Kenya.
- NBK awarded as Best Micro and SME Bank and Best Bank in Customer Service at the Finance Derivative Banking Awards.

MAY

- KCB Bank Kenya injected Ksh. 150 million towards supporting the 2023 World Rally Championship (WRC) Safari Rally, bolstering sports development and youth empowerment.
- Trust Merchant Bank (TMB) was awarded as the Best Bank in Central Africa, for the third time at the 2023 edition of the acclaimed African Banker Awards. TMB remains the only Congolese bank to have ever won this award, as well as the only Congolese bank to have won the African Banker's pan-African Award for Financial Inclusion, which TMB did in 2021.

JUNE

- KCB Group signs an Africa-wide deal to facilitate settlements of cross-border transactions on the continent. The deal with the Pan-African Payment and Settlement System (PAPSS) avails faster, cheaper, and more reliable transactions for KCB customers across Africa.
- KCB and NBK enter into an agreement with Britam General Insurance to distribute affordable health insurance products targeted at Small and Medium Enterprises (SMEs) across the country.
- KCB and partners host the World Rally Championship.

JULY

- KCB Bank Kenya was feted with an award for excellence, dedication, and the most resplendent execution of the 2023 WRC Safari rally.
- KCB Bank Kenya rolled out the first phase of the 6-year electric mobility project targeting boda-boda riders across the country

SEPTEMBER

- KCB Rugby Club won the National 7s Circuit.
- NBK launched a Business Forum dubbed 'National Business Forum' to support business leaders to grow their organisations through capacity building, access to a network of experienced business leaders ,and access to financial resources.
- KCB Bank Tanzania achieved Tier 1 status with total assets surpassing a Tshs. 1 trillion mark.

NOVEMBER

- KCB Bank Kenya and TMB won the Banker's Bank of the Year Awards for their respective countries.
- KCB Rugby Club clinched the 2023 Floodlit Rugby Tournament.
- BPR Bank Rwanda sponsored the East and Central All Africa Ladies Challenge, a regional tournament that saw several countries participate, with over 70 professional players taking part in the event.

AUGUST

- KCB Foundation, in partnership with GIZ, graduates 3,500 youth from its 2Jiajiri programme in Kenya. This initiative aims to empower youth by providing skills training and job creation opportunities in the construction sector. The goal is to create 1.5 million direct and indirect jobs and establish 30,000 businesses within five years.

OCTOBER

- KCB Bank Kenya partnered with Mastercard to roll out the World Elite Exclusive Credit Card, which offers premium and private banking customers a range of market-exclusive benefits, privileges, and experiences.
- KCB Volleyball team won the Kenya Volleyball Championship title after a 15-year wait.
- KCB Bank South Sudan opened a new branch in Yei.

DECEMBER

- KCB Bank Uganda won the "PR Campaign of the Year" award in the Uganda Marketing Excellence Awards (UMEA).
- KCB stole the spotlight at the 12th Marketing World Awards, winning both the Best Iconic Bank Brand and Best Brand for Inclusive Banking awards.

Group Chairman's Statement

Dear Shareholders,

It gives me immense pleasure to write this maiden letter to you on behalf of the Group Board of Directors. It has been an exciting six months chairing the Board, and guiding the Group through what I believe is yet another important phase in its rich history.

Before I delve into the key facets of the Group that inform this view, as well as those that impressed me the most in 2023, I would like to express my gratitude to you, the shareholders, for electing me to the Board at the previous annual general meeting (AGM). I equally express my gratitude to my fellow board members for their confidence in electing me to serve as the Chairman.

I am excited about the opportunity to contribute towards propelling KCB Group to even greater heights in the Eastern and Central African region, as the financial institution of choice.

Operating environment

The year 2023 delivered both triumph and setback in our operating environment, but, thankfully, not in equal measure. Strong GDP growth, which averaged 5% in the seven countries we operate in, powered our business growth. Conversely, high interest rates, currency depreciation, and the impact of global geopolitical risks tested our resilience in our domestic market, while at the same time validating our move in prior years to invest more in the region.

Amid these challenges, the Group occupied a vantage point both as an enabler and a beneficiary of economic growth. KCB supported its customers, ranging from personal, small, and medium sized business enterprises, large corporates, and public sector customers, to navigate through these challenges. Our teams deployed solutions fit for each segment that delivered an unmatched customer value proposition in a timely and cost-effective manner.

These solutions ranged from leveraging digital channels to provide micro-credit for retail customers and small businesses, prescoring models to avail timely funding for businesses, our strong balance sheet to support corporates and participating in government-led intervention programmes that ensured the country was able to meet its energy needs and drive financial inclusion.

Prudent deployment of our capital ensured that we were able to remain resilient, stand with our customers, and deliver impressive results for the year. As a result of our interventions, our customers endeared themselves more to the KCB brand. They transacted through our channels more than a billion times, representing a 44% growth compared to the prior year and thus leading to a 24% growth in our total income to Ksh. 159 billion.

At the same time, we continued to play a leading role in driving sustainability and in mobilising support for various citizen-driven engagements across the region. Helping to build thriving communities wherever we operate is a vital aspect of KCB Group's citizenship agenda. Through the KCB Foundation, we continued to roll out interventions in education, youth employment, and livestock farming.

Safeguarding value

To safeguard the value created, the board discharged its mandate of providing the required oversight and leadership to the Group. We have enumerated some of these key decisions made by the board on page 88 of this report. To further enhance the capacity of the board to deliver on its role, my fellow board members and I participated, and will continue to participate, in tailored training sessions. The training has focused on diverse topics including leading the board and the role of the respective subsidiary chairmen, effective corporate governance, artificial intelligence, the future of the organisation, and understanding the impact of Environmental, Social & Governance (ESG) to the organisation.

In 2023, several board directors concluded their terms and subsequently exited the various Boards including my predecessor, Andrew W. Kairu. I would like to express my appreciation to Andrew and the retired directors from various boards, for their service to our Group.

Shareholder value

In 2023, we made tangible progress in executing our strategy to sustain superior shareholder value by delivering strong financial performance while driving our agenda to build a sustainable business. The Group posted a resilient performance amid a tough operating environment. The impressive growth in revenue was more than adequate to offset the 40% rise in operating expenses. Prudent provisioning to bolster our coverage for non-performing loans resulted in an 8% drop in net profit for the period, to Ksh. 37.5 billion.

The Board deliberated comprehensively on the need to balance shareholder returns and preservation of capital to fund business growth and opted not to recommend the payment of dividends for the 2023 period. We believe that this pause from our consistent dividend payout history is a prudent decision to take, considering the need to ensure that the business is well capitalised to take advantage of the opportunities we see in the market. We anticipate that our shareholders will realise an incremental increase in their returns as we commercialize our recent acquisitions, sustain the generation of organic capital, and resolve the stock of non-performing loans. The latter being a key driver of the 42% depreciation in our share price in 2023.

On the other hand, the strong business performance saw total equity attributable to equity holders of the Group grow by 14% to Ksh. 228 billion, the largest at the Nairobi Securities Exchange. This is a testament to the huge value gap that exists between our book and market valuations and signifies a good entry point for new shareholders looking for sustainable long-term value as well as an opportunity for existing shareholders to increase their shareholding at a lower cost per share.

As you will recall, in 2019, KCB Group took a bold step and acquired 100% of the ordinary shares of the National Bank of Kenya Limited (NBK). The move placed NBK under the ambit of KCB Group where it became a fully-fledged subsidiary. Post this acquisition, we made progressive investments in the Bank to bolster its capital and enhance its operational efficiency. This enabled NBK to deliver profits consistently in the first

"Prudent deployment of our capital ensured that we were able to remain resilient, and standing with our customers took us across the line, delivering impressive results for the year. As a result of our interventions, our customers endeared themselves more to the KCB brand, transacting through our channels more than a billion times."

Ksh.

159B

Total revenue

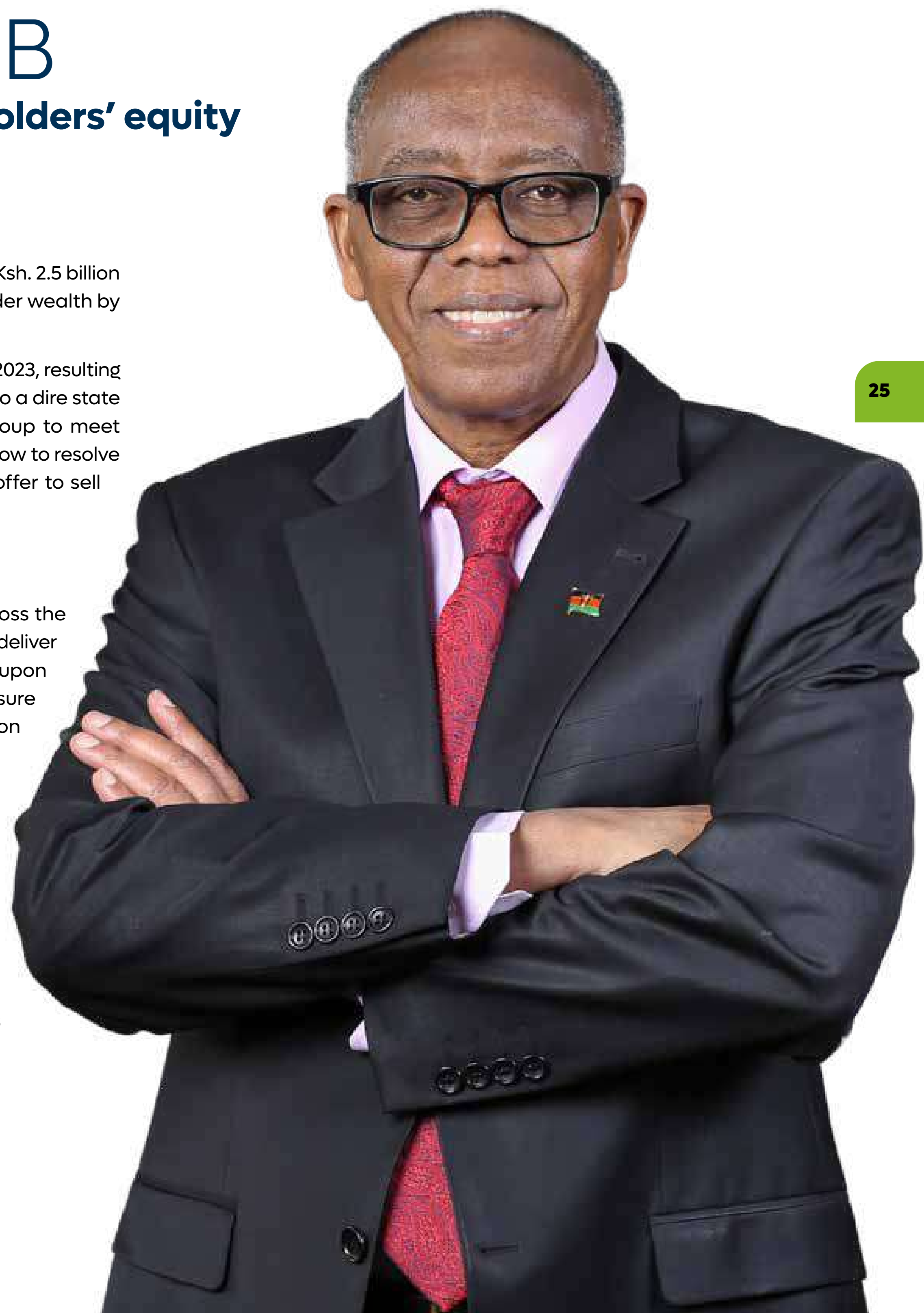
Up 24%

Ksh.

228B

Shareholders' equity

Up 14%



three years under the KCB Group, amounting to a total of Ksh. 2.5 billion over this period. NBK also managed to grow its shareholder wealth by Ksh. 4.7 billion, peaking at Ksh. 16.4 billion in 2021.

Some significant legacy legal claims eroded these gains in 2023, resulting in a net loss of Ksh. 3.3 billion. This loss plunged NBK back to a dire state that would necessitate a capital injection from the Group to meet regulatory ratios. After critically evaluating its options on how to resolve this position, the Group has opted to accept a binding offer to sell 100% of the subsidiary.

Acknowledgments

As I conclude, I would like to thank all our employees across the region for their dedication and zeal that have continued to deliver impressive results for the Group. Our staff are a key pillar upon which we deliver on our strategy, and we continue to ensure that we provide a competitive employee value proposition to enable us to sustain our growth momentum.

I look forward to engaging with you at our upcoming AGM. We have opted to continue with a virtual AGM format to ensure that many of you are able to attend conveniently and participate in the agenda. From prior AGMs, we have been pleased to note that up to three times more shareholders attended and voted at the virtual AGMs compared to when we used to hold physical AGMs pre-COVID 19. We believe that more diverse voices and engagement will enrich the quality of our deliberations at the meeting.

FCS Dr. Joseph Kinyua, EGH
Chairman

Taarifa Kutoka kwa Mwenyekiti wa Kampuni

Mpendwa Mwenyehisa,

Inanipa furaha kubwa sana kukuandikia barua hii ya kwanza kwa niaba ya Bodi ya Wakurugenzi wa Kampuni. Imekuwa miezi sita ya kusisimua nikiongoza Bodi hii, na kuongoza Kampuni kupitia kile ninachoamini kuwa ni awamu nyingine muhimu katika historia yake yenye mambo mengi.

Kabla sijazamia katika upande muhimu wa Kampuni ambao unafahamisha mtazamo huu, pamoja na ule ulionivutia zaidi katika mwaka wa 2023, ningependa kutoa shukrani zangu kwenu, wanahisa, kwa kunichagua kuwa kwenye Bodi katika mkutano mkuu wa mwaka (AGM) uliopita. Vile vile natoa shukrani zangu kwa wenzangu katika bodi ya kampuni kwa ujasiri wao wa kunichagua kuhudumu kama Mwenyekiti.

Nimefurahishwa na fursa ya kuchangia katika kupeleka mbele Kampuni ya KCB kufikia viwango vya juu zaidi katika ukanda wa Afrika Mashariki ya Kati, kama taasisi ya kifedha ya chaguo,

Mazingira ya Utendakazi

Mwaka wa 2023 ulileta ushindi na changamoto katika mazingira yetu ya utendakazi, lakini, tunashukuru, sio kwa kiwango sawa. Ukuaji thabiti wa Pato la Taifa (GDP), ambao ulikuwa wastani kwa 5% katika nchi saba ambazo tunafanyia kazi, uliwezesha ukuaji wa biashara yetu. Kinyume chake, viwango vya juu vya riba, kushuka kwa thamani ya sarafu na athari ya hatari za kijiografia na kisiasa ulimwenguni zilijaribu ustahimilivu wetu katika soko letu la ndani, huku wakati huohuo zikithibitisha hatua tuliyochukua katika miaka iliyopita ya kuwekeza zaidi katika ukanda huu.

Katikati ya changamoto hizi, Kampuni ilichukua nafasi nzuri kama mwezeshaji na mnufaishwa wa ukuaji wa uchumi. KCB ilisaidia wateja wake kuanzia biashara za kibinafsi, ndogo na za kati, kampuni kubwa, na wateja wa sekta ya umma, ili kupitia changamoto hizi. Timu zetu ziliweka suluhisho zinazofaa kwa kila sehemu ambazo zilileta pendekezo la thamani ya mteja lisilo na kifani kwa wakati na kwa njia ya gharama nafuu.

Suluhu hizi zilianzia kutumia njia za kidijitali kutoa mikopo midogo midogo kwa wateja wa reja reja na biashara ndogo, kurekodi mapema mifumo ya kutoa ufadhili kwa wakati kwa biashara, mizania yetu thabiti ya kusaidia mashirika na kushiriki katika mipango ya kuingilia kati inayoongozwa na serikali ambayo ilihakikisha kwamba nchi iliweza kukidhi mahitaji yake. mahitaji ya nishati na kuendesha ushirikishwaji wa kifedha.

Usambazaji wa mtaji wetu kwa njia nzuri ulihakikisha kwamba tuliweza kusalia wastahimilivu, kusimama na wateja wetu na kutoa matokeo ya kuvutia kwa mwaka huo. Kutokana na miingiliano yetu, wateja wetu wenyewe walipenda zaidi chapa ya KCB. Walifanya miamala kupitia njia zetu zaidi ya mara bilioni moja, ikiwakilisha ukuaji wa 44% ikilinganishwa na mwaka uliotangulia na hivyo kuleta ukuaji wa 24% katika jumla ya mapato yetu hadi Ksh. bilioni 159.

Wakati huo huo, tuliendelea kuchukua jukumu kuu katika kuleta uendelevu na katika kuhamasisha usaidizi wa shughuli mbalimbali zinazoendeshwa na raia katika ukanda mzima. Kusaidia kujenga jumuiya zinazostawi popote tunapofanyia kazi ni kipengele muhimu cha ajenda ya uraia ya Kampuni ya KCB. Kupitia Wakfu wa KCB, tuliendelea kuzindua maingiliano katika elimu, ajira kwa vijana na ufugaji.

Kulinda Thamani

Ili kulinda thamani tuliyotengeneza, bodi ilitekeleza wajibu wake wa kutoa usimamizi na uongozi unaohitajika kwa Kampuni. Tumeorodhesha baadhi ya maamuzi haya muhimu yaliyofanywa na bodi kwenye ukurasa wa 27 wa ripoti hii. Ili kuimarisha zaidi uwezo wa bodi wa kutekeleza wajibu wake, mimi na wanajopo wenzangu katika bodi tulishiriki, na kuendelea kushiriki, katika vikao vya mafunzo vilivyowekwa maalum. Mafunzo hayo yamelenga mada mbalimbali ikiwa ni pamoja na kuongoza bodi na wajibu wa wenyeviti husika wa kampuni tanzu, utawala bora wa shirika, akiliunde, na mustakabali wa shirika na kuelewa athari za Mazingira, Jamii na Utawala (ESG) kwa shirika.

Mnamo 2023, wakurugenzi kadhaa wa bodi walihitimisha hatamu zao na baadaye wakaondoka kwenye bodi hizo mbalimbali akiwemo mtangulizi wangu, Andrew W. Kairu. Ningependa kutoa shukrani zangu kwa Andrew na wakurugenzi wastaafu kutoka bodi mbalimbali, kwa huduma zao kwa Kampuni yetu.

Thamani ya Mwenyehisa

Mnamo 2023, tulifanya maendeleo dhahiri katika kutekeleza mkakati wetu wa kudumisha thamani ya juu ya mhisa, kwa kutoa matokeo thabiti ya kifedha huku tukiendesha ajenda yetu ya kujenga biashara endelevu. Kampuni ilichapisha utendakazi dhabiti wakati ambao kulikuwa na mazingira magumu ya kufanya kazi. Ukuaji wa mapato unaovutia ulitosha kufidia ongezeko la 40% la gharama za uendeshaji. Utoaji wa busara ili kuimarisha usimamizi wetu wa mikopo ambayo haijalipwa ulisababisha kushuka kwa asilimia 8 ya faida halisi kwa kipindi hicho, hadi Ksh. bilioni 37.5.

Bodi ilijadiliana kwa kina kuhusu mahitaji ya kusawazisha mapato ya wahisa na kuhifadhi mtaji ili kufadhili ukuaji wa biashara na ikachagua kutopendekeza malipo ya mgao wa kipindi cha 2023. Tunaamini kwamba usitishaji huu wa historia yetu ya malipo ya mgao kila mara ni uamuzi wa busara tuliofanya, kwa kuzingatia haja ya kuhakikisha kuwa biashara ina mtaji wa kutosha ili kutumia fursa tunazoona kwenye soko. Tunatarajia hiyo katika mtaji na wahisa wetu wataweza kupata ongezeko la mapato yao tunapofanya biashara na mapato yetu ya hivi majuzi ili kupata faida, kuendeleza uzalishaji wa mtaji unaotokana na faida, na kutatua hisa za mikopo ambayo haijalipwa. Na mwisho ikiwa kichocheo kikuu cha kushuka kwa thamani kwa asilimia 42 katika bei yetu ya hisa mnamo 2023.

Kwa upande mwingine, ufanisi mkubwa wa biashara ulifanikisha jumla ya usawa unaohusishwa na wamiliki wa usawa katika Kampuni ukikukua kwa 14% hadi Ksh. bilioni 228, kubwa zaidi katika Soko la Hisa la Nairobi. Huu ni uthibitisho wa pengo kubwa la thamani lililopo kati ya orodha zetu na thamani za soko na unaashiria mahali pazuri pa kuanzia kwa wanahisa wapya wanaotafuta thamani endelevu ya muda mrefu sawa na fursa kwa wanahisa waliopo kuongeza umiliki wa hisa zao kwa gharama ya chini kwa kila hisa.

Kama utakumbuka, mnamo 2019, Kampuni ya KCB ilichukua hatua na kununua 100% ya hisa za kawaida za National Bank of Kenya Limited (NBK). Hatua hiyo iliiweka NBK chini ya usimamizi wa Kampuni ya KCB ambapo ilikuwa kampuni tanzu yenye mamlaka kamili. Baada ya ununuzi huu, tulifanya uwekezaji wa kimaendeleo katika Benki hiyo ili kuimarisha mtaji wake na kuwezesha ufanisi wake wa uendeshaji. Hii iliwezesha NBK kutoa faida mfululizo katika miaka mitatu ya kwanza ikiwa chini ya Kampuni ya KCB, ambayo ni jumla ya Ksh. bilioni 2.5 katika kipindi hiki. NBK pia iliweza kukuza utajiri wa wanahisa wake kwa Ksh. bilioni 4.7 na kuwa na kilele cha Ksh. bilioni 16.4 mwaka wa 2021.

Madai mengine makubwa ya kisheria ya urithi yalipunguza mafanikio haya mwaka wa 2023, na kusababisha hasara kamili ya Ksh. bilioni 3.3. Hasara hii iliirudisha NBK kwenye hali mbaya ambayo ingelazimu kuongezwa mtaji kutoka kwa Kampuni ili kutimiza uwiano wa udhibiti. Baada ya kutathmini kwa kina chaguo zake za jinsi ya kutatua hali hii, Kampuni imechagua kukubali ofa inayoshurutisha ya kuuza 100% ya kampuni hiyo tanzu.

Shukrani

Ninapohitimisha, ningependa kuwashukuru wafanyakazi wetu wote katika ukanda mzima kwa kujitolea na bidii ambayo imeendelea kuleta matokeo mazuri kwa Kampuni. Wafanyakazi wetu ni nguzo kuu ambayo tunategemea ili kutekeleza mkakati wetu, na tutaendelea kuhakikisha kwamba tunatoa pendekezo la ushindani la thamani ya mfanyakazi ili kutuwezesha kuendeleza kasi yetu ya ukuaji.

Natarajia kushiriki nawe kwenye Mkutano wetu Mkuu wa Mwaka (AGM) ujao. Tumechagua kuendelea na muundo wa AGM mtandaoni ili kuhakikisha kwamba wengi wanaweza kuhudhuria kwa urahisi na kushiriki katika ajenda. Kutoka kwa AGM za awali, tumefurahi kuona kwamba hadi wanahisa mara tatu zaidi walihudhuria na kupiga kura katika AGM za mtandaoni ikilinganishwa na tulipokuwa tukifanya AGM halisi kabla ya COVID 19. Tunaamini kuwa sauti na mashirikiano tofauti tofauti zaidi yatatusaidia kuimarisha ubora wa mijadala yetu kwenye mkutano.

FCS Dr. Joseph Kinyua, EGH
Mwenyekiti

Group Board of Directors

KCB Group Plc is governed by a Board of Directors each of whom is — except for the Group Chief Executive Officer and Group Finance Director — elected by the Company's shareholders. The Board sets the strategic objectives of the Group with input from management, and oversees management, performance, remuneration and governance frameworks of the Group. The Articles of Association of the Company provides that the Board shall comprise of a minimum of five and a maximum of eleven Directors. The current Board structure comprises of two executive Directors, one non-executive Director and eight independent non-executive Directors including the Group Chairman.

FCS Dr. Joseph K. Kinyua, EGH
Chairman

Geoffrey Malombe
Alternate to Cabinet Secretary, National Treasury

Lawrence Njiru
Independent Non-Executive Director

Ahmed Mahmoud
Independent Non-Executive Director

Alice Kirenge
Independent Non-Executive Director

Paul Russo, EBS
Group Chief Executive Officer

Anuja Pandit
Independent Non-Executive Director

Lawrence Kimathi
Group Finance Director

Agnes Lutukai
Independent Non-Executive Director

Bonnie Okumu
Group Company Secretary

Group Board Changes

FCS Dr. Joseph Kinyua, EGH, was appointed to the Group Board on 24 March 2023. He was elected as the Chairman of the Group Board with effect from 26 May 2023 to replace **Mr. Andrew W. Kairu** who retired after serving his five-year term in line with the Board's charter. Dr. Kinyua is Kenya's immediate former Head of Public Service and Secretary to the Cabinet. He has enjoyed an illustrious career spanning over four decades in public service and has a wealth of experience in public administration, economic planning, and policy direction.

Agnes Lutukai was appointed by the Board on 1 March 2024 to fill a casual vacancy. In accordance with the Company's Articles of Association, she will retire from the Board, and being eligible, will offer herself for re-election at the upcoming AGM. Agnes is a seasoned Chartered Accountant with over 35 years' experience at KPMG, 24 of which were at partner level. Her distinguished career spans various leadership roles at KPMG East Africa, South Africa and Nigeria.

Mr. Obuya Bagaka retired from the Group Board on 26 May 2023.

Anne Eriksson resigned from the Group Board on 20 March 2023.

Read more

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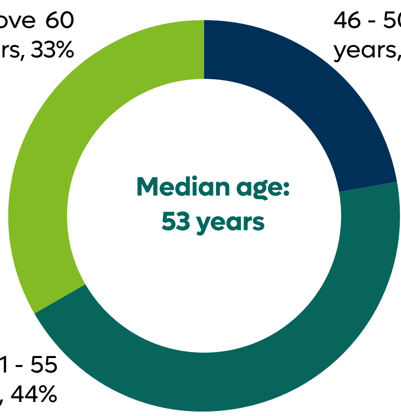
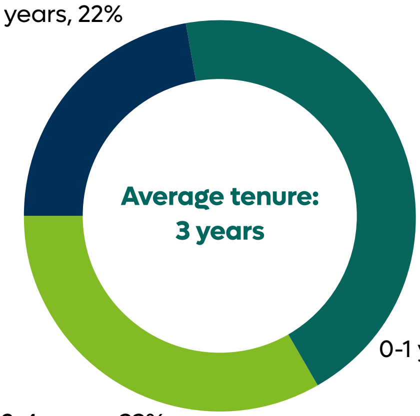
Board members diversity

By age*

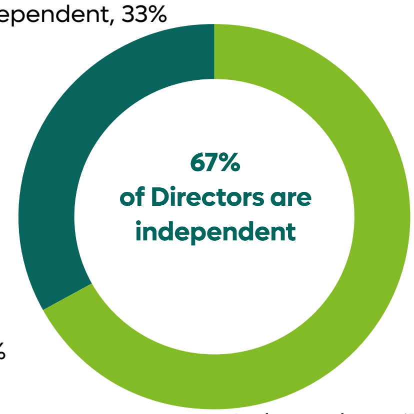


*Age as at 30 April 2024

By tenure



By independence



Operating Environment

Kenya

The International Monetary Fund (IMF) estimates that Kenya's economy grew by 5.5% in 2023 compared to 4.8% in 2022, supported by improved performance in the agriculture and services sectors, and the implementation of measures to boost economic activity in priority sectors by the Government.

The economy recorded strong growth in the third quarter of 2023, largely supported by the continued rebound of the agriculture sector and the strong performance of the services sectors. It grew by 5.9%, compared to 4.3% in a similar quarter in 2022. The agriculture sector continued to recover strongly, supported by favourable weather conditions. It grew by 6.7% compared to a contraction of 1.3% in a similar quarter of 2022. The services sector grew by 7.1% compared to 5.9% in a similar quarter of 2022.

Overall inflation in 2023 averaged 7.7%, compared to 7.6% in 2022 driven by higher food and energy prices. The highest inflation rate recorded during the year was 9.2% in February and March 2023 as food inflation hit 13.4%. By the end of the year, overall inflation had declined to 6.6%.

The Kenyan Shilling (Ksh.) depreciated by 26.8% to the US dollar from Ksh. 123.4 as at the end of 2022 to Ksh. 156.5 as at the end of 2023, compared to 9.0% depreciation in 2022. During the year, the shilling also depreciated against the Sterling Pound and the Euro by 34.6% and 32.4% respectively. The depreciation was mainly driven by increased demand for foreign currency for debt servicing and to settle import bills.

59.4%
Contribution to Group Revenue from KCBK

65.7%
Share of Total assets at KCBK

Diaspora remittance inflows grew by 4.0% to reach an all-time high of USD 4,190 million in 2023, compared to USD 4,028 million in 2022. The inflows were strong in December 2023, at USD 372.6 million, compared to USD 355.0 million in November, an increase of 5.0%. The US remains the largest source of remittances into Kenya, accounting for 56% in 2023. The usable foreign exchange reserves declined by 9.8% to USD 6.6 billion, equivalent to 3.54 months of import cover as of December 28.

The current account deficit is estimated at 3.9% of GDP, down from 5.0% in 2022. Goods exports declined by 2.2% on reduced coffee exports. Imports also declined by 10.6% compared to a growth of 7.3% in the prior year, on account of reduced imports across all categories except food. Tourist arrivals improved by 30.7% to reach 1.9 million in 2023.

The Central Bank Rate (CBR) averaged 10.1% in 2023, compared to an average of 7.7% in 2022. During the year, the Monetary Policy Committee (MPC) increased the CBR by 75 bps in March, 100 bps in June during the first special MPC meeting with the new CBK Governor, and 200 bps in December. Cumulatively, CBK increased CBR by 375 bps from 8.75% in December 2022 to close the year at 12.50%, compared to a 175 bps increase in 2022.

Our performance - KCBK	2023 Ksh. million	2022 Ksh. million
Total Income	98,101	92,750
Operating expenses	(39,785)	(35,279)
Net profit	25,410	34,736
Total assets	1,425,370	971,353

Our Footprint - KCBK	
Branches	206
ATMs	477
Agency outlets	17,504
POS/Merchant outlets	6,276
Staff	6,716
Vooma merchant outlets	1,100,586

Board of Directors - KCBK


Lawrence Njiru
Chairman


Geoffrey Malombe
Alternate to C. S. National Treasury


Simeon Rono


Njeri Onyango


Caroline Okongo


Joseph Muigai


Eunice Nyala


Kendi Ntwiga


Paul Russo, EBS


Annastacia Kimtai
Managing Director


Anne Nyongesa
Company Secretary

This significant tightening was aimed at containing currency depreciation, pass through to domestic inflation. Continued exchange rate depreciation had exerted upward pressure on domestic prices, thereby increasing the cost of living and reducing purchasing power. Additionally, the public sectors external debt service had risen, thereby offsetting some of the gains made by the Government's strong fiscal consolidation. Further, the weakening of the shilling had contributed to a significant increase in the Kenya shilling value of foreign currency, denominated debt.

During the year, the yields on the government bills were on an upward trajectory, with the yields on the 91-day, 182-day, and 364-day treasury bills increasing to average 15.8%, 15.9%, and 15.91% as at December 2023 from 9.4%, 9.8% and 10.3% in December 2022, respectively. The year was characterised by notable oversubscriptions on the 91-day bill and undersubscriptions for 182-day and 364-day bills. The yields on Treasury bonds also continued to increase, with an issue towards the end of the year of a 6.5-year infrastructure bond recording a weighted average interest rate of 17.9%.

Growth in private sector credit remained relatively stable at 13.9% in December compared to 13.2% in November. Strong credit growth was observed in manufacturing, transport & communication, trade, and consumer durables.

KCB Bank Kenya (KCBK) posted a 47% growth in its balance sheet to Ksh. 1.4 trillion, driven by new business lines and increased lending in the period. Total revenue increased by 6% to Ksh. 98 billion, driven by a

6.9%
Contribution to Group Revenue from NBK

7.4%
Share of Total assets at NBK

rise in interest income from the expanded loan book and non-funded income from increased digital transactions and trade finance. The Bank increased loan loss provisions by 193% to Ksh. 25 billion to build coverage for downgraded facilities and the defray currency translation impact on the foreign currency, denominated nonperforming loans. This led to a 27% drop in net profits in the year to Ksh. 25 billion.

NBK's total assets grew by 13% to Ksh. 161 billion driven by growth in customer deposits and increased lending under the MSME and consumer segments. Total revenue remained flat at Ksh. 11 billion due to increased commissions and fees, offset by a rise in interest expenses. Legal awards saw the subsidiary post a loss for the year, for the first time as a KCB subsidiary.

The loss ate into the Bank's capital base and thus would have necessitated further re-capitalisation to meet regulatory requirements. The Group assessed ways to resolve this state and opted to accept a binding offer to sell the subsidiary. The transaction is subject to regulatory approvals, and upon its successful completion, NBK will cease to be a subsidiary of the Group.

Our performance - NBK	2023 Ksh. million	2022 Ksh. million
Total Income	11,381	11,363
Operating expenses	(12,438)	(8,513)
Net profit/(loss)	(3,342)	718
Total assets	161,106	142,769

Our Footprint - NBK	
Branches	87
ATMs	100
Agency outlets	489
POS/Merchant outlets	-
Staff	1,528

Board of Directors - NBK


Jones Nzomo


Lina Githuka


Laban Omangi


Geoffrey Malombe


Paul Russo, EBS


George Odhiambo
Managing Director


Samuel Mundia
Company Secretary

Tanzania

3.8%
Contribution to Group Revenue

4.1%
Share of Total assets

The IMF estimates that Tanzania's GDP grew by 5.0% in 2023, compared to 4.7% in the prior year. In the first nine months of 2023, real GDP growth remained strong at 5.3%, compared to 5.2% in a similar period in 2022. Economic activities that significantly contributed to this growth include agriculture, financial and insurance, and mining and quarrying. The inflation rate at the end of 2023 declined to 3.0%, down from 4.8% in the prior year. Inflation averaged 3.8% in 2023, compared to 4.3% recorded in 2022. The Tanzanian shilling appreciated against the US dollar by 0.5% in 2023, reversing the depreciation by a similar margin that it registered in 2022.

The external sector faced headwinds from global shocks, but improved moderately. The current account deficit eased by 30 basis points to 5.1% of GDP on account of a significant decline in imports and an increase in foreign inflows from tourism, traditional exports, and grants. Foreign reserves remained adequate, amounting to USD 5.5 billion at the end of December 2023, equivalent to 4.5 months of import cover. The import cover was above the country's 4-month target and at par with the East African Community's convergence benchmark.

The 91-day Treasury bill averaged 5.2% in 2023, up from 2.9% in 2022. The Bank of Tanzania held the central bank rate steady at 5.0% throughout the year. The apex bank adopted a new monetary policy framework in January 2024, which will focus on targeting short-term interest rates rather than reserve money to control inflation and support economic growth.

The banking sector remained liquid, profitable, and adequately capitalised. The industry non-performing loans ratio declined to 4.3% in December 2023 from 5.8% in December 2022. A raft of new regulatory changes were effected in the year. These included capital adequacy regulations that mandate maintenance of adequate capital levels and a leverage ratio of at least 7%, and liquidity management regulations aimed at a progressive attainment of 100% liquidity coverage and stable funding ratios within a period of 54 months. In addition, changes aimed at data protection, contingency planning, beneficial ownership, business continuity, and cloud computing were also introduced.

KCB Bank Tanzania's total assets grew by 52%, while net profits doubled driven by increased earnings from both funded and nonfunded lines. The Bank registered increased uptake in its digital channels as evidenced by more transactions across merchant, internet, and mobile banking platforms. In 2024, the Bank will invest more in digital remittances and form strategic partnerships to maximize opportunities in the digital channels. We are also looking into further expansion through the establishment of six new branches in the next two years.

Our performance	2023 Ksh. million	2022 Ksh. million
Total Income	6,098	4,014
Operating expenses	(2,401)	(1,683)
Net profit	2,178	1,087
Total assets	88,595	58,427

Our Footprint	
Branches	16
ATMs	18
Agency outlets	491
POS/Merchant outlets	668
Staff	335

Board of Directors

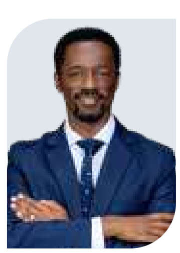
John Ulanga
Chairman

Santina Benson

Anuja Pandit

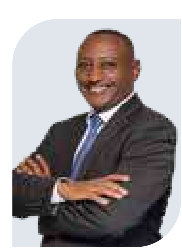
Fred Otieno

Jacqueline Woiso

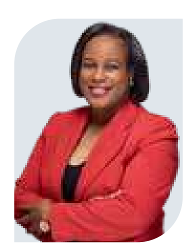


Anael Mshana

Rosalind Gichuru



Cosmas Kimario
Managing Director



Fridah Shirima
Company Secretary

South Sudan

The IMF estimates that South Sudan's GDP declined by 0.1% in 2023, compared to a 5.2% contraction in 2022. However, GDP growth is expected to rebound to 5.6% in 2024 and remain above 5% in the medium term. The oil sector is projected to continue driving growth on the supply side, while private consumption and investment are projected to do so on the demand side. Oil production has so far not been affected by the crisis in Sudan and is expected to increase, thus helping the country reduce its budget deficit. The country has also increased efforts on non-oil revenue collections in the recent past.

The overall inflation rate rose to 5.8% in December 2023 from a deflation of 11.6% in a similar period in 2022. This was driven by a rise in food prices. The fiscal balance is estimated at a surplus of 3.0% of GDP in 2023 and is projected to grow to a surplus of 6.8% in 2024 due to fiscal consolidation and higher global oil prices.

The current account balance is estimated to have registered a surplus of 2.3% of GDP in 2023 and is projected to sustain this trend with a surplus of 2.0% in 2024, reflecting higher oil export revenue. The country is set to hold elections towards the end of 2024, which are expected to be seamless.

The country's central bank began weekly auctions of US dollars in 2023 to boost market liquidity and contain the depreciation of the local currency. In the same year, the country's currency depreciated by 60% against the US dollar. The apex bank also issued a term deposit facility for banks to boost investment and help mop out excess liquidity.

1.7%
Contribution to Group Revenue

1.1%
Share of Total assets

KCB Bank South Sudan defended its position as the leading bank in the market by balance sheet size, customer base, and profitability. The Bank's total assets increased by 49% to Ksh. 24 billion. Net profit increased by 25% to Ksh. 1.2 billion, driven by increased funded and nonfunded income. The rise in funded income was due to the expanded loan book, while the increase in the nonfunded line was driven by higher commissions and fees. The Bank also registered impressive revenue growth from internet banking and mobile banking, though penetration remains low.

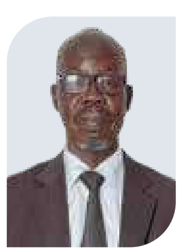
The Bank expanded its footprint in the year with the opening of the Yei Branch. It also sustained its strong footing as a partner of choice for non-governmental organizations (NGOs) operating in the country by offering cash-based transfer solutions for the World Food Programme and the United Nations High Commission for Refugees. In the medium term, the Bank will focus on digital channel penetration, SMEs, partnerships with FinTechs & Telcos, and increased NGO wallet share to drive growth.

Our performance	2023 Ksh. million	2022 Ksh. million
Total Income	2,672	1,675
Operating expenses	(938)	(604)
Net profit	1,170	938
Total assets	24,213	16,277

Our Footprint	
Branches	15
ATMs	14
Agency outlets	43
POS/Merchant outlets	23
Staff	208

Board of Directors


Gen(Rtd) Julius Karangi
Chairman


Yacoub Leju


Garang Akuong


Ahmed Mahmoud


Jaldesa Roba
Managing Director


Anne Nyongesa
Company Secretary

Rwanda

The IMF estimates that Rwanda's GDP growth slowed to 6.9% in 2023, down from 8.2% in 2022. Growth in the year was driven by the manufacturing, construction, transport, education, and trade sectors. The overall inflation rate declined to 6.2% in December 2023 compared to 31.7% in December 2022 on account of the ease in food prices. Annual average inflation, however, remained elevated at 20.4% in 2023, compared to 17.7% in 2022. The Rwandese Franc depreciated by 17.9% against the US dollar in 2023, compared to a depreciation of 6.0% in 2022.

The Monetary Policy Committee increased the Central Bank rate by 100 basis points to 7.5% in 2023. This was aimed at curbing inflation and stabilising the currency exchange rate. The rise raised domestic borrowing rates, a move that saw an increase in the deposit rates while commercial banks' lending rates remained stable averaging 16.25%. The yields on the 91-day, 182-day and 364-day treasury bills averaged 9.22%, 9.49% and 9.70% respectively in December 2023 up from 7.26%, 8.17% and 8.66% respectively in December 2022.

Rwanda has recently undergone various regulatory changes, encompassing compensation frameworks for banks, business continuity plans, consumer protection, data protection, and adherence to the Global Forum on Common Reporting Standard.

The country will hold its general election in July 2024. The elections are expected to be seamless, reinforcing the confidence and stability experienced during the past four elections. 2024 also marks 30 years since the 1994 Genocide Against the Tutsi, an event that is usually commemorated across the country in national and community-based events.

6.1%
Contribution to Group Revenue

4.8%
Share of Total assets

Our subsidiary in the market, BPR Bank Rwanda Plc, upgraded its core banking system during the year. The Bank also welcomed a new managing director and made progress in growing usage across its alternate channels as evidenced by a 126% increase in merchant acquiring transactions. The number of card issuing, and internet banking transactions also grew by 41% and 36% respectively.

Total assets grew by 13% to Ksh. 104 billion driven by a 35% growth in customer loans, financed by a 36% growth in customer deposits in the period. Net profit increased by 39% to Ksh. 2.8 billion driven by increase in interest income from the expanded loan book reinforced with higher non-funded income on the back of an increased number of transactions and foreign exchange income.

In 2024, the Bank will leverage the upgraded core banking system to enhance customer value propositions, drive uptake across digital channels, and optimise the branch network. BPR will also continue with efforts to fast-track digitization of personal banking as well as SME-based services, complete in-country card personalisation to ease turnaround time, and expand agency banking and merchant acquiring businesses.

Our performance	2023 Ksh. million	2022 Ksh. million
Total Income	9,686	8,394
Operating expenses	(4,361)	(3,952)
Net profit	2,811	2,023
Total assets	104,434	92,522

Our Footprint	
Branches	146
ATMs	76
Agency outlets	711
POS/Merchant outlets	343
Staff	1,139

Board of Directors

George Rubagumya
Chairman

Diana Haguma

Jean Malic Kalima

Dr. Alexis Nsengumuremyi

Pascal Nyiringango

Paul Russo, EBS

Patience Mutesi
Managing Director

Brice Manzi
Company Secretary

Uganda

The IMF estimates that Uganda's GDP growth slowed to 4.8% in 2023 from 6.3% in 2022 due to slower growth in the agricultural activities and services sector. GDP growth in the first nine months of the year stood at 4.2%, compared to 6.8% in the nine months of 2022. The overall inflation rate moderated to 2.6% in December 2023 from 10.2% in a similar period in 2022 due to good harvests and lower global commodity prices as the Uganda shilling remained relatively stable against other currencies. In 2023, inflation averaged 5.5%, compared to 7.2% in 2022. This moderation in inflation reflects tight monetary and fiscal policies and relative exchange rate stability.

The currency depreciated by 1.6% against the US dollar in the year largely due to offshore flows from Uganda to Kenya because of the infrastructure bond that was paying higher interest rates. During the year, the 91-day treasury bill averaged 9.98% compared to 8.67% in 2022. The Bank of Uganda (BOU) reduced the Central Bank Rate (CBR) by 50 basis points during the year to 9.5% from 10.0% at the beginning of the year, as the monetary policy tightening effects started transmitting through the economy as evidenced by declining inflation rates.

The money market remained tight, with money market rates trending in the upper CBR corridor. The 7-day interbank weighted average rate remained stable at 10.6% in the three months to November 2023 while the overnight rate marginally declined to 10.4% from 10.2% over the same period. Given the tight credit market conditions, credit growth in the private sector remained moderate and low by historical standards.

2.8%
Contribution to Group Revenue

2.4%
Share of Total assets

Total private sector credit growth stood at 7.8% in the three months to October 2023 from 7.3% in the three months to July 2023, largely driven by valuation changes for foreign exchange-denominated loans on account of the depreciation of the shilling.

The key focus in the regulatory space was aimed at closing the deficiencies in the Anti-Money Laundering Framework (AML) to ensure that Uganda is removed from the grey list of the Financial Action Task Force. Banks implemented actions to ensure compliance with the requirements of the AML Framework. These actions included capacity and competency building for bank officers, enhancing the monitoring of compliance with the AML framework through the deployment of applicable policies & leveraging on automation to track policy implementation, and updating the banks' customer database with beneficial ownership information. These culminated in Uganda's removal from the grey list in February 2024.

KCB Bank Uganda's balance sheet grew by 46% to Ksh. 52 billion, while net profits increased by 9% to Ksh. 1.1 billion, both supported by increased lending and customer transactions in the period.

Our performance	2023 Ksh. million	2022 Ksh. million
Total Income	4,397	2,851
Operating expenses	(2,078)	(1,609)
Net profit	1,141	1,043
Total assets	51,509	35,279

Our Footprint	
Branches	13
ATMs	15
Agency outlets	438
POS/Merchant outlets	267
Staff	323

Board of Directors


Constant Mayende
Chairman


Edgar Omoto


Caroline Okongo


Allen Asiimwe


Evelyn Namara


Dr. Joyce Tamale


Lawrence Kimathi


Edgar Byamah
Managing Director


Agnes Mayanja
Executive Director


Judy Mwangi
Company Secretary

Burundi

The IMF estimates Burundi's economy to have grown by 2.7% in 2023 compared to 1.8% in 2022, primarily driven by the secondary and tertiary sectors, as the economy continues to recover. However, shocks slowed down the recovery. Notably, rain delays and structural challenges at the end of 2022 impacted the first agricultural season of 2023. During the reminder of the year, the coffee sector, Burundi's main source of exports, rebounded strongly and supported growth.

Commerce and in-country distribution of agricultural products were disrupted by domestic fuel shortages as limited foreign exchange availability compounded high fuel import prices and supply chain issues. Nevertheless, a stronger economic recovery is projected for 2024, supported by strong agricultural production, productive investment, and ongoing reforms.

Inflation pressures persisted, with annual average inflation increasing in 2023 to average 27.1% from 18.8% in 2022, driven by higher food prices. Over the course of the year, there was a downward trend observed for inflation, though at a slow pace. The rate edged down to 20.1% in December 2023 from 20.4% in the preceding month as food inflation declined to 22.5% from 23.1%.

In July, the Executive Board of the IMF approved a 38-month arrangement under the Extended Credit Facility (ECF) with access to about USD 261.7 million. Discussions held during the mission covered macroeconomic and policy developments, progress towards reform implementation under the ECF-supported programme, and near-term macroeconomic prospects and policy plans.

1.0%
Contribution to Group Revenue

0.8%
Share of Total assets

The current account deficit remained large in 2023, at 13.3% of GDP, while foreign exchange reserves remained low, equivalent to 0.8 months of import cover at the end of 2023, owing to a high import bill. Strong remittance inflows, gold exports, the IMF's first ECF disbursement, and other donor financing helped to relieve current account pressures.

The Burundian Franc depreciated against the US dollar by 38.6% in 2023. The Burundian authorities have devised a roadmap towards external sustainability. The authorities adopted a new foreign exchange market regulation and several market liberalisation measures. Under the supervision of the IMF, the country's central bank allowed the currency to depreciate by 25.9% in May 2023 in a bid to reconcile the market and parallel rates and address growing external imbalances.

KCB Bank Burundi had a stellar year delivering a 10% growth in its balance sheet to Ksh. 18 billion, driven by loan and deposit growth across corporate, MSME, and mortgage segments. Net profits increased by 6% to Ksh. 639 million on the back of rising interest income from loan book growth, and non-funded income from commissions, and increased usage of digital channels. The number and volumes of digital transactions increased by 10% and 30%, respectively, leading to a 42% uptick in revenue from these channels.

Our performance	2023 Ksh. million	2022 Ksh. million
Total Income	1,665	1,533
Operating expenses	(636)	(622)
Net profit	639	600
Total assets	17,830	16,210

Our Footprint	
Branches	6
ATMs	8
Agency outlets	131
POS/Merchant outlets	45
Staff	167

Board of Directors

Joseph Muigai
Chairman

Christian Nibasumba

Margaret Kositany

Lawrence Njiru

Yvette Munkurize

Japheth Achola

Masika Mukule
Managing Director

Democratic Republic of the Congo

The IMF estimates that GDP growth for the Democratic Republic of the Congo (DRC) slowed to 6.1% in 2023 compared with 8.8% in the preceding year. Despite this slowdown, the DRC remained one of the fastest growing countries in the East African Community. Growth remains resilient, driven by robust mining activity. Cumulative copper exports grew in the year, while cobalt exports declined marginally due to slowdown in prices and demand. This drop, coupled with a decline in windfall taxes, led to a revenue shortfall widening the fiscal deficit to 2.2% of GDP from 0.5% in 2022.

The Congolese Franc depreciated by 32% against the US dollar in the year, fueling inflation and triggering policy actions by the central bank, Banque Centrale du Congo (BCC). The depreciation passed through to domestic prices, causing inflation to rise to an average of 19.9% in 2023. In response, BCC raised the policy rate to 25.0% by the end of 2023 compared to 8.3% in a similar period in 2022.

The BCC issued a raft of instructions on the back of the revised Banking Law of December 2022. These include instructions on conditions for the approval of credit institutions, their directors, and the amendment of their statutory status. The key requirement is that banks must have at least four shareholders, associates, or members each holding a minimum of 15% of the share capital. Other instructions were on corporate governance of credit institutions and prudential management standards.

Our DRC subsidiary, Trust Merchant Bank (TMB), posted strong results for the year. TMB is KCB's largest subsidiary outside of Kenya and the second largest overall after KCB Bank Kenya. Total assets grew by 33% to Ksh. 279 billion. Net profits increased to Ksh. 6 billion in 2023 from a net loss of Ksh. 291 million in the one month that TMB was part of the Group in 2022. The impressive performance was due to strong funded and nonfunded revenue growth. The growth across the funded income lines was driven by higher interest income from increased lending and improved yields on placements. Customer activity registered strong momentum and raised non-interest income to Ksh. 10 billion, and expanded customer deposits by 36% to Ksh. 255 billion.

The Bank continued to be a market leader in mobile banking and leasing solutions. It remains the only commercial bank in the DRC that offers leasing products. The Bank's leasing portfolio, focused on agriculture, mining, and construction services increased by more than 50%, as measured by deal numbers in 2023. In addition, one in five bank accounts in the DRC is held by TMB and its Pepele mobile banking solution was the first and remains the leading mobile banking service in the DRC.

16.2%
Contribution to Group Revenue

12.8%
Share of Total assets

Our performance	2023 Ksh. million	2022 Ksh. million
Total Income	25,771	2,323
Operating expenses	(13,701)	(1,505)
Net profit/(loss)	6,273	(291)
Total assets	278,759	210,225

Our Footprint	
Branches	108
ATMs	89
Agency outlets	3,621
POS/Merchant outlets	669
Staff	1,804

Board of Directors


Robert Levy
Chairman


Christian K. Mwamba


Bernard de Gerlache


Paul Russo, EBS


Oliver Meisenberg
Managing Director


Alexandre Mandeiro
Executive Director


Daniel K. Ilunga
Executive Director


Yannick M. Ngandu
Executive Director

Célestin Tshibwabwa

Reflections from the Group Chief Executive Officer

Dear Shareholders,

The past two years have been exciting for me as I set out to deliver on the mandate by the Group Board upon my appointment in May 2022. I was tasked with steering KCB Group with a focus on long-term sustainability anchored on customer obsession and delivering value to you, our shareholders.

Over this period, I have spent a number of days on the road meeting some of you. I have equally engaged with hundreds more through our quarterly earnings calls and a larger number during our previous Annual General Meeting. Throughout these engagements, we have had candid conversations about the strategic direction of our Group. These discussions have served to not only inform but also validate the actions we have taken to protect our shareholder value.

Throughout these conversations, we always struck a consensus on the relevance of our long-term ambitions. Consistently, we were challenged to hasten the pace of resolving asset quality and bolster the capital buffers at KCB Bank Kenya (KCBK) and National Bank of Kenya (NBK).

These engagements provide context for my annual update to you this year. As I write these reflections, I have in mind that we have just announced our 2023 full year results, where we delivered a mixed set of performance as we surpassed our guidance in balance sheet growth, while falling short in profit growth on the back of increased cost of funds and provisioning. However, we delivered strong revenue growth, which gives us the confidence as we look into the future.

Keeping my commitment

Before I delve into the performance, I would like to highlight to you the commitment I made in my debut address last year. I promised you our full focus to deliver on our strategy in 2023, underpinned by the execution of customer obsession actions, new bank customer acquisition, deepening cross-selling, accelerating digital to the core agenda, enhancing operational efficiency, driving prudent asset quality management, and delivering a tangible culture transformation.

I therefore would like to focus my reflections this year on the key pillars, to give you an update on the progress we made on these fronts, acknowledge the few areas where we fell short, and give colour to the steps we are taking to address them.

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Winning for the customer

During the year, we made concerted efforts to embed customer obsession across the Group. We ensured that the Bank was closer and more connected to our customers. I led customer engagement sessions across the region, meeting key corporate and retail customers. Feedback from these sessions enabled us to deliver more tailor-made products, enhance the customer value proposition of our existing products, and leverage digitisation to reduce customer pain points. This improved of our net promoter score by 5 points to 61 and lowered our customer effort score by 700 basis points (bps) to 13%.

During the year, we also launched our brand campaign, dubbed Opening Doors of Opportunity. It symbolised our powerful vision of reimagining the future, where we stand united, sharing a common mission to uplift lives, empower dreams, and create a positive impact.

Delivering on our beyond banking strategy in 2023 was hinged on new-to-bank customer acquisition, cross-selling of products, being digital to the core, and enhancing operational efficiency. In our corporate segment, we signed up 171 new corporate relationships, backed by our market-leading solutions and strong supportive talent. In addition, we facilitated more businesses, especially in trade finance, borne out of new and existing relationships. This increased our trade finance book four-fold to Ksh. 526 billion, the largest in the region. Across our retail segment, we onboarded more than five million new customers, especially youth and MSME businesses, all drawn by our superior customer value proposition, regional coverage and committed colleagues.

Our revolutionary Female-Led & Made Enterprises (FLME) proposition redefined the Kenyan financial services landscape in terms of inclusive banking. Our engagements to fire up FLME provided a supportive platform for women to start and grow their own businesses, fostering economic independence and gender equality. We set aside Ksh. 250 billion to fund women entrepreneurs in five years, and within a year, we had already disbursed over Ksh. 115 billion, obliterating our annual target of Ksh. 50 billion.

FLME is a 360° intervention platform that seeks to fill the financing gap by creating solutions for women entrepreneurs that are flexible, accessible, and affordable. It seeks to grow the base of female entrepreneurs specifically through offering more unsecured lending to address the challenges that most female customers cite as the major impediments to financing. The offer also prioritises non-financial solutions through capacity-building programmes, trainings, workshops, mentoring, coaching, and networking opportunities.

We also re-introduced our mortgage unit as a distinct business segment. The unit will work to drive the delivery of housing, both on the demand and supply sides. It will also mobilise green funding towards affordable housing, promote private and public sector collaboration, and champion the adoption of best sustainability practices in housing.

Through these initiatives and more, we grew our loan book by Ksh. 238 billion to cross Ksh. 1.1 trillion, the largest in the region. This is a testament

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to our resolve to give households and businesses the financial impetus they need to succeed.

Progress in regional businesses

The contribution of Group businesses outside of KCBK to the overall profits grew to 36.7% from 17.0% in 2022, a confirmation that our regional expansion is paying off. It also validates our move to strengthen governance across these subsidiaries; through investment in technology and the development of products over the strategy period.

During the year, we also leveraged Group capabilities through the syndication of facilities and tapping on centres of excellence to drive operational efficiency. We automated over 140 accounts that were previously manually reconciled and thus enabling centralised oversight and enhanced risk management environment. We also optimized 30 processes in various businesses. In addition, we laid the groundwork for the setup of a Group treasury function to coordinate the management of the Group's investment portfolios, asset and liability, liquidity and funding, interest rate risk, balance sheet optimisation, and capital management. The unit will also drive FX trading and coordinate new products & solutions across the Group. This culminated in the recruitment of Anthony Mulisa as Group Treasurer in the first quarter of 2024.

In 2023, we completed the repositioning of our asset management and investment banking businesses to enable them to better tap into the existing synergies that will drive business growth. The two subsidiaries had a stellar year, backed by the rollout of new products and the wider market access offered by our wide footprint. Our asset management business registered a 10% increase in profit before tax to Ksh. 43 million, while our investment banking arm delivered a 151% growth, yielding Ksh. 118 million.

Our bancassurance intermediary had an exceptional year. Gross written premiums grew by 28% driven by digitisation and transformative partnerships to develop and roll out innovative products. During the year, we expanded our reach through increased distribution of new life products on education, endowment, and last expense. We also onboarded two insurance products to the KCB App - student personal accident and motor insurance covers - bringing in over Ksh. 100 million in gross written premiums.

Digital to the core

Automation of key processes, rollout of more products on our self-serve channels, and review of loan application processes continued to support our customer obsession and helped reduce friction. A number of digital initiatives in the year helped to ease customer efforts to serve and promote loyalty. These included the migration of salary advance products to our Vooma platform; the use of robotics to speed up reconciliation, auto reversals, and credit reference bureau clearance processes; and the deployment of data-driven algorithms to facilitate automated identification and scoring of new customers for credit.

During the year, the total number of transactions conducted across our non-branch channels increased by 44% reaching a billion transactions for the first time. This represented 99% of all transactions across our touchpoints, availing unmatched convenience for our customers while driving financial inclusion and resulting in cost savings for both our customers and the Bank. The total value of these transactions increased by 31% to Ksh. 6.4 trillion, equivalent to 59% of the value of transactions that KCB processed in 2023.

Mobile loan disbursements also grew by 77% to reach Ksh. 337 billion, the highest we have ever disbursed on mobile, including during the pre-COVID-19 period. This was driven largely by data-driven enhanced limits and new mobile loan solutions for small businesses. Cumulatively, the Bank has disbursed over Ksh. 1.05 trillion on mobile in the past five years.

Addressing our nonperforming portfolio

During the year, asset quality remained constrained. Whereas our plans to resolve these non-performing loans remain robust, they were slowed by legal hurdles as well as a tough macroeconomic environment. The strain was mainly experienced by customers in the corporate segment. Our retail segment, equivalent to a third of our loan book, grew by 15% in 2023 to cross Ksh. 400 billion with a single digit NPL ratio.

Overall, the 17.3% NPL ratio is driven by the top 20 nonperforming corporate names and the impact of the translation of the foreign currency portion of the nonperforming book. The main strained sectors are manufacturing, real estate, building and construction, and trade. We continue with efforts to resolve these NPLs as enumerated by our Group Finance Director on page 50 and we are confident of making stronger headway in 2024, supported by the improving operating environment.

Capital adequacy

Over the course of the year, capital adequacy at KCBK and NBK remained a concern. It is notable that KCBK paid dividends to the Group for the acquisition of TMB, while NBK was impacted by a court ruling on a specific legal case. Strong organic capital generation from profits at KCBK led to a 33% growth of core capital to Ksh. 114 billion, resolving capital concerns at the bank. This effectively means that KCBK's core capital is back at the levels it was at before the bank bankrolled the acquisition of TMB and funded its statutory loan loss reserves in 2022. KCBK's capital base is now higher than it has ever been. The organic growth of KCBK's capital supported a 23% increase in risk-weighted assets to Ksh. 972 billion, with headroom to spare.

To further bolster the capital position at KCBK, we opted to pause dividends in 2023 to preserve capital and support measures to improve the core capital to risk-weighted assets buffer from the current 130 bps to a minimum of 200 bps in 2024. In addition, we will explore borrowing options, including Tier II debt, in the course of 2024 to further boost KCBK's total capital position and support the overall liquidity of the bank.

For NBK, we signed a binding agreement to sell our 100% shareholding in the bank. This transaction represents what I believe is a great opportunity to maximise value for our shareholders while strengthening the competitive position of the Group. The past four years have been defining for NBK as a KCB Group subsidiary. Over this period, we made significant progress in strengthening the bank across various fronts. This includes reducing the non-performing loans ratio from 51% to 25%, growing total annual revenue from Ksh. 8 billion to Ksh. 11 billion, and increasing total assets from Ksh. 112 billion to Ksh. 161 billion.

However, the consequences of the legal case called for an additional capital injection. To this end, and having received a good offer, the Group Board made the decision to offload NBK. We are committed to closing the transaction within nine months from the date of the announcement.

Sustainability

We place a strong emphasis on operating sustainably and dedicate significant resources to support our customers in integrating sustainable practices into their own operations. In the period, we availed more green financing to our customers, growing the proportion of these facilities in our portfolio to 15%, placing us on track to our target of 25% by 2025. In addition, we participated in the country's first syndicated sustainability linked loan, financed e-mobility solutions, and rolled out clean energy solutions for schools, supported by partial grants from our Foundation.

Within our own premises, we ensured resource efficiency through the installation of energy-efficient lighting. In addition, two of our branches are now running on solar energy as a successful pilot initiative and we plan to roll out to another 19 by 2025. We enhanced the screening of our loans through our environmental and social due diligence processes to ensure that we work with our customers to identify and mitigate any potential risks. During the year, loans valued at Ksh. 615 billion underwent this screening.

Further, we have made significant progress towards lowering our carbon footprint. Overall, we have reduced our greenhouse gas emissions by 28% from a 2019 baseline. We will take further measures to continue on this path, with a target to be a net zero, carbon-emitting, tree growing company by 2050. To accelerate this, we are participating in carbon offsetting initiatives such as tree-growing in partnership with schools. In 2023, we planted over 300,000 trees, and our goal is to plant over 1.2 million trees in the next five years.

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Social investments

The KCB Foundation delivered several impactful interventions as part of our commitment to drive the creation of shared value. During the year, these interventions were hinged on driving youth employment creation through our 2Jiajiri flagship programme, supporting smallholder livestock farmers through Mifugo ni Mali and availing much-needed high school and tertiary scholarships for bright students from vulnerable backgrounds among other key initiatives.

Under 2Jiajiri, the Foundation created over 13,000 jobs and supported 1,216 businesses, reaching over 16,500 households and impacting over 82,000 people. Under the Mifugo ni Mali programme, we supported 120 farmer producer organisations (FPOs) with a membership of over 44,000 livestock producers in various capacity-building initiatives, including business planning, livestock insurance, credit preparedness, and pasture establishment. The Foundation also supported these FPOs to construct and rehabilitate three market centres, link with product off-takers and conduct trade fairs, earning these farmers over Ksh. 318 million in sales during the year.

The scholarship programme continued to make an impact by availing 1,092 and 231 high school and tertiary scholarships, respectively to students from needy families across all counties in Kenya. 22% of these high school scholarships were awarded to teen mothers, persons with disabilities, and survivors of harmful cultural practices. Notably, the transition rate to the university stands at 98%. In the same year, we also introduced an athlete's programme with the first cohort of 50 student athletes benefiting from these high school scholarships.

Organisation culture

When our predecessor bank opened its first branch at the Kenyan coast, its promoters understood and evidently so, that they were laying down a foundation that would usher in a bank with a significant presence in key sectors of the country's economy. They engrained this purpose into our core mission, and over time, even as the company evolved based on business developments, it has always retained this core identity for more than a century. That identity is one that prioritises the people it serves, best captured in our purpose: For People. For Better.

Breathing life into this new purpose was the hallmark of our focus in the year to deliver a tangible cultural transformation. We engaged with colleagues across the region on what this culture means to them and how best they can ensure that it is engrained in how we operate as KCB.

We also carried out a Group-wide Organisational Health Index (OHI) survey to assess the status of our ability to sustain our culture change journey and sustain a culture of leadership, customer obsession, execution, and performance at all levels. We were able to achieve an impressive Group response rate of 84%, and our Group OHI score stood at 80, an improvement of 1 point since the 2021 survey, reaffirming our place in the top quartile.

From the survey, I was pleased to note that the Group's core strengths of direction, capabilities, accountability, coordination, and control continue to remain strong within the top decile. However, there is more that we need to do to keep motivation on par even with the progress made thus far. This is why we are investing more in building a talent bank and ensuring that our employees feel valued and have a path to career development.

I am pleased to note that, as a result of these initiatives, the number of employees promoted in 2023 doubled compared to those promoted in the prior year. I am equally pleased to note that, as a result of our deliberate efforts to entrench diversity and inclusion at the workplace, the proportion of female employees in the organisation rose to 51% in 2023. We also packaged and delivered a voluntary early retirement programme for 362 staff across the Group. In addition, organic and inorganic business growth availed us an additional 4,700 new roles, which we filled both internally and with external hires to refresh the organisation. This mix of internal and external hires was also evident in the senior roles filled during the year.

Internally, we recruited the Managing Director for KCB Bank Kenya, the Group Regional Businesses Director, KCB Bank Kenya's Treasurer, the KCB Bank Kenya Mortgage Division Director, and the KCB Bank Kenya Retail Banking Director.

Externally, we recruited the Group Treasurer, the Group Chief Technology Director, the KCB Investment Bank Managing Director, the KCB Bank Kenya Corporate Director, KCB Bank Kenya's Finance Director, and KCB Foundation's Managing Director. We are in search of the Group Shared Services and the Group Strategy & Innovation Directors which we intend to close by the end of the second quarter of this year.

Outlook

We are upbeat about the prospects in our markets. Moreso, we seek to leverage the strong relationships we have built and our strong brand to drive growth in the medium term, guided by our new 2024–2026 strategy dubbed Transforming Today Together. The strategy is anchored on four strategic thrusts to enable us to achieve our purpose. These are delivering customer-centered value propositions; leveraging Group capabilities for efficient scale; taking digital leadership; and optimising data and analytics.

Delivery of this new strategy will hinge on driving excellence by fostering a culture of innovation and swift execution; technology evolution through building future-ready capabilities; risk resilience by managing emerging threats; and sustainable citizenship by integrating priority sustainable development goals. We will leverage our technology, people, and partnerships, coupled with intentionally building relationships with our customers, to power growth. We continue to invest in our employee value proposition, with the aim of supporting them to thrive inside and outside the workplace.

Together, and through the diligent implementation of this strategy, we will deliver strong growth, resolve non-performing loans, and entrench an enabling culture in the organisation to truly position the Group as the undisputed leader in the region.

Finally, we are confident of delivering strong returns to our shareholders. This is what we are committed to.

Paul Russo, EBS
Group Chief Executive Officer

Taarifa kutoka kwa Afisa Mkuu Mtendaji

Wapendwa Wenyehisa,

Miaka miwili iliyopita imekuwa ya kusisimua kwangu kwani niliazimia kutekeleza jukumu la Bodi ya Kampuni baada ya kuteuliwa mnamo Mei 2022. Nilipewa jukumu la kuongoza Kampuni ya KCB kwa kulenga uendelevu wa muda mrefu unaotegemea shauku ya wateja na kuwapa thamani, wenyehisa wetu.

Katika kipindi hiki, nimetumia siku kadhaa barabarani nikikutana na baadhi yenu. Nimejihusisha kwa usawa na mamia zaidi ya watu kupitia simu zetu za mapato za kila robo mwaka, na idadi kubwa wakati wa Mkutano wetu Mkuu wa Mwaka uliopita. Katika shughuli hizi zote, tumekuwa na mazungumzo ya wazi kuhusu mwelekeo wa kimkakati wa Kampuni yetu. Majadiliano haya yamesaidia sio tu kufahamisha, bali pia kuthibitisha hatua ambazo tumechukua kulinda thamani ya wanahisa wetu.

Katika mazungumzo haya, kila mara tulifikia makubaliano kuhusu umuhimu wa malengo yetu ya muda mrefu. Mara kwa mara, tulipata changamoto ya kuharakisha kasi ya kusuluhisha ubora wa mali na kuimarisha akiba za mtaji katika KCB Bank Kenya (KCBK) na National Bank of Kenya (NBK).

Mashirikiano haya yanaandaa muktadha wa taarifa yangu ya kila mwaka kwenu mwaka huu. Ninapoandika mawazo haya, ninakumbuka kwamba tumetoka tu kutangaza matokeo yetu ya mwaka mzima wa 2023, ambapo tulitoa matokeo mseto ya utendaji huku tukipita mwongozo wetu katika ukuaji wa mizania, huku tukipungukiwa na ukuaji wa faida kutokana na ongezeko la gharama ya fedha na utoaji wa vitu. Hata hivyo, tuliwasilisha ukuaji dhabiti wa mapato ambao unatupa imani tunapoangazia siku zijazo.

Kutimiza ahadi yangu

Kabla ya kuingia kwenye utendakazi, ningependa kukuangazia kuhusu ahadi niliyotoa katika hotuba yangu ya kwanza mwaka jana. Niliwaahidi lengo letu kamili la kutimiza mkakati wetu wa 2023, unaotegemea utekelezaji wa vitendo vya shauku ya wateja, kupata wateja wapya kwenye benki, kuongeza kabisa mauzo ya bidhaa zinazoendana na zetu, kuongeza kasi ya kidijitali hadi ifikie ajenda kuu, kuimarisha ufanisi wa uendeshaji, kuendesha usimamizi wa ubora wa mali, na kuleta mabadiliko ya kitamaduni yanayoonekana.

Kwa hiyo, ningependa kuelekeza mawazo yangu mwaka huu kwenye nguzo muhimu, ili kukupa taarifa ya maendeleo tuliyofanya katika sehemu hizi, kutambua maeneo machache tuliyopungukiwa, na kufafanua hatua tunazochukua kuzishughulikia.

Kushinda kwa ajili ya mteja

Katika mwaka huo, tulichukua juhudi za pamoja ili kupachika shauku ya wateja katika Kampuni zima. Tulihakikisha kwamba Benki iko karibu na imeunganishwa na wateja wetu. Niliongoza vikao vya kushirikisha wateja katika eneo zima, nikikutana na wateja wakuu wa biashara na rejareja. Maoni kutoka kwa vikao hivi yalituwezesha kuwasilisha bidhaa zaidi zilizoundwa kuwalenga wateja, kuboresha pendekezo la thamani ya mteja katika seti ya bidhaa zetu zilizopo na kuongeza uwekaji kidijitali ili kupunguza matatizo ya kila mara ya wateja. Hili lilisababisha kuboreshwa kwa alama yetu ya uwezekano wa mteja kutupendekeza kwa pointi 6 hadi 62 na kupunguza alama yetu ya juhudi za mteja kusuluhisha jambo nasi kwa pointi 700 za msingi (bps) hadi 13%.

Katika mwaka huo, pia tulizindua kampeni yetu ya chapa iliyopewa jina la Kufungua Milango ya Fursa. Ilionyesha maono yetu ya nguvu ya kufikiria upya siku zijazo, ambapo tunasimama kwa umoja, tunashiriki dhamira moja ya kuinua maisha, kuwezesha ndoto, na kuunda matokeo chanya.

Kufanikisha mkakati wetu wa kutoa huduma za zaidi ya shughuli za benki mwaka wa 2023 kulitegemea kupata wateja wapya wa benki, uuzaji wa bidhaa zinazoendana na zetu, kuendesha shughuli zote kidijitali na kuimarisha ufanisi wa utendakazi. Katika sehemu yetu ya shirika, tulisaini mahusiano mapya 171 ya shirika, yakiungwa mkono na suluhu zetu zinazoongoza sokoni na vipaji dhabiti vya usaidizi. Isitoshe, tuliwezesha biashara zaidi hasa katika ufadhili wa biashara kutokana na mahusiano mapya na yaliyopo. Hii iliongeza kitabu chetu cha fedha za biashara mara nne hadi Ksh. bilioni 526, kikubwa zaidi katika ukanda huu. Katika sehemu yetu ya rejareja, tulisajili zaidi ya wateja wapya milioni tano, hasa biashara za vijana na za MSME, zote zikiwa zimeletwa na pendekezo letu la thamani kubwa ya wateja, huduma za kikanda na wafanyakazi wenzetu waliojitolea.

Pendekezo letu la kimapinduzi la Biashara Zinazoongozwa na Kutengenezwa na Wanawake (Female Led & Made Enterprises, FLME) lilifafanua upya hali ya huduma za kifedha nchini Kenya katika masuala ya huduma jumuishi za benki. Mashirikiano yetu ya kuasisi FLME yalitoa jukwaa la usaidizi kwa wanawake ili kuanzisha na kukuza biashara zao wenyewe, huku yakikimu uhuru wa kiuchumi na usawa wa kijinsia. Tulitenga Ksh. bilioni 250 la kufadhili wajasiriamali wanawake katika miaka mitano, na ndani ya mwaka mmoja, tayari tumetoa zaidi ya Ksh. bilioni 115 na kufutia mbali lengo letu la kila mwaka la Ksh. bilioni 50.

FLME ni jukwaa la kuingilia kati la 360° linalotaka kujaza pengo la ufadhili kwa kuunda masuluhisho kwa wajasiriamali wanawake ambayo yanaweza kubadilika, kufikiwa na ni ya bei nafuu. Inalenga kukuza msingi wa wajasiriamali wa kike hasa kwa kutoa mikopo zaidi isiyo ya dhamana ili kutatua changamoto ambazo wateja wengi wa kike wanataja kama kikwazo kikuu cha ufadhili. Ofa hiyo pia inatanguliza suluhu zisizo za kifedha kupitia fursa za programu za kujenga uwezo, mafunzo, warsha, ushauri, kufundisha na kufahamiana na wengine.

Kadhalika, tulianzisha tena kitengo chetu cha rehani kama sehemu tofauti ya biashara. Kitengo hicho kitafanya kazi ili kuwezesha utoaji wa nyumba, kwa upande wa mahitaji na usambazaji. Pia kitahamasisha viwango vya mzunguko wa fedha kuelekea nyumba za gharama nafuu, kukuza ushirikiano wa sekta ya kibinafsi na ya umma na kutetea upitishaji wa mbinu bora za uendelevu katika nyumba.

Kupitia juhudi hizi na zaidi, tulikuza kitabu chetu cha mikopo kwa Ksh. bilioni 238 ili kuvuka Ksh. trilioni 1.1, kikubwa zaidi katika ukanda huu. Huu ni ushuhuda wa azimio letu la kuzipa kaya na biashara msukumo wa kifedha wanaohitaji ili kufanikiwa.

Maendeleo katika biashara za kikanda

Mchango wa biashara za Kampuni nje ya KCBK kwenye faida za jumla ulikua hadi 36.7% kutoka 17.0% mnamo 2022, hali ambayo ni uthibitisho kwamba upanuzi wetu wa kikanda unalipa. Aidha, unathibitisha hatua yetu ya kuimarisha utawala katika kampuni tanzu hizi, uwekezaji katika teknolojia na maendeleo ya bidhaa katika kipindi cha mkakati

Katika kipindi cha mwaka, tulisawazisha uwezo wa kampuni kupitia kwa vyombo vya miigo na kuteka maarifa kutoka kwa vituo vinginezo ili kuimarisha utendakazi. Tulizishughulikia kiotomatiki zaidi ya akaunti 140 ambazo awali ziliendeshwa kwa njia ya kawaida. Hatua hii ilifanikisha usimamizi bora na kujenga mazingira muafaka ya kupunguza hatari ya kibiashara. Kadhalika, tuliwezesha michakato 30 katika biashara zetu mbali mbali.Zaidi ya hayo, tuliweka msingi wa uanzishaji wa kazi ya hazina ya Kampuni ili kuratibu usimamizi wa orodha za fedha za uwekezaji wa Kampuni, mali na dhima, ukwasi na ufadhili, hatari ya viwango vya riba, uboreshaji wa mizania na usimamizi wa mtaji. Hii ilifikia kilele katika kuajiriwa kwa Anthony Mulisa kama Mwekahazina wa Ukanda wa Kampuni katika robo ya kwanza ya 2024.

Mnamo 2023, tulikamilisha kuweka upya usimamizi wa mali zetu na biashara za benki za uwekezaji ili kuziwezesha kutumia vyema mashirikiano yaliyopo ambayo yatachochea ukuaji wa biashara. Kampuni tanzu hizo mbili zilikuwa na mwaka mzuri sana ulioungwa mkono na uzinduaji wa bidhaa mpya na ufikiaji mpana wa soko unaotolewa na nyayo zetu nyingi. Biashara yetu ya usimamizi wa mali ilisajili ongezeko la 10% la faida kabla ya ushuru hadi Ksh. milioni 43 huku kitengo chetu cha benki ya uwekezaji kilileta ukuaji wa 151% na kuzalisha Ksh. milioni 118.

Wakala wetu wa uhusiano wa benki na bima alikuwa na mwaka wa kipekee. Malipo ya jumla yaliyoandikwa yalikua kwa asilimia 28 yakiendeshwa na uendeshaji wa shughuli kidijitali na ubia wa kuleta mabadiliko ili kuendeleza na kuanzisha bidhaa bunifu. Katika mwaka huo, tulipanua ufikiaji wetu kupitia kuongezeka kwa usambazaji wa bidhaa mpya za maisha kuhusu elimu, maisha na gharama za mazishi. Aidha, tulijumuisha bidhaa mbili za bima kwenye programu ya KCB - bima ya ajali ya kibinafsi ya mwanafunzi na bima ya gari - zikileta zaidi ya Ksh. milioni 100 katika malipo ya jumla yaliyoandikwa.

Huduma za kidijitali hadi kwenye msingi

Uendeshaji wa michakato muhimu kiotomatiki, uzinduaji wa bidhaa zaidi kwenye vituo vyetu vya kujihudumia na uhakiki wa michakato ya kutuma maombi ya mkopo uliendelea kuhimili shauku yetu ya wateja na kusaidia kupunguza msuguano. Mipango kadhaa ya kidijitali mwaka huo ilisaidia kurahisisha juhudi za wateja ili kuhudumia na kukuza uaminifu. Hii ilijumuisha uhamishaji wa bidhaa ya mishahara ya mapema kwenye jukwaa letu la Vooma; matumizi ya robotiki ili kuharakisha upatanisho, urejeshaji wa pesa kiotomatiki na michakato ya ofisi ya marejeleo ya mikopo ya kuondoa vizuizi vya mikopo; na uwekaji wa algoriti zinazoendeshwa na data ili kuwezesha utambuzi wa kiotomatiki na kupata wateja wapya kwa mkopo.

Katika mwaka huo, jumla ya idadi ya miamala iliyofanywa katika vituo vyetu visivyo vya tawi iliongezeka kwa 44% na kufikia miamala bilioni moja kwa mara ya kwanza. Hii iliwakilisha 99% ya miamala yote kwenye mawasiliano yetu na wateja, na kuleta urahisishaji usio na kifani kwa wateja wetu huku tukitekeleza ujumuishaji wa kifedha na kusababisha uokoaji wa gharama kwa wateja wetu na Benki. Jumla ya thamani ya miamala hii iliongezeka kwa 31% hadi Ksh. trilioni 6.4, sawa na 59% ya thamani ya miamala ambayo KCB ilichakata mwaka wa 2023.

Utoaji wa mikopo ya simu pia ulikua kwa 77% na kufikia Ksh. bilioni 337, kiwango cha juu zaidi ambacho tumewahi kutoa kwenye simu, ikijumuisha kipindi cha kabla ya COVID-19. Hii kwa kiasi kikubwa iliwezeshwa na vipimo vya mikopo vilivyoimarishwa vinavyotokana na data na suluhu mpya za mkopo wa simu kwa biashara ndogo ndogo. Kwa jumla, Benki imetoa zaidi ya Ksh. trilioni 1.05 kwenye mikopo ya simu katika kipindi cha miaka mitano iliyopita.

Kushughulikia fedha zetu zilizowekwa kwa faida na hazileti faida

Katika mwaka huo, ubora wa mali ulibakia kuwa mdogo. Ingawa mipango yetu ya kutatua mikopo hii ambayo haijalipwa inasalia kuwa thabiti, ilipunguzwa kasi na vikwazo vya kisheria pamoja na mazingira magumu ya uchumi mkuu. Shida hiyo ilishuhudiwa pakubwa na wateja katika sehemu ya ushirika. Sehemu yetu ya reja reja, sawa na theluthi moja ya orodha yetu ya maelezo ya mikopo, ilikua kwa 15% mnamo mwaka wa 2023 hadi kufikia Ksh. bilioni 400 kwa uwiano wa mikopo ambayo haijalipwa wa tarakimu moja.

Kwa ujumla, uwiano wa mikopo ambayo haijalipwa wa 17.3% unaendeshwa na majina ya mashirika 20 ambayo hayalipi mikopo na athari ya tafsiri ya sehemu ya fedha za kigeni ya orodha ya mikopo ambayo hailipwi. Sekta kuu zilizo na shida ni viwanda vya utengenezaji, biashara ya nyumba, majengo na ujenzi na biashara. Tunaendelea na juhudi ili kusuluhisha mikopo hii ambayo haijalipwa kama ilivyoorodheshwa na Mkurugenzi wa Fedha wa Kampuni yetu kwenye ukurasa wa 50 na tuna uhakika kwamba tutapiga hatua kubwa zaidi mwaka wa 2024, tukisaidiwa na kuboreshwa kwa mazingira ya uendeshaji.

Utoshelevu wa mtaji

Katika kipindi cha mwaka huo, utoshelevu wa mtaji katika KCBK na NBK ulisalia kuwa wasiwasi. Inafahamika kuwa KCBK ililipa mgao kwa Kampuni ili kupata TMB huku NBK iliathiriwa na uamuzi wa mahakama kuhusu kesi mahususi ya kisheria. Uzalishaji mkubwa wa mtaji kutoka kwa faida katika KCBK ulileta ukuaji wa 33% wa mtaji wa msingi hadi Ksh. bilioni 114, na kutatua wasiwasi wa mtaji katika benki hiyo. Hii inamaanisha kuwa mtaji mkuu wa KCBK umerejea katika viwango ilivyokuwa kabla ya benki hiyo kufadhili ununuzi wa TMB na kufadhili akiba yake ya hasara ya mikopo ya kisheria mnamo 2022. Msingi wa mtaji wa KCBK sasa uko juu kuliko ulivyowahi kuwa. Ukuaji wa mtaji wa KCBK kutokana na faida ulisaidia ongezeko la 23% la mali ambazo benki inastahili kushikilia kwa sababu ya hatari hadi Ksh. bilioni 972 pamoja na nafasi ya kumudu.

Ili kuimarisha zaidi nafasi ya mtaji katika KCBK, tuliamua kusitisha migao ya mwaka wa 2023 ili kuhifadhi mtaji na hatua za usaidizi ili kuboresha kubadilika kwa mtaji wa msingi hadi mali zinazoshikiliwa kwa sababu ya hatari kutoka kwa bps 130 ya sasa hadi kiwango cha chini cha bps 200 mnamo 2024. Zaidi ya hayo, tutachunguza chaguo za kukopa ikiwa ni pamoja na deni la Safu ya I, katika kipindi cha mwaka wa 2024 ili kuimarisha zaidi nafasi ya jumla ya mtaji ya KCBK na kusaidia ukwasi wa jumla wa benki.

Kwa NBK, tulitia saini makubaliano ya lazima ya kuuza hisa zetu 100% katika benki hiyo. Muamala huu unawakilisha kile ninachoamini kuwa ni fursa nzuri ya kuongeza thamani kwa wanahisa wetu huku tukiimarisha nafasi ya ushindani ya Kampuni. Miaka minne iliyopita imekuwa ikifafanua NBK kama kampuni tanzu ya Kampuni ya KCB. Katika kipindi hiki, tulifanya maendeleo makubwa katika kuimarisha benki katika nyanja mbalimbali. Hii ni pamoja na kupunguza uwiano wa mikopo ambayo haijalipwa kutoka 51% hadi 25%, na kuongeza jumla ya mapato ya kila mwaka kutoka Ksh. bilioni 8 hadi Ksh. bilioni 11 na kuongeza jumla ya mali kutoka Ksh. bilioni 112 hadi Ksh. bilioni 161.

Hata hivyo, matokeo ya kesi ya kisheria yalitaka ongezeko la mtaji wa ziada. Ili kufanikisha hii, na baada ya kupokea ofa nzuri, Bodi ya Kampuni ilifanya uamuzi wa kuachia NBK. Tumejitolea kufunga muamala huo ndani ya miezi tisa kuanzia tarehe ya tangazo.

Uendelevu

Tunaweka mkazo imara katika kufanya kazi kwa njia endelevu na kutenga rasilimali muhimu ili kusaidia wateja wetu kujumuisha matendo endelevu ndani ya shughuli zao wenyewe. Katika kipindi hicho, tulitoa ufadhili zaidi wa mikopo ya vitu vya kutunza mazingira kwa wateja wetu, na kuongeza idadi ya vifaa hivi katika orodha yetu ya mkopo hadi 15%, na kutuweka kwenye mstari wa kufikia lengo letu la 25% ifikapo 2025. Zaidi ya hayo, tulishiriki katika mkopo wa kwanza ulioungnishwa wa uendelevu nchini, tulifadhili utatuzi wa uhamaji wa kielektroniki, na kuzindua suluhisho la nishati safi kwa shule zinazofadhiliwa na ruzuku kidogo kutoka kwa Wakfu wetu.

Ndani ya majengo yetu wenyewe, tulihakikisha ufanisi wa rasilimali kupitia uwekaji wa taa zinazotumia nishati vizuri. Kwa kuongezea, matawi yetu mawili sasa yanatumia nishati ya jua kama mpango wa majaribio uliofanikiwa na tunapanga kuzindua tawi lingine hadi matawi 19 ifikapo 2025. Tuliboresha uchunguzi wa mikopo yetu kupitia mchakato wetu mwafaka wa kimazingira na kijamii ili kuhakikisha kwamba tunafanya kazi na wateja wetu ili kutambua na kupunguza hatari zozote zinazoweza kutokea. Katika mwaka huo, mikopo yenye thamani ya Ksh. bilioni 538 ilifanyiwa uchunguzi huu.

Zaidi ya hayo, tumefanya maendeleo makubwa ya kupunguza kiwango cha kaboni tunayotoa. Kwa jumla, tumepunguza utoaji wetu wa gesi chafuzi kwa 28% kutoka kwa kiwango cha msingi cha 2019. Tutachukua hatua zaidi kuendelea katika njia hii tukiwa na lengo la kuwa kampuni isiyotoa kaboni yoyote ifikapo 2050. Ili kuharakisha hili, tunashiriki katika mipango ya kukabiliana na kaboni kama vile upanzi wa miti kwa ushirikiano na shule. Mnamo 2023, tulipanda zaidi ya miti 300,000 na lengo letu ni kupanda zaidi ya miti milioni 1.2 katika miaka mitano ijayo.

Uwekezaji wa kijamii

Wakfu wa KCB ulitoa uingiliaji kati kadhaa wenye matokeo kama sehemu ya azma yetu ya kuendeleza uundaji wa thamani ya pamoja. Katika mwaka huo, uingiliaji kati huu ulitegemea kuendesha uundaji wa ajira kwa vijana kupitia programu yetu kuu ya 2Jiajiri, kusaidia wafugaji wadogo kupitia Mifugo ni Mali na kutoa ufadhili unaohitajika zaidi wa masomo wa shule za upili na elimu ya juu kwa wanafunzi werevu wanaotoka katika mazingira magumu miongoni mwa mipango mingine muhimu.

Chini ya 2jiajiri, Wakfu uliunda zaidi ya ajira 13,000 na kusaidia biashara 1,216 na kufikia zaidi ya kaya 16,500 na kusaidia zaidi ya watu 82,000. Chini ya mpango wa Mifugo ni Mali, tulisaidia mashirika 120 ya wakulima wazalishaji (FPO) yenye uanachama wa zaidi ya wazalishaji 44,000 wa mifugo katika mipango mbalimbali ya kuwajengea uwezo ikiwa ni pamoja na kupanga biashara, bima ya mifugo, maandalizi ya mikopo, na uwekaji wa malisho. Wakfu pia ulisaidia FPO hizi kujenga na kukarabati vituo vitatu vya soko, kuunganishwa na wachuuzi wa bidhaa na kufanya maonyesho ya biashara na kuwasaidia wakulima hawa kupata zaidi ya Ksh. milioni 318 katika mauzo ya mwaka huo.

Mpango wa ufadhili wa masomo uliendelea kuleta matokeo kwa kutoa ufadhili 1,092 na 231 wa masomo wa shule za upili na elimu ya juu mtawalia kwa wanafunzi kutoka familia za wasiojiweza katika kaunti zote nchini Kenya. Asilimia 22 ya ufadhili huu wa masomo ya shule za upili yalipewa akina mama vijana, watu wanaoishi na ulemavu na walionusurika kutokana na tamaduni zenye madhara. Hasa, kiwango cha mpito wa kwenda chuo kikuu kinasimamia 98%. Katika mwaka huo, pia tulianzisha mpango wa mwanariadha na Kampuni ya kwanza la wanariadha 50 ambao ni wanafunzi walionufaika kutokana na ufadhili huu wa masomo wa shule za upili.

Utamaduni wa shirika

Wakati benki yetu iliyotangulia ilifungua tawi lake la kwanza katika pwani mwa Kenya, watangazaji wake walielewa na ni dhahiri hivyo, kwamba walikuwa wakiweka msingi ambao utaleta benki yenye uwepo mkubwa katika sekta muhimu za uchumi wa nchi. Walitia lengo hili katika dhamira yetu kuu na baada ya muda, hata kama kampuni ilikua kulingana na maendeleo ya biashara, daima imekuwa ikihifadhi utambulisho huu wa msingi kwa zaidi ya karne moja. Utambulisho huo ni ule unaoweka kipaumbele kwa watu unaowahudumia, ulionaswa vyema katika madhumuni yetu: Ya Watu. Ya Ubora.

Kuwezesha na kuchangamsha katika madhumuni haya mapya ilikuwa alama mahususi ya lengo letu katika mwaka ili kuleta mabadiliko ya kitamaduni yanayoonekana. Tulishirikiana na wenzetu katika ukanda wote kuhusu maana ya utamaduni huu kwao na jinsi wanavyoweza kuhakikisha kuwa unaingizwa katika jinsi tunavyofanya kazi kama KCB.

Pia tulifanya utafiti wa Kampuni kizima cha Kielezo cha Afya cha Shirika (OHI) katika Kampuni zima ili kutathmini hali ya uwezo wetu wa kuendeleza safari ya mabadiliko ya utamaduni wetu na kudumisha utamaduni wa uongozi, shauku ya wateja, utekelezaji, na utendakazi katika viwango vyote. Tuliweza kufikia kiwango cha kuvutia cha mwitikio wa Kampuni cha 84% na Alama ya Fahirisi ya Afya ya Kampuni yetu ilifikia 80, uboreshaji wa pointi 1 tangu utafiti wa 2021, ikithibitisha tena nafasi yetu katika robo ya juu.

Kutokana na utafiti huo, nilifurahishwa kutambua kwamba nguvu kuu za Kampuni za mwelekeo, uwezo, uwajibikaji, uratibu na udhibiti zinaendelea kubaki imara ndani ya uamuzi mkuu. Hata hivyo, kuna mengi zaidi ambayo tunahitaji kufanya ili kuleta motisha sawa na maendeleo yaliyopatikana hadi sasa. Hii ndiyo sababu tunawekeza zaidi katika kujenga benki ya vipaji na kuhakikisha kwamba wafanyakazi wetu wanahisi kuthaminiwa na wana na njia ya kukuza taaluma.

Nina furaha kutambua kwamba kutokana na mipango hii, idadi ya wafanyakazi waliopandishwa vyeo mwaka wa 2023 iliongezeka maradufu ikilinganishwa na wale waliopandishwa vyeo mwaka uliotangulia. Nina furaha pia kutambua kwamba kutokana na juhudi zetu za makusudi za kuimarisha utofauti na ushirikishwaji mahali pa kazi, idadi ya wafanyakazi wa kike katika shirika iliongezeka hadi 51% mnamo mwaka wa 2023. Pia tuliweka na kuwasilisha mpango wa kustaafu mapema kwa hiari kwa wafanyakazi 3626 kote katika Kampuni. Kwa kuongezea, ukuaji wa biashara ya kutokana na faida na usiotokana na faida ulipata majukumu mapya 4,700 ambayo tuliyajaza ndani na kutoka kwa wafanyikazi wa nje ili kuweka shirika upya. Mchanganyiko huu wa uajiri wa ndani na nje pia ulionekana katika majukumu ya juu yaliyojazwa katika mwaka huo.

Kwa ndani tuliajiri Mkurugenzi Mkuu wa Benki ya KCB Kenya, Mkurugenzi wa Biashara wa Kikanda wa Kampuni, Mwekahazina wa Benki ya KCB Kenya, Mkurugenzi wa Kitengo cha Rehani cha Benki ya KCB Kenya, na Mkurugenzi wa Kitengo cha Benki ya Reja Reja ya Benki ya KCB Kenya.

Nje, tuliajiri Mwekahazina wa Kampuni wa Ukanda, Mkurugenzi Mkuu wa Teknolojia wa Kampuni, Mkurugenzi Mkuu wa Uwekezaji wa Benki ya KCB, Mkurugenzi wa Biashara wa Benki ya KCB Kenya, Mkurugenzi wa Fedha wa Benki ya KCB Kenya, na Mkurugenzi Mkuu wa Wakfu wa KCB. Tunatafuta Huduma za Pamoja za Kampuni na Wakurugenzi wa Mikakati na Ubunifu wa Kampuni ambao tunanuia kufunga kufikia mwishoni mwa robo ya pili ya mwaka huu.

Mtazamo

Tuna furaha kuhusu matarajio katika masoko yetu. Zaidi, tunatafuta kuimarisha uhusiano thabiti ambao tumeunda na chapa yetu imara ili kukuza ukuaji katika muda wa kati unaoongozwa na mkakati wetu mpya wa 2024 - 2026 unaoitwa Kubadilisha Leo Pamoja. Mkakati huo umejikita katika misukumo minne ya kimkakati ili kutuwezesha kufikia lengo letu. Hii ni kutoa mapendekezo ya thamani yanayomlenga mteja; kuongeza uwezo wa Kampuni kwa kiwango cha ufanisi; kuchukua uongozi wa kidijitali; na kuboresha data na uchanganuzi.

Utekelezaji wa mkakati huu mpya utategemea kuendesha ubora kwa kukuza utamaduni wa uvumbuzi na utekelezaji wa haraka; mageuzi ya teknolojia kupitia kujenga uwezo tayari wa siku zijazo; ustahimilivu wa hatari kwa kudhibiti vitisho vinavyojitokeza; na uraia endelevu kwa kuunganisha malengo ya maendeleo endelevu yenye kipaumbele. Tutatumia teknolojia, watu na ubia wetu pamoja na kujenga mahusiano kimakusudi na wateja wetu ili kukuza ukuaji. Tunaendelea kuwekeza katika mapendekezo ya thamani ya wafanyakazi wetu kwa lengo la kuwasaidia kustawi ndani na nje ya sehemu za kazi.

Kwa pamoja, na kupitia kwa utekelezaji makini wa mkakati huu, tutatoa ukuaji dhabiti, tutasuluhisha mikopo ambayo haijalipwa, na kuimarisha utamaduni unawezesha katika shirika ili kuweka Kampuni kama kiongozi asiyepingwa katika ukanda huu.

Hatimaye, tuna uhakika wa kuleta faida kubwa kwa wanahisa wetu. Hii tumejitolea kufanya.

Paul Russo, EBS
Afisa Mkuu Mtendaji

Group Executive Committee

Our Group Exco is a diverse and experienced management team that comprises the Group Chief Executive Officer, Group Finance Director and nine other members of top management. The team is mandated to ensure that the Group remains well positioned to capitalise on opportunities for growth.

Paul Russo, EBS
Group Chief Executive Officer

Lawrence Kimathi
Group Finance Director

Annastacia Kimtai
Managing Director, KCB Bank Kenya

Cosmas Kimario
Ag. Group Regional Businesses Director & Managing Director, KCB Bank Tanzania

Bonnie Okumu
Group General Counsel

Dennis Volemi
Group Director, Technology

Japheth Achola
Group Human Resource Director

Rosalind Gichuru
Group Director, Marketing & Communications

John Mukulu
Group Chief Risk Officer

Charles Langat
Group Internal Auditor

Jackline Bosibori
Ag. Group Director, Shared Services

Group EXCO Changes

Cosmas Kimario was appointed as the acting Group Regional Businesses Director on 25 January 2023. He also serves as the Managing Director, KCB Bank Tanzania. He has over 25 years' experience. He is responsible for the management and oversight of our banking subsidiaries outside Kenya and the non-banking businesses in Kenya.

Annastacia Kimtai was appointed as the Managing Director, KCB Bank Kenya on 12 April 2023. She has over 20 years' experience in the banking industry. Until her appointment, she was KCB Bank Kenya's Retail Banking Director, a position she held since 2011. She joined KCB Bank Kenya in 1998 as a Management Trainee, growing through the ranks and serving in various capacities.

Jackline Bosibori was appointed as the Acting Group Shared Services Director on 13 July 2023. Jackline is the Head of Business Process Re-engineering within our Shared Services Division. She has over 17 years' experience in the financial services sector, seven of which are in senior leadership roles. The Group is currently recruiting for the role and is looking to complete the process by the end of the second quarter of 2024.

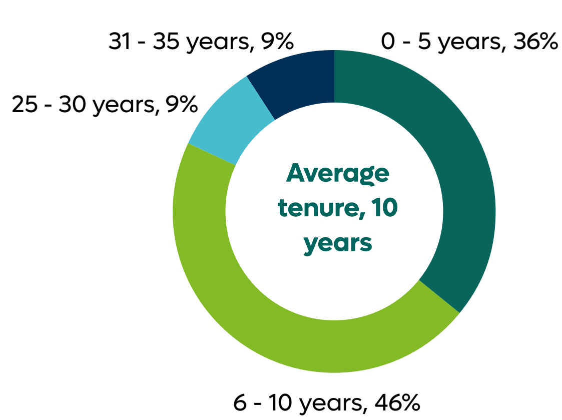
Dennis Volemi joined the Group on 1 October 2023 as the Group Director, Technology. Dennis has over 18 years' experience as a technology and business leader in the telecommunications, media entertainment, and financial services industry with both local and multi-national companies in Kenya.

John Mukulu will retire as the Group Chief Risk Officer when he reaches the retirement age of 60 in June 2024. The Group is currently recruiting for the role.

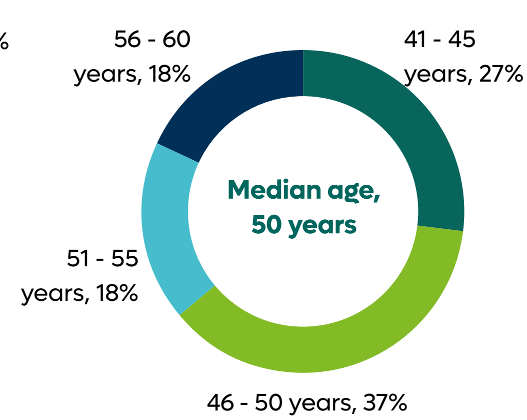
Group EXCO Profiles

Available on: www.ke.kcbgroup.com/about-us/our-leaders

Diversity by tenure



Diversity by age



Reflections from the Group Finance Director

Operating context

Our operating environment in 2023 remained challenging, punctuated by high-for-longer interest rates, depreciating currencies, elevated inflation, and global geopolitical disruptions. These factors contributed to a general rise in operating expenses across our markets. Monetary action by central banks in the region to raise benchmark rates to combat inflation further accentuated the cost of funding both from customer deposits and servicing the long-term debt on our balance sheet.

However, strong gross domestic product growth, a resurgence in business activities, and a rebound in key sectors of the economies across our markets created significant tailwinds. The Group leveraged these tailwinds to propel growth both for the Bank and for our customers, delivering a resilient performance throughout the year. We have enumerated the key macroeconomic factors in each of our markets on pages 30 to 37 for your reference.

Balance sheet metrics are at an all-time high

The Group's balance sheet expanded by 40% in the year to reach Ksh. 2.2 trillion, mainly driven by new business lines in KCB Bank Kenya (KCBK) coupled with strong growth in our Tanzania, Uganda, and DRC subsidiaries. All our subsidiaries posted double-digit growth in their balance sheets in the year. KCBK's balance sheet grew by an impressive 47% to Ksh. 1.4 trillion. The other subsidiaries were not left behind, registering a combined growth of 31%; their individual performance is shown below in Exhibit 2.

The balance sheet expansion was powered by a 49% growth in customer deposits, primarily driven by trade finance and new-to-bank business. The strong growth in customer deposits raised the proportion of customer deposits in our funding mix to 78% from 73% in 2022. This affirms the Group's strong deposit-funded profile, which is supported by our extensive network across East Africa.

This supported our aim to maintain low gearing ratios amid a high interest rate environment. However, long-term borrowing by KCB Bank Tanzania and an even split between translation differences and funds received from third parties in exchange for nonperforming loans under Standby Letters of Credit arrangements in KCB Bank Kenya, led to a 39% growth in long-term debt to Ksh. 89 billion, increasing our debt-to-equity ratio to 39% from 32% in 2022.

Contribution to total assets from subsidiaries outside KCBK.

34.6%	37.5%
2023	2022

We deployed 41% of the additional funding to short-term funds to match the maturity profile of the additional trade finance-linked deposits. In addition, we increased our loan book by Ksh. 232 billion in tandem with our preference to channel more financing to key sectors of the economy and support households and businesses to bounce back stronger. We took advantage of the lucrative government securities yields by increasing our holdings by 34%, closing at Ksh. 397 billion in the year.

Capital and liquidity

All our subsidiaries except NBK are adequately capitalised to support the growth of risk-weighted assets. Strong organic capital generation capacity across the Group saw core capital grow by 46% to reach Ksh. 209 billion in 2023. This is equivalent to a massive Ksh. 66 billion in core capital generated from organic sources, and supported the Group availing an additional Ksh. 641 billion of risk-weighted assets in just one year.

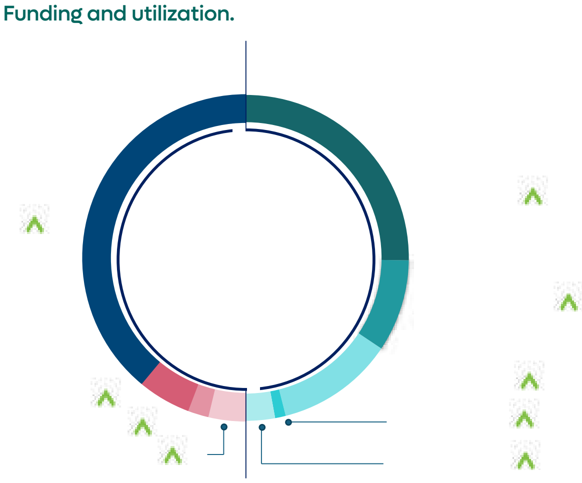
Similarly, KCBK's core capital grew by 33% in the year to Ksh. 114 billion. This growth was purely from profits for the year, a testament to the Bank's strong ability to generate organic capital. The growth resolved capital adequacy concerns at KCBK and supported an increase in risk-weighted assets at the bank to Ksh. 972 billion with a headroom of 130 basis points (bps), equivalent to Ksh. 117 billion in risk weighted assets. To preserve capital at the subsidiary and attain our internal minimum buffer of 200 bps in 2024, the Board took a prudent decision to pause dividend payments in 2023.

Exhibit 1: Growth in balance sheet per subsidiary.

Our performance	2023	2022
KCB Tanzania	52%	45%
KCB South Sudan	49%	20%
KCB Bank Kenya	47%	18%
KCB Uganda	46%	45%
TMB*	33%	-
BPR Bank Rwanda	13%	25%
NBK	13%	(3%)
KCB Burundi	10%	33%

* *Acquired in December 2022*

Exhibit 2: Funding and utilization.



Legal awards at NBK led to a net loss of Ksh. 3.3 billion, which ate into the Bank's capital base in the year. The Group weighed options as enumerated in our Group Chief Executive Officer's statement and opted to accept a binding offer to sell the subsidiary to Access Bank Plc. The sale is a positive development for NBK and for the country through foreign direct investment, and it further avails additional capital to the Group.

Throughout the year, the Group maintained adequate liquidity ratios across all the subsidiaries as well as on a consolidated basis. Our risk management framework ensures that we always match our appetite to our capital and liquidity, both on an ongoing basis and in stress scenarios.

Revenue performance

Total revenue grew by 24% to reach an all-time high of Ksh. 159 billion driven by an increase in interest income from customer loans and government securities, non-funded income growth from trade finance, increased number of transactions, and the impact of the full-year consolidation of TMB. Strong growth in the loan book and government securities portfolio led to 45% and 30% growth, respectively, in interest income from these two asset classes. At the same time, an increase in short-term funds led to a 438% growth in interest income from placements in the period.

Our asset yield improved by 100 bps to 10.5% owing to an increase in interest rates across all the markets. On the flipside, the cost of funds increased by 110 bps to 3.9% as customers sought higher savings rates coupled with the increased cost of borrowing due to the rise in the Secured Overnight Financing Rate (SOFR) benchmark rate. Overall, this high cost of funds weighed down our net interest margins marginally by 10 bps to 6.6%.

Exhibit 3: Group liquidity ratio.

Period	2023	2022
At close of the year	39.3%	40.9%
Average for the year	39.5%	38.8%
Maximum for the year	41.3%	40.9%
Minimum for the year	37.3%	36.9%

Exhibit 4: Subsidiary total capital ratios.

Banking subsidiary	2023	Regulatory minimum	2022
KCB Burundi	30.9%	14.5%	35.0%
KCB South Sudan	21.0%	12.0%	38.0%
BPR Bank Rwanda	20.1%	14.5%	19.4%
KCB Uganda	18.9%	14.5%	18.9%
KCB Tanzania	17.1%	14.5%	17.2%
KCB Kenya	15.8%	14.5%	15.2%
TMB	11.5%	10.0%	12.1%
NBK	12.5%	14.5%	13.5%

Operating costs

Total operating costs increased by 40% to Ksh. 83 billion mainly on account of the impact of the full-year consolidation of TMB and exceptional expenses during the year, which include the voluntary early retirement programme and the legal awards against NBK. Excluding these one-offs, operating costs grew by 7%, in line with inflation. This normalised growth in costs was driven by investments in technology and customer acquisition activities. Overall, the negative jaws raised cost-to-income ratio in the year to 50.3% from 45.7% in 2022.

Asset quality

The Group's nonperforming loans (NPL) ratio remained flat at 17.3%, driven by downgrades and the impact of translation of the foreign currency portion (FX impact) of the NPL. The 28% growth in gross loans to Ksh. 1.2 trillion served to hold the NPL ratio steady even as the stock increased by 29% to Ksh. 208 billion. In the year, we downgraded Ksh. 56 billion mainly from trade, real estate, building & construction, and manufacturing sectors, while FX impact increased the NPL stock by Ksh. 23 billion.

The bulk of these NPLs are within our corporate banking segment in KCBK mainly in manufacturing, real estate, and building and construction sectors. The strain in the manufacturing is occasioned by supply chain interruptions for commodities due to geopolitical tensions, the depreciation of local currency against the US dollar in 2023, and rising interest rates. In real estate, the challenge is largely on account of increasing interest rates driving low demand while building and construction are due to pending bills for work completed, which has impacted government contractors. Across our businesses outside Kenya, all our subsidiaries except KCB Bank Uganda and BPR Bank Rwanda registered an improvement in their asset quality.

The non-performing loan book is fully covered by cash provisions and collateral. The Group will continue to implement measures to resolve these NPLs, lowering the NPL ratio to 13.5% in 2024.

Profitability and shareholder value

The strong growth in revenue was more than adequate to offset the aforementioned rise in costs. However, doubling the loan loss provisions charge to Ksh. 34 billion resulted in net profit easing by 8% to Ksh. 37.5 billion. This prudent decision to increase provisions was necessitated by the need to build coverage for downgraded facilities and offset the impact of currency depreciation on USD denominated loans. Excluding the impact of these provisions, pre-provision operating profit grew by 16% to Ksh. 82 billion in the year.

All our subsidiaries outside Kenya posted double digit growth in their pre-tax profits validating our move to invest in the region. The contribution to pre-tax profits from these subsidiaries grew to 36.7% from 17.0% in the prior year. Our non-banking subsidiaries in Kenya also posted a stellar performance with our investment banking, bancassurance and asset management arms growing their pre-tax profits by 151%, 16% and 10% respectively.

Pre-tax profits at KCBK retreated by 32% to Ksh. 33 billion on account of a 2.5 fold increase in loan loss provisions, while NBK registered a pre-tax loss of Ksh. 4.3 due to legal awards, increased cost of borrowings, and provisions. This performance saw the Group's return on equity ease to 17.8% in 2023 from 22.5% in the prior year. All subsidiaries, save for NBK and KCB Uganda outperformed the Group average return on equity.

The Group has traditionally relied on upstreaming dividends from KCBK to fund dividend payments to shareholders. With the significant momentum that we have registered in our regional businesses, this reliance is set to ease as we monetize our recent acquisitions, and we anticipate incremental growth in shareholder returns from this front. In addition, the strong business growth in the year led to a 14% increase in shareholder wealth at the Group to Ksh. 228 billion.

Beyond banking strategy

2023 marked the final year for our beyond banking strategy. Over this period, the Group made significant strides in delivering on our four strategic thrusts. Our focus in this period was on working to deliver an exceptional customer experience and drive a digital future. As a result of the diligent execution of this strategy, we managed to surpass all the strategic aspirations save for the cost-to-income ratio, which was impacted by mergers and acquisitions over the period.

Exhibit 5: NPL ratios.

Banking subsidiary	2023	2022
NBK	25.3%	21.3%
KCB Kenya	20.4%	19.6%
TMB	9.5%	13.3%
KCB Uganda	8.2%	6.5%
BPR	3.9%	3.6%
KCB South Sudan	2.6%	10.1%
KCB Tanzania	1.6%	2.2%
KCB Bank Burundi	0.7%	1.5%

Exhibit 6: Measures to resolve NPLs in 2024.

Fast tracking ongoing recovery efforts. Recovered Ksh. 18B in 2023.

Fast tracking measures to resolve legacy non-performing loans to free up Statutory Loan Loss Reserves (SLLR). SLLR declined by 36% in 2023 to Ksh. 17B.

Writing off accounts that have full provisions and limited turnaround possibility. Write offs stood at Ksh. 8.6 billion in 2023.

Disposing assets for accounts with high value collateral and minimal turnaround probability and pursuing various forms of administration arrangements.

Prudent loan origination and early alert to safeguard against early vintage. NPL ratio for loans disbursed within the past two years is below 3%.

Engagement with the Government to resolve pending bills to facilitate resolution of NPLs tied to Government contractors.

Exhibit 7: Performance against our beyond banking strategy

Strategic thrust	Strategic ambition	2023 outcome	2019 baseline	Status
Customer first, with leading value propositions	Improve net promoter score	61	42	
	Reduce customer effort score	13%	20%	
	Grow total assets	Ksh. 2.2 T	Ksh. 899 B	
Step change in efficiency and productivity	Reduce cost to income ratio	50.3%	45.9%	
Digital leader and digital to the core	Grow non-funded income*	35.0%	22.5%	
Scale to achieve regional relevance	Grow contribution to PBT from regional businesses	36.7%	10.0%	

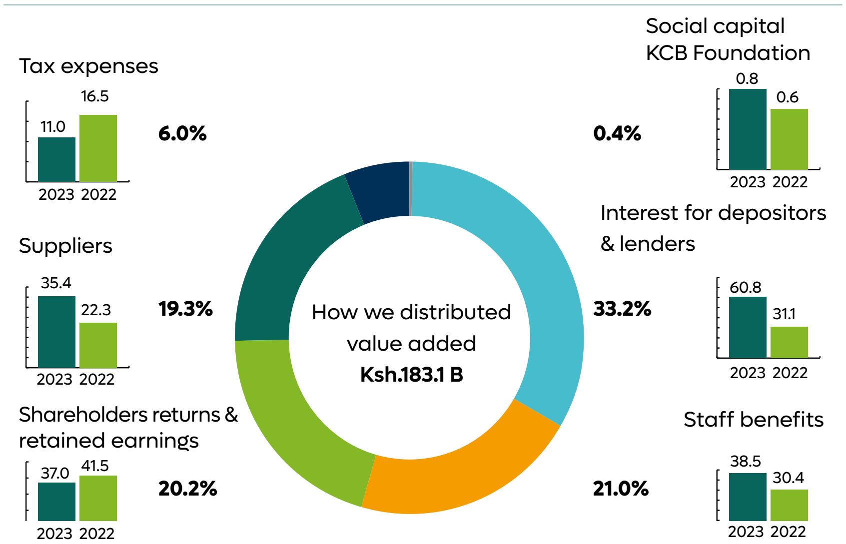
Value created and distributed

Overall, the Group created and distributed value among our various stakeholders amounting to Ksh. 183 billion as a result of our activities in 2023. This highlights the key role that KCB plays in powering economic growth across the region over and beyond, through our core lending activity. The total value created and distributed in the year grew by 29% in tandem with the strong growth in revenue. Rise in interest rates led to a 96% increase in interest earnings for depositors and debt holders, while consolidation of TMB, investments in technology, and inflationary effect led to a 58% increase in value created for suppliers and partners. Increase in headcount from the consolidation of TMB and the cost of the voluntary early retirement programme led to a 26% increase in value created for employees.

Reduction in profitability in the period occasioned a 33% drop in tax expenses. Increased provisioning led to an 11% drop in value created for shareholders, mainly in the form of retained earnings to power continued business growth and incremental shareholder returns in the long-term.

Exhibit 8: Value created and distributed

Interest Income Ksh. 168.2 B + Non-funded income Ksh. 57.9 B - Provisions and depreciation (Ksh. 43.0 B) = Value added Ksh. 183.1 B



Amounts in Ksh. B

Our 2024 outlook

To guide our growth for the next three years, we unveiled our new 2024-2026 strategy, dubbed Transforming Today Together. The strategy is anchored on the following thrusts and enablers:

PILLARS	» Customer-centred value propositions » Leverage Group capabilities for efficient scale » Digital leadership » Optimise data & analytics
ENABLERS	» Execution Excellence: Fostering a culture of innovation and execution » Tech Evolution: Building future-ready capabilities » Risk Resilience: Managing emerging threats » Sustainable Citizen: Integrating priority SDGs

We are seeking to start strong in 2024 to set a solid foundation for this new strategy. In addition, we seek to continue growing the business sustainably and resolve nonperforming loans to deliver superior shareholder value. Our performance in 2024 will be guided by the following aspirations:

Key performance indicator	2023 performance	2024 guidance (As at 30 April 2024)
Non funded income ratio	35.0%	33.5% - Lower than 2023 level due to the impact of excluding lending fees in tandem with risk-based pricing, which requires an all-in interest rate.
Cost-to-income ratio	50.3%	44.4% - Supported by cost reduction measures, strong revenue growth, and the elimination of exceptional costs in 2024, which will more than net off cost growth from investments in technology and the upgrade of the core banking system in TMB.
NPL ratio	17.3%	13.5% - Reduction to be driven by the NPL resolution measures enumerated on page 50.
Cost of risk	3.4%	2.0% - Supported by improved asset quality evidenced by low early vintage ratios.
Cost of funds	3.9%	3.3% - Supported by the decline in interest rates and mobilisation of low-cost CASA deposits.
Net interest margins	6.6%	7.1% - Uplift to be driven by a reduction in the cost of funds.
Asset yield	10.5%	10.4% - Projected to remain flat due to anticipated ease in yields from government securities and placements on lower interest rates.
Loan growth	27.0%	16.0% - Expected to normalise, driven by balanced growth in priority corporate and retail segments.
Deposit growth	48.9%	13.0% - Expected to normalise, driven by CASA deposit mobilisation across the region and enhanced customer value proposition.
Return on equity	17.8%	24.6% - To be driven by projected strong performance across all businesses as the operating conditions improve.

Lawrence Kimathi
Group Finance Director

Five-Year Review

Consolidated statement of financial position

	31-Dec-19 Ksh. million	31-Dec-20 Ksh. million	31-Dec-21 Ksh. million	31-Dec-22 Ksh. million	31-Dec-23 Ksh. million
Interest income	79,644	96,261	114,826	132,003	181,553
Interest expense	(18,220)	(21,209)	(24,463)	(31,098)	(60,841)
Net interest income	**61,424**	**75,052**	**90,363**	**100,905**	**120,712**
Non interest income	22,877	20,012	18,960	27,307	38,633
Operating income	**84,301**	**95,064**	**109,323**	**128,212**	**159,345**
Operating expenses	(38,679)	(42,360)	(47,726)	(60,852)	(83,477)
Loan loss provisions	(8,889)	(27,509)	(13,998)	(10,300)	(27,415)
Total expenses	**(47,568)**	**(69,869)**	**(61,724)**	**(71,152)**	**(110,892)**
Profit before tax and loss on monetary position	**36,733**	**25,589**	**47,599**	**57,060**	**48,453**
Gain on monetary position	164	130	216	271	-
Profit before income tax	**36,897**	**25,719**	**47,815**	**57,331**	**48,453**
Income tax expense	(11,732)	(6,115)	(13,642)	(16,494)	(10,991)
Profit for the year	**25,165**	**19,604**	**34,173**	**40,837**	**37,462**

Consolidated statement of financial position

	31-Dec-19 Ksh. million	31-Dec-20 Ksh. million	31-Dec-21 Ksh. million	31-Dec-22 Ksh. million	31-Dec-23 Ksh. million
Assets					
Government and other securities	164,866	210,784	276,293	295,423	397,203
Net loans and advances to customers	539,747	595,255	675,481	863,268	1,095,944
Property and equipment	13,132	14,629	16,993	26,618	23,910
Other assets	180,827	167,142	170,905	368,721	653,817
Total assets	**898,572**	**987,810**	**1,139,672**	**1,554,030**	**2,170,874**
Liabilities					
Customer deposits	686,583	767,224	837,141	1,135,417	1,690,908
Lines of credit	42,184	56,700	85,378	156,397	176,467
other liabilities	40,064	21,463	43,646	55,939	67,939
Total liabilities	**768,831**	**845,387**	**966,165**	**1,347,753**	**1,935,314**
Total equity	**129,741**	**142,423**	**173,507**	**206,277**	**235,560**
Total liabilities and equity	**898,572**	**987,810**	**1,139,672**	**1,554,030**	**2,170,874**

Value Added Statement

Amount in Ksh. million	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22	31-Dec-23
Interest income	79,644	96,261	114,826	132,003	181,553
Non funded income	22,877	20,012	18,960	27,307	38,633
Provision and depreciation	(13,275)	(33,426)	(20,026)	(16,915)	(36,744)
Value added	**89,246**	**82,847**	**113,760**	**142,395**	**183,442**

Distribution of value created	2019		2020		2021		2022		2023	
Amount in Ksh million	**Amount**	**Share**	**Amount**	**Share**	**Amount**	**Share**	**Amount**	**Share**	**Amount**	**Share**
Interest for depositors and lenders	18,220	20.4%	21,209	25.6%	24,463	21.5%	31,098	21.8%	60,841	33.2%
Employee benefits	19,459	21.8%	20,451	24.7%	25,070	22.0%	30,422	21.4%	38,469	21.0%
Shareholder dividends	11,099	12.4%	3,213	3.9%	9,640	8.5%	6,426	4.5%	-	0.0%
Retained earnings and non controlling interest	14,294	16.0%	15,418	18.6%	23,594	20.7%	35,024	24.6%	37,014	20.2%
Suppliers of goods and services	13,961	15.6%	15,930	19.2%	16,952	14.9%	22,329	15.7%	35,351	19.3%
Government tax	11,732	13.1%	6,115	7.4%	13,642	12.0%	16,494	11.6%	10,991	6.0%
Social capital - KCB Foundation	481	0.5%	511	0.6%	399	0.4%	602	0.4%	776	0.4%
Value distributed	**89,246**	**100.0%**	**82,847**	**100.0%**	**113,760**	**100.0%**	**142,395**	**100.0%**	**183,442**	**100.0%**

Materiality Assessment

We consider material matters to be those issues that could substantially affect our ability to create value over time. We apply the principle of materiality in assessing what information should be included in our integrated report. This report focuses primarily on those issues, opportunities, and risks that materially impact our six capitals and our ability to be a sustainable business that consistently creates, protects, and minimises the erosion of value for all stakeholders over the short, medium, and long-term.

How we identified our material matters

The identification of our material matters in this report was a groupwide process and included input from all our businesses across the region, an assessment of the risks and opportunities in our operating environment, and feedback from our various stakeholders. Our material matters influence our Group's strategy and inform the evolution of our business model, as well as our goals over the short, medium, and long-term, which we define as less than one year, between one year and three years, and beyond three years, respectively.

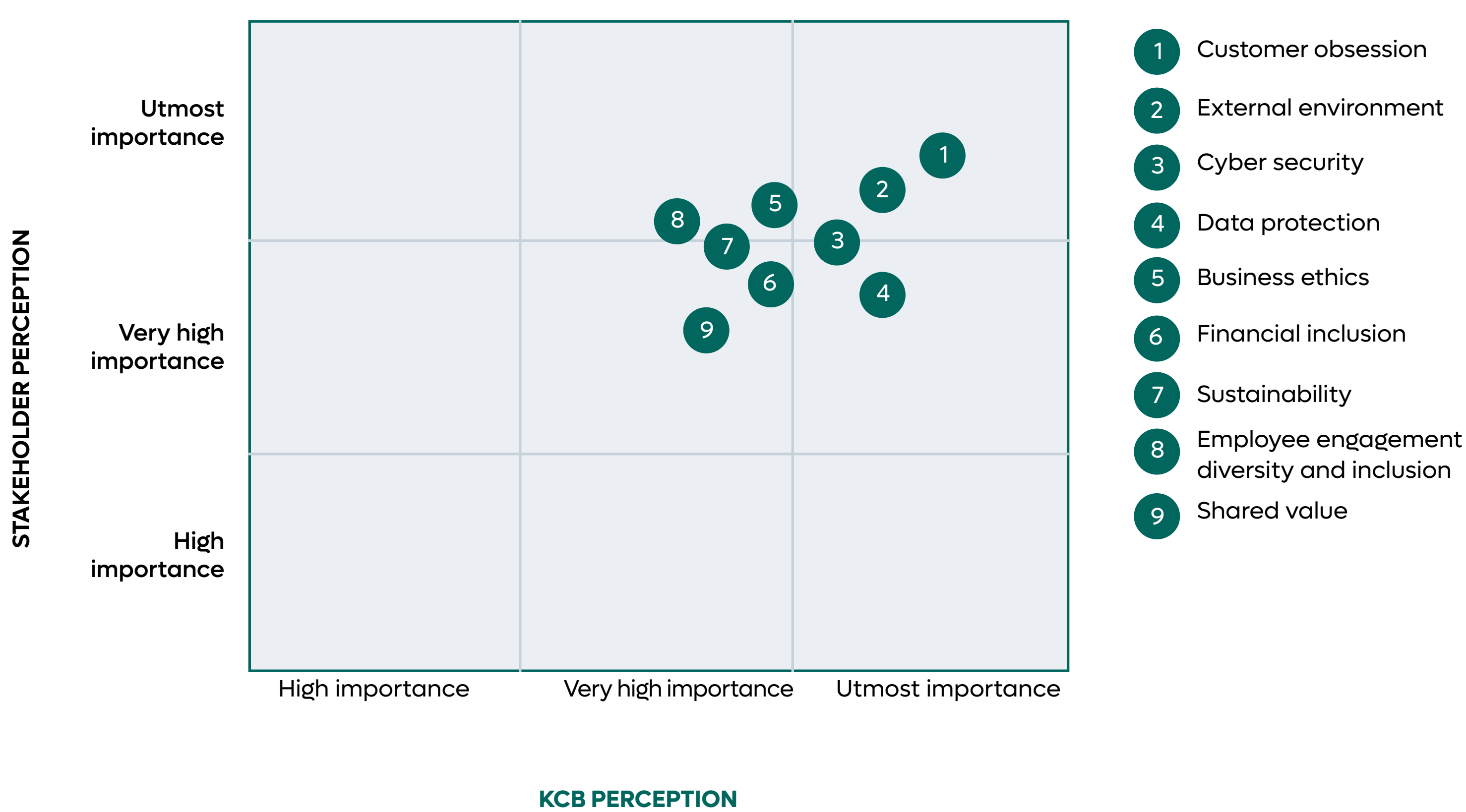
We identify and assess impact of these material matters on an ongoing basis. This is done through a broad range of processes, from engagement with our stakeholders to our own internal processes such as risk assessments and monitoring developments in the operating environment. As part of the integrated reporting process, we collated feedback from all our business units and regional subsidiaries on the aspects they considered to have materially had an impact on their business, influenced their strategic approach, or informed key stakeholder concerns over the course of the year. We then identified the recurring themes in these submissions which, yielded unique descriptors.

We thereafter referred to and considered the applicability of banking sector disclosure topics in the Sustainability Accounting Standards Board (SASB) Standards for our sustainability-related risks and opportunities that could reasonably be expected to affect our entity's prospects. This resulted in the framing of three material matters from our unique descriptors, which are part of SASB's recommended banking sector disclosure topics. These are data security, financial inclusion, and business ethics. The remaining unique descriptors, which do not fall under these three topics were aligned to six other broad categories, resulting in the nine material matters discussed on page 55 to 57.

The ranking of the importance of the categories was based on the frequency with which they featured across business lines, and severity in their ability to impact value creation, and their relationship with our various stakeholders. A continuous scale of 1-5 was used to rate the importance of the material issues from both KCB's and stakeholders perspectives, where:

» 1 – low importance
» 2 – moderate importance,
» 3 – high importance,
» 4 – very high Importance
» 5 – utmost importance.

The matrix below arranges the catergories according to the level of stakeholders and KCB perception. The nine categories collectively represent the material issues facing our business.



Our material topics

Material matter	Why is it important	Our response	Alignment with our strategic thrusts	Alignment with our adopted SDGs
Customer obsession	The Group is banking on customer obsession as a key pillar to provide an exceptional customer experience. We deliver on this through initiatives that support the business in defining, measuring, improving, and driving the kind of experiences our customers get on our products, digital platforms, and services across all our touch points.	We enhanced customer value propositions, increased digitization, and leveraged innovation, automation and data analytics to drive customer obsession. Read more on page 58 to 63	Customer first, with leading value propositions. A step change in efficiency and productivity. Digital leader and digital to the core.	SDGs 8 9 17
External environment	KCB's business performance is closely linked to the performance of the regional economies, which in turn are impacted by events in the regional and global economies. In addition, there has been a continued supervisory and regulatory focus on AML/CFT/PF, and the resilience of banks to economic shocks.	The Group regularly adapts to macroeconomic scenarios, and remains disciplined in our approach to allocating capital, addressing asset quality and ultimately ensuring continued financial strength. In addition, we uphold current and new regulatory requirements in our undertakings, and we have no appetite for breaches of laws and regulations. Read more on page 48 and 109	Scale to achieve regional relevance.	16 17
Cyber security	The growing threat of cyberattacks, coupled with the increasing digitisation of banking products and services, could expose the Bank to security risks. Further, the Bank also leverages partnerships with third parties, and these could also be a source of information security risks. In July and August 2023, Kenya's digital infrastructure became the target of cyberattacks through a series of Distributed Denial of Service Attacks (DDoS) that affected both public and private institutions.	The Group continuously invests in extensive resources (both human and technological) to strengthen our information security and cyber defense systems, to cope with the sophistication of cyber threats. The Group operates cyber defence processes to minimise the risk of system penetration, unauthorised access to information systems, and materialisation of attacks, and to ensure the correctness, availability, and confidentiality of data. Our cybersecurity governance encompasses management oversight at various levels, with the ultimate responsibility assumed by the Board. Read more on page 61 and 108	Step change in efficiency and productivity.	9 16

Material matter	Why is it important	Our response	Alignment with our strategic thrusts	Alignment with our adopted SDGs
Data protection	Data protection forms an essential part of KCB's risk resilience and plays a critical role in ensuring innovation delivery with embedded regulatory compliance. KCB Group reaffirms its dedication to responsibly handling personal data and ensuring the rights of data subjects are upheld across all its operations.	Our data protection department increased its capacity with the refinement of operations to ensure technological and operational compliance. Enhanced data protection training, with the inclusion of role-based training, provided platforms for the upskilling of KCB Group's stakeholders on data protection. This training formed part of the compulsory courses undertaken by all KCB staff. We also conducted a Record of Processing Activities initiative to create enhanced visibility of personal data processing activities and to identify and evaluate the risk of privacy breaches, as well as to Identify appropriate privacy controls to mitigate unacceptable risks. Read more on page 108	Step change in efficiency and productivity.	9 16
Business ethics	The Group values its good reputation and protects its brand through monitoring reputational risks and their drivers, as well as through continuous media monitoring. All staff and other parties working for or on behalf of the Group are called upon to uphold ethical business conduct in all their business dealings.	KCB Group maintains and has in place policies and codes of conduct that capture not only our legal obligations, but also the reasonable expectations of our stakeholders, including our customers. These policies apply to all employees and Directors of the KCB Group, and to anyone working on the Group's behalf, including contractors and consultants. The Group adopts zero tolerance for all forms of corruption, bribery, and unethical business practices. Read more on page 97	Step change in efficiency and productivity	16
Financial inclusion	Financial inclusion remains a key consideration in the banking sector in the countries in which we operate in. The Group therefore continues to undertake a variety of interventions to drive financial inclusion and access.	We launched programmes to support previously majorly excluded segments including women owned businesses and refugees, power small businesses, avail solutions for artisanal mining sector in DRC and for persons living with disabilities that align with our customers' values through Sahl Banking, among other initiatives. Read more on page 74 to 77	Customer first with leading value propositions. Step change in efficiency and productivity. Digital leader and digital to the core.	1 5 8 10 16 17

Material matter	Why is it important	Our response	Alignment with our strategic thrusts	Alignment with our adopted SDGs
Sustainability	We are committed to operating sustainably and lending responsibly. We continue to assess and address our climate-related risks and opportunities, and set up processes that enable us to enhance our approach to managing climate risks.	The Group has established an elaborate Social Environment Management System that guides the identification, avoidance, and management of possible environmental and social risks. We monitor our resource usage, champion green and responsible lending, and track the impacts we create under our adopted SDGs. Read more on page 70 to 73	Customer first with leading value propositions. Step change in efficiency and productivity.	11 12 13 17
Employee engagement, diversity, and inclusion	Our staff are a key pillar upon which we deliver on our strategy. Therefore, we continuously ensure that we provide a competitive employee value proposition to enable us to sustain our growth momentum and ensure that our employees thrive inside and outside the workplace.	At KCB, we create a conducive environment for employees to fulfil their potential and deliver our strategy. We bank on our competitive employee value proposition to attract and retain the best talent. In addition, we provide opportunities for development and career growth, a comprehensive wellness programme and performance-based reward and recognition. Read more on page 78 and 79	Step change in efficiency and productivity.	5 8 10
Shared value	At KCB, we believe that a business should exist not just for profit, but also to transform the communities around it. As such, the Group has adopted a shared value approach in its operations — integrating social programmes into business — in collaboration with other stakeholders, which is the baseline of our social and relationship capital.	We are responsible corporate citizens, and thus we play an active role in supporting the various communities in which we operate. This is through both our targeted Foundation programmes as well as initiatives undertaken by our banking subsidiaries in the region to partner with governments and invest in the communities in which we operate. Read more on page 80 to 85	Customer first with leading value propositions.	1 2 8 9 10 16 17

Our strategy

2023 marked the final year for our 2020 – 2023 Beyond Banking strategy. Through this strategy, we worked to deliver an exceptional customer experience and drive a digital future. The strategy was hinged on four thrusts namely, customer first with leading value propositions; step change in efficiency & productivity; digital leader & digital to the core; and scale to achieve regional relevance.

1 Customer first, with leading value propositions

KCB's strong focus on customer obsession has resulted in a steady increase in the Net Promoter Score (NPS), while sustained efforts to simply customer journeys have led to a significant reduction in Customer Effort Score (CES).

The Group is banking on customer obsession as a key pillar to provide an exceptional customer experience. We deliver this through initiatives that support the business in defining, measuring, improving, and driving the kind of experiences our customers get with our products, digital platforms, and services across all our touch points. Our bold customer promise, which is displayed in all our branches, sets the commitment to deliver exceptional and seamless service and gives customers a channel to raise their concerns when their expectations are not met. During the year, we ensured an exceptional customer experience through:

- Strategic and service performance metrics which includes NPS, CES and touchpoint specific drivers of service. These gave customers a platform to share their feedback on a real-time basis which guided the alignment of our solutions to exceed customer expectations.
- Robust structure that placed customer experience at the centre of every new product, process, system change, and initiatives to guarantee the best experience, seamless onboarding, and minimal service disruption.
- Customer focused cross-functional initiatives including close collaboration between support and business teams to identify and provide solutions for areas causing customer friction.
- Leveraging data and analytics to drive rigour in solutioning top customer pain points.
- Digitisation of customer journey maps, automation of key processes and use of robotics to handle reconciliation, auto reversals, and credit reference bureau clearance and updates.
- Improved controls on App sign ups and Vooma wallet deposits to address fraud cases. This significantly reduced the number of social engineering cases.
- Our new brand purpose and the 2023 thematic campaign on "opening doors of opportunities" created a link between the Bank and the customer on the Bank's commitment to make their lives better.
- Ensured system reliability. Core and auxiliary system uptime stood at 99.7% in the year. We also proactively kept our customers informed and advised them when there were service disruptions, whether planned or unplanned.

As a result of these initiatives, our customer NPS and CES have seen a remarkable improvements. NPS grew to 61 while CES improved to 13% in 2023.

Our bold customer promise, which is displayed in all our branches, sets the commitment to deliver exceptional and seamless service and gives customers a channel to raise their concerns when their expectations are not met.

Leveraging feedback to improve the customer experience

Customer feedback is a valuable source of information that we use to refine our solutions to best meet customer needs. We tap into regular customer surveys to understand customer needs and preferences. In 2023, we contacted over 700,000 customers, and over 410,000 provided feedback. This was enabled by the automation of customer surveys and resulted in the improvement of product designs for key customer segments.

To demonstrate a customer-centric approach and ultimately enhance overall customer delight, we systematically review and act on feedback to achieve the following goals:

Use	Description	Impact in 2023
Identifying areas for improvement	Customer feedback highlights specific pain points or areas where the service or product is falling short of expectations. By analysing this feedback, we can identify patterns and trends that indicate areas for improvement.	Misrouted payments on KCB One till had increased in 2023, which necessitated actions to reduce customer error, automate parts of the process and review the process, to mitigate emerging risks.
Product and service development	Feedback provides insights into what customers like and dislike about specific products or services. We use this information to guide the development of new products or the enhancement of existing ones to better meet customer needs and preferences.	The rise of Vooma related social engineering cases led to the review of the product to mitigate areas of exposure, leading to a reduction in complaints.
Process optimisation	Feedback sheds light on inefficiencies or bottlenecks in providing quality service and processes. By reviewing feedback, we identify opportunities to streamline processes, reduce wait times, and generally improve the customer experience.	We developed a robust incident management process and improved the speed of reversals for failed transactions. This served to ease customer effort.
Training and coaching	We use customer feedback to identify areas where customer service representatives may need additional training or coaching.	Training and coaching enabled staff to drive customer obsession.

Enhancing customer value propositions

The Bank sustained efforts to enhance customer value propositions both within its suite of financial solutions and in rolling out new solutions that match customer needs including;

In our digital financial services, we rolled out new solutions, enhanced existing ones and availed additional services on the digital channels.	Page 62
Deepening solutions for small businesses.	Page 74
Increasing disbursements through our revolutionary product for women-owned businesses.	Page 74
Re-introduction of mortgages as a distinct business line to drive the delivery of housing both on the demand and supply side.	Page 76

In our corporate segment, one of our key focus areas for the year was signing new to Bank businesses. We signed up 171 substantial new corporate relationships backed by our strong value proposition for corporates. We also leveraged our wide footprint to support regional customers, syndicated loans across our regional subsidiaries and was a partner of choice for governments for priority programmes. Some of these key offerings to corporates in the year included:

» Trade finance solutions driven by the Bank's focus on financing fuel imports and food commodities.
» Commodity financing solutions such as fertiliser importation, a vital input to guarantee food security.
» We participated in the region's first sustainability linked loan.
» Cash management solutions driven by the delivery of various digital solutions for our customers that ensure simplified collections and ease in the reconciliation of payments.

These enhanced customer value propositions led to a 40% growth in our balance sheet to Ksh 2.2 trillion in 2023.

2 Step change in efficiency & productivity

Our performance in the year was driven by both strong business growth and improved efficiencies across our subsidiaries. In 2023, we sustained our digitisation momentum through scaling automation of manual processes to simplify customer journeys and improve our service standards. Key initiatives to deliver on this strategic thrust during the year included:

Automation of Business Process Management (BPM)

We made significant progress in process standardisation and harmonisation. Our subsidiaries KCB Bank Kenya, National Bank of Kenya and KCB Bank Uganda are now fully onboarded onto our BPM platform. Workflow automations on BPM system supported the management of customer instructions between branches and head office units through the system. As a result, 40 customer journeys centred around merchant and agent services as well as legal and securities documentation were automated, eliminating the movement of paper, and improving the turnaround time for execution of customer instructions.

Additionally, the Group completed the implementation of digitised account opening process for personal and joint accounts. This automated the paper-based account opening form, eliminating the need to print account opening forms.

Robotic Process Automation (RPA)

As part of the interventions for automation of manual, highly voluminous, repetitive, and labour-intensive processes, we sustained our momentum with more than 62 processes currently automated under our RPA framework. These automations have streamlined our operations, leading to enhanced efficiencies and reduced turnaround times. We are looking to scale the rollout of the RPA solution, with a significant number of bank processes already identified for automation across the Group.

During the year, we also automated SWIFT notifications for incoming and outgoing payment instructions to maximise operational efficiencies and deliver a best-in-class customer experience.

Leveraging data analytics

We leverage data analytics to facilitate the automated identification, appraisal and scoring of new customers. In addition, we used it in overall limit management for digital loan products, making it quicker and easier for borrowers to access instant loans. This contributed to 77% growth in mobile loans disbursed.

For our MSME and Premium customer segments, we utilise data analytics in developing lead generation algorithms to pre-score customers. These provided key customer insights to our business teams, enabling them to cross-sell and upsell solutions. This yielded a 20% and 11% growth in loan disbursements in our premium and MSME segments, respectively.

Data analytics also enable deposit mobilisation initiatives through the provision of key customer insights and automated dashboards. The analytics further entails undertaking a deep dive into how we collect deposits through tills, customer profiles, sector profiles, and the stickiness of the deposits. This has enabled business teams to drive better engagement with customers and initiate strategies to drive deposit retention and value chain mapping.

In addition, we utilised natural language algorithms to analyse customer feedback allowing us to quickly pick out key problematic areas affecting the overall experience whilst utilising our products and services. This led to quick resolution of customer issues through informed updates and enhancement of our solutions, translating to a positive impact on our NPS and CES scores.

"As part of the interventions for automation of manual, highly voluminous, repetitive, and labour-intensive processes, we sustained our momentum with more than 62 processes currently automated under our RPA framework.

> The Group has in recent years, set out to build a true shared services function to drive efficiency and ensure optimal use of resources. We have also made significant progress in integrating newly acquired subsidiaries to leverage the Group's capabilities and economies of scale to enhance efficiency and realise cost savings.

Building a true shared services function

The Group has, in recent years, set out to build a true shared services function to drive efficiency and ensure optimal use of resources. We have also made significant progress in integrating newly acquired subsidiaries to leverage the Group's capabilities and economies of scale to enhance efficiency and realise cost savings. These include:

- Migration of common systems to a single instance to save on licensing costs.
- Extending system capabilities and advancements available in Kenya to other markets to simplify and support reconciliation processes.
- Centralisation of card, intercompany, and nostro accounts reconciliation at the Group.
- Alignment and standardisation of operational risk reporting process.
- Card schemes compliance and projects management
- Providing technical project support to regional subsidiaries for product development.
- Exchange and training programmes to build staff capacity and eliminate process gaps to facilitate centralisation of some subsidiary operations.

Our subsidiaries can now leverage Group capabilities, thus benefiting from economies of scale including expertise and standardisation of processes. These have resulted in the following benefits:

- Resource optimization.
- Reduced costs.
- Enhanced customer experience.
- Efficiencies in reconciliation.
- Swift identification and resolution of risk areas.
- Resolution of process bottlenecks.
- Focused management of card compliance projects for the Group.

Fit for purpose technology posture

We place a key focus on building foundational capabilities to create steady and stable technology. The Group invested in a robust database system, enhanced network connectivity technologies, enhanced capacity, and built resilience in cyber defense mechanisms. In readiness for the future, the Group has adopted new technologies such as containerization and cloud platforms to set the stage for efficient processing of customer transactions. In 2023, the Group also successfully completed the upgrade of the core banking system at BPR Bank Rwanda.

The renewed focus on cyber resilience, as a strategic enabler of organisation purpose and defense against nefarious threat actors was confirmed by the wave of cyber-attacks in the region in 2023. Our cyber resilience strategy focuses on ensuring that the digital ecosystem, points of customer interaction, and customer data are all secure. Cybersecurity is therefore deliberately embedded in our corporate strategy and is driven through strategy and governance, people, and investments in technology.

Strategy and governance:

The Board and Management continue to drive, embed, and align cybersecurity with achieving the corporate strategy. Further, cybersecurity risks are proactively managed and treated through the proper alignment of people, processes, and technology. The organisation continues to examine its external and internal environments to identify potential cyber risks and put in place defence mechanisms.

People:

A fit-for-purpose cybersecurity organisation is paramount in ensuring that adequate and skilled personnel undertake this critical role. Our teams are resourced and organised in such a way that there is a focus on the identification of cyber risks, the prevention of threats, cyber defense, and the ability to respond to and recover from cyber threats. The Group's enterprise risk management functions, such as information risk and cybersecurity audit, continue to play a key role in the continuous assessment and improvement of cybersecurity controls, practices, and overall posture. We continue to drive a cyber risk aware culture within the organisation to ensure that our staff, customers, and other stakeholders play their part in protecting the digital assets that enable the organisation's strategy. Our people are our first line of defence against cyber-attacks that leverage the human element to bypass technical controls.

Investments in technology:

The organisation has and continues to make significant investments in cybersecurity controls across the various layers of technology, to ensure that the organisation can prevent, detect, respond to, and recover from cyber threats and attacks. Such technology investments protect our digital ecosystems such as digital platforms, networks, endpoints, customer-facing applications ,and touchpoints.

3 Digital leader and digital to the core

Our digital channels offer unmatched convenience to customers and free up branches to drive sales and manage relationships. In 2023, 99% of our transactions by number were conducted via non-branch channels. This was driven by an increased uptake of digital products by customers, and sustained offloading of more services to self-serve channels.

There has been a constant change in customer behaviours with regards to how they access banking services. Our digital banking platforms continue to deliver the Bank to the customers' doorstep allowing them to access service at their convenience. Our mobile and internet banking platforms enable customers to securely access their accounts, make payments, access insurance products, and borrow loans at their convinience. KCB One Till enables businesses to receive payments from their customers conveniently straight to their bank account.

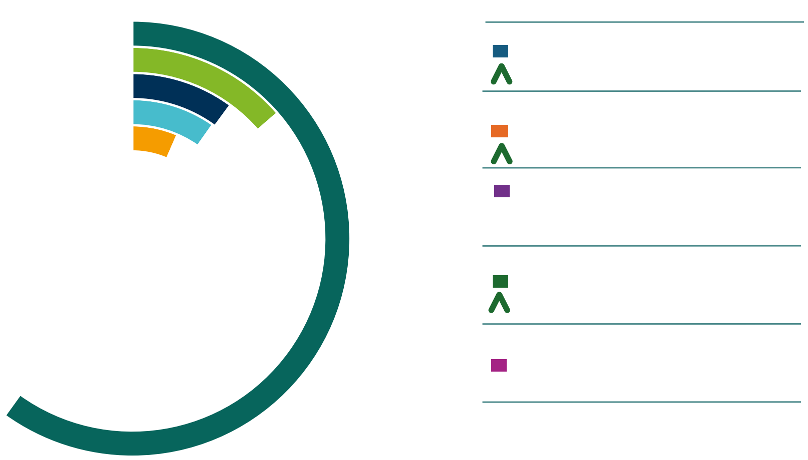
Our customers have access to the Bank extended to their neighbourhood through our agency banking network and merchant services. Virtual cards have eliminated the need to carry physical cards, and the student prepaid cards have revolutionised how student stipends are managed. We support businesses and customers make real-time cash deposits to their accounts outside of normal banking hours through our automated Cash Deposit Machines. Our multichannel contact centre gives customers 24-hour support through their channel of choice, including calls, emails, chat, and social media.

We took several initiatives in the year to enhance our digital solutions through enhanced customer value propositions and simplified customer journeys.

Ksh
337B
Value of mobile loans disbursed

(2022: Ksh 193B)

Ksh
56B
Value of mobile loans disbursed under new products



These include:

Mobile loans for businesses

During the year, we introduced digital overdrafts for businesses via the mobile phone. This followed the success of our Retailer Financing solution. Retailer Financing is a form of stock financing where retailers are enabled to access goods from distributors and repay within 30 days based on the product type. This new digital product in the micro space has gained a lot of popularity especially in the trade sector. Through these two solutions we disbursed Ksh. 34 billion during the year.

In addition, we partnered to introduce *Fuliza for business* in the year. The solution enables business owners with an MPesa till to complete payments even with insufficient funds in their till. The solution applies when making transactions from business till to other till numbers, when sending money to an individual, and when withdrawing to the nominated number or at an agent. The service advances an overdraft ranging from Ksh 1,000 to Ksh 400,000 depending on the business' limit. It also allows multiple overdrafts subject to the assigned limits. The limit is reset every time a repayment is made, enabling business owners to immediately access new overdrafts including the amount they just repaid.

This proposition signifies the immense opportunities available within the digital ecosystem and gives entrepreneurs the impetus to scale up their business operations without getting into the danger of not servicing some of their critical needs like payments to suppliers. The solution also seeks to bridge a gap in access to affordable credit, especially among small and micro businesses that have been previously locked out due to their size and perceived risk. We disbursed Ksh 22 billion through the product in its debut year.

These new products, coupled with enhancements of limits and the introduction of longer tenures on our mobi loan product led to a 77% growth in mobile loans disbursed in the year. In 2023, mobile loan disbursements reached Ksh. 337 billion, the highest we have ever disbursed in a year. Cumulatively, the Bank has disbursed over Ksh. 1 trillion on mobile in the past five years.

Ksh
400,000
Maximum limit for Fuliza business

99%
Share of number of transactions on digital channels

1B
Number of transactions across digital channels

Ksh.
6.4trillion
Value of transactions across digital channels

Offloading transactions to digital channels

Our digital channels handle the bulk of our transactions, thus freeing up branches to drive customer excellence, sales, and manage relationships. These channels comprise mobile banking, internet banking, agency outlets, merchant POS, and ATMs. In 2023, 99% of our transactions by number were conducted via these non-branch channels.

The deepening of usage on these channels saw the number of transactions grow by 127% to 1 billion during the year, with a value of Ksh. 6.4 trillion, a 31% year-on-year growth. Meanwhile, the number of transactions processed at our branches increased by 6% to 10.8 million, with the value remaining flat at Ksh 4.4 trillion.

In 2023, a number of initiatives supported our strategic goal to deepen the usage of digital solutions. These include the rollout of new mobile loan products, insurance solutions on the mobile app, and increased number of cash deposit machines. We also concluded the rollout of remote cheque capture at NBK in 2023, with the solution facilitating the collection of Ksh 10 billion in cheque deposits in its first year. In addition, we enhanced the NBK's electronic payments solution to include bulk payments.

All our subsidiaries across the region also made advances in increasing the usage of digital channels by customers. TMB's Pepele Mobile was the first and remains the leading mobile banking service in the DRC. With one million users, the number of Pepele Mobile accounts surpasses the entire account base of almost every commercial bank operating in the DRC.

We also continued to sign up more Vooma merchants, growing the number by 34% to 1.1 million in 2023. Vooma is our robust and dynamic mobile wallet that allows customers to pay for goods and services, get loans, and save money via their mobile phones on any network. In addition, we rolled out school billing solutions and our Buni API gateway. Buni is a developer platform that allows businesses, innovators, and developers to access financial and non-financial services through APIs to build innovative products and services.

It provides a sandbox environment for developers to experiment and build their products before deploying them to the real world. Additionally, Buni offers a variety of resources to help developers get started, including documentation and tutorials.

The following initiatives drove usage in agency and card businesses in the year:

Agency

» Incorporated Vooma cash-in cash-out in the agent POS machines thus enabling customers to be served at all agent points.
» Integrated our agent banking system with additional corporates making it easy for customers to pay into their various accounts and make reconciliations much easier for the organisations.
» Agent interoperability, functionality therefore enabling us to serve account holders from other banks across our agency network.
» Introduced Android terminals into agency banking.

POS merchants

» Roll out of card products targeting the high-net-worth sector. This includes MasterCard World Elite both in Ksh. and USD, the first of its kind in Kenya as well as the Visa Infinite and Signature Cards.
» Implementation of the tap phone to pay allowed our cardholders to make card payments through their phones. The first of its kind in Kenya.
» Issued prepaid cards for student stipend management.
» Signed up more deal partners so that KCB cardholders can get exclusive discounts when they use their cards to make purchases upfront or pay for large ticket items through instalments.
» Rolled out tap-to-phone card acceptance solution that gives micro and small enterprises the ability to accept card payments for their goods and services.
» Deepened relationships with our merchants to ensure we remain the preferred acquiring partner in a competitive market.
» Recruited more merchants across all sectors of the economy.

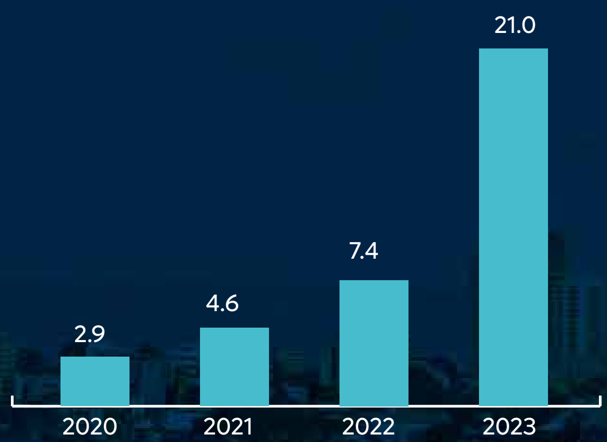
4 Scale to achieve regional relevance

KCB has rapidly expanded across East and Central Africa, with three acquisitions made during our beyond banking strategy period. This expansion was aimed at building the scale required to match the meaningful role we play in the region. We now have a strong presence across the breadth of the African continent, from Mombasa on the Indian Ocean coast in Kenya to Muanda on the Atlantic Ocean coast in the DRC.

As at the end of 2023, the Group owned eight banking subsidiaries across seven countries. We also own a host of non-banking businesses in investment banking, bancassurance and asset management to maximise on the opportunities available on the financial services ecosystem.

The Group depends on regional businesses to meet its diversification goal. We measure this through the share of Group profits from these regional businesses. This share rose to 36.7% in 2023 from 17.6% in the prior year, driven by strong growth across funded and nonfunded income lines in all subsidiaries. We also delivered solid growth in total assets at subsidiaries outside Kenya over the strategy period, driven by organic growth and acquisitions.

Profit before tax (Ksh. B)



Update on progress of recently acquired businesses

BPR Bank Rwanda

2021:
The Group acquired 76.67% shareholding in Banque Populaire du Rwanda (BPR) for a cash consideration of Ksh. 4.8 billion. The transaction was at a bargain purchase of Ksh. 689 million.

76.67%
Shareholding at acquisition

Ksh
4.8B
Cost of acquisition of BPR

Ksh
689M
Bargain purchase price

2022:
Banque Populaire du Rwanda and KCB Bank Rwanda were amalgamated into one entity, BPR Bank Rwanda Plc. This resulted in the allocation of additional shares to the Group raising KCB's ownership to 87%.

87%
KCB's shareholding at BPR post amalgamation with KCB Bank Rwanda

2023:
The Group completed the unification and upgrade of the core banking system at the merged entity. This will pay for the optimisation of the branch network and result in increased efficiency. BPR posted strong growth, with its return on equity growing to 18.6% from 14.6% in the prior year. The subsidiary was the third largest contributor to the Group's profits and held the fourth largest asset base. It contributed 8% of the Group's net profits, supported by a 39% growth in its net earnings for the year to Ksh 2.8 billion.

Trust Merchant Bank (TMB)

2022:

The Group acquired an 85% shareholding in TMB for a cash consideration of Ksh. 25.1 billion. The transaction was on a premium basis, with the Group paying 1.49x the net book value of TMB. The rationale for the acquisition was due to the immense potential that exists in the DRC market, given that the majority of the population is unbanked. The Group sought to leverage TMB's wide footprint, history, brand value, and strong customer relationships, coupled with KCB's digital leadership, to power growth in the market while contributing to driving financial inclusion.

85%

KCB's shareholding at TMB

Ksh

25.1B

Cost of acquisition of TMB

2023:

TMB contributed strongly to the Group's performance in its first full year as a KCB subsidiary. The growth was powered by a strong customer value proposition, deepening of digital solutions, and leveraging Group capabilities to syndicate facilities and optimize the balance sheet. One in five bank accounts in the DRC are held with TMB. It is also the only commercial bank in the DRC offering leasing products. The Bank's leasing portfolio, focused on agriculture, mining, mining services, and construction, increased by more than 50%, as measured by deal numbers in 2023.

The subsidiary was the second largest contributor to Group's net profits. It contributed Ksh 6.3 billion equivalent to 17% of the Group's net earnings. It also has the second largest asset base and the largest outside Kenya. Its balance sheet expanded by 33% to reach Ksh 279 billion in its first full year as a KCB subsidiary. In addition, it posted a return on equity of 33% in 2023, the second highest among all our banking subsidiaries, after South Sudan's 42%.

Update on National Bank of Kenya (NBK)

2019:

The Group acquired 100% shareholding through a share swap, which resulted in the issuance of an additional 147 million Group shares. These new shares amounted to a consideration price of Ksh. 6.2 billion. The Group further injected two tranches of core capital into NBK, Ksh. 5 billion in 2019 and Ksh. 3.5 billion in 2021. This brought the total Group's investment at NBK to Ksh. 14.6 billion as at the end of 2023.

The acquisition was informed by the opportunities that we anticipated would be provided by leveraging the synergies that existed between NBK and KCB Bank Kenya (KCBK). These included leveraging NBK's deposit base, distribution channels, and existing core customer relationships to drive business growth between the two subsidiaries in Kenya. In addition, shared services between the two entities and the anticipated eventual integration would result in cost savings and diversified distribution channels in Kenya.

2020-2023:

NBK continued to operate as a wholly owned subsidiary of the Group post-acquisition, with partial integration of back-office functions with KCBK. These shared services with KCBK resulted in a cost savings of Ksh. 4.5 billion over the strategy period. In addition, NBK posted profits in three of the four years it has been a KCB subsidiary and delivered steady growth in its core capital base and shareholder's equity.

Legal awards against the Bank eroded the above progress, plunging the Bank to loss making territory and eating into its capital base. This would have necessitated another round of capital injection to bring the subsidiary into compliance.

Ksh.

4.5B

Cost savings through shared services between KCBK and NBK

2024:

The Group weighted its options on how to resolve the undercapitalization and resolved to sell the Bank. Due to the progress made in strengthening NBK's market position and balance sheet, the Group received an attractive price for the transaction.

The Group signed a definitive agreement to sell its 100% stake in the subsidiary to Access Bank Plc in 2024 at 1.25x its book value. The transaction is expected to be completed within the year, after which, NBK will cease to be a subsidiary of the Group.

1.25x

Sale multiple for the transaction

Update on our non-banking subsidiaries

Our non-banking subsidiaries had a stellar year, backed by the rollout of new products and wider market access offered by our wide footprint. The Group relies on its investment banking, bancassurance, and asset management businesses to maximise on the opportunities available on the financial services ecosystem.

Investment Banking and Asset Management

In 2023, we completed the reorganisation of our investment banking and asset management subsidiaries to better position them to leverage synergies availed by the Group to drive growth. KCB Capital was rebranded as KCB Investment Bank (KCBIB). It offers wealth management, advisory, brokerage, and distribution of collective investment schemes with a focus on money market funds.

Natrust, which was previously a subsidiary of NBK, was transferred to the Group in the year through share exchange at nominal value. It was subsequently renamed KCB Asset Management (KCBAM). It provides fund management through collective investment schemes and pension management. The rebranding enhanced its brand visibility, leading to participation in big-ticket tenders within the pension space by leveraging KCB's brand equity.

During the year, we successfully rolled-out the KCB Money Market Fund. Both the Kenya shilling and the US dollar denominated funds and unitholder numbers exponentially grew in the year. KCBAM and KCBIB entered into a distribution arrangement in which the former is the product owner of the KCB Unit Trust Scheme while the latter is the exclusive distribution agent, leveraging KCB's branch network.

This has enabled both entities to benefit from synergies arising from the strengths of each subsidiary. The money market fund grew from Ksh 55 million in June to over Ksh 900 million at the end of December 2023, serving close to 1,200 clients. Further, our market position within the collective investment scheme industry improved to 16 out of 29, up from position 27.

The two subsidiaries will continue to collaborate to provide leading customer value propositions amid the high-interest rate environment. The KCB money market enables clients to achieve capital preservation whilst enjoying higher interest rates with the flexibility to withdraw on demand should they wish to pursue alternative investments.

We also positioned ourselves as an intermediary of choice for clients who preferred to tap into the high-yielding government bonds on offer during the year. For some of our institutional clients, we pursued a two-pronged approach through cautious purchase of equity stocks that were trading at significant discounts to their historical intrinsic values at the prevailing prices and pursued opportunities within the alternative markets space including non-listed companies in sectors such as mining, agriculture, finance, and energy, which were delivering significant returns in both Kenyan shilling and US dollar terms.

We have put in place the requisite structures, products, and people to manage the financial and investment needs of all our stakeholders, and we shall maintain an open architecture that is trustworthy, accountable, transparent, secure, and strives to deliver customer excellence.

Our Offerings

KCB Investment Bank

Wealth Management

Advisory

Brokerage

Distribution of collective investment schemes with a focus on money market fund.

KCB Asset Management

Fund management through collective investment schemes

Pension Management

KSh. 118M
KCBIB profit before tax
Up 151%

KSh. 43M
KCBAM profit before tax
Up 10%

Bancassurance

The year-on-year rise of gross written premium within the insurance industry is evidence that the need for insurance is growing. KCB Bancassurance Intermediary Limited (KBIL) continued to show its ability to deliver value for its customers, leading to a 28% growth in gross written premiums to Ksh 5.4 billion in 2023. This growth was on the back of increased uptake of existing products, digitisation, and the rollout of additional solutions to address niche market segments.

At KCB Bancassurance, we offer a range of insurance products, from life to general insurance, including medical, motor, crop, and marine covers, among others. This makes it easier for customers to sign up for multiple products through KCB. Our insurance solutions cut across all segments, from personal, micro, high-net-worth and corporate schemes.

Our key differentiator is our wide distribution network provided by the KCB retail bank network. This is supported by a robust back-office function for handling claims, underwriting, and customer service. We have also started the journey to digitally distribute insurance through the mobile App. We have invested in our people through certifications to ensure our staff are adequately skilled to address customer needs. We also offer flexibility in payment of premiums through credit cards and insurance premium financing. Beyond sales, we support customers through the claim process with the respective insurance company, backed by the various service agreements with these partners.

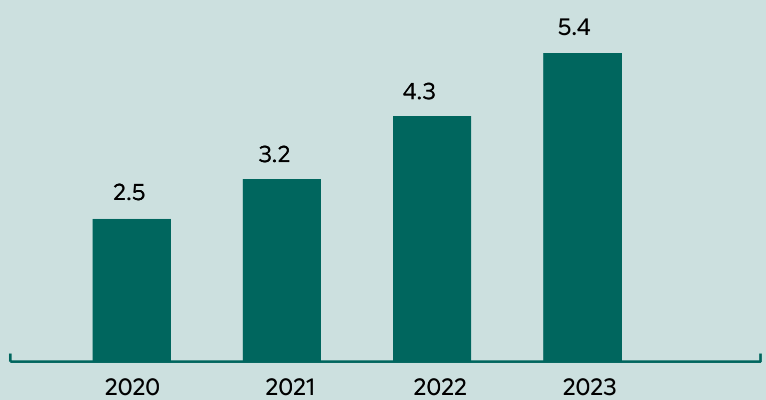
In 2023, KBIL leveraged digital solutions by enabling self-onboarding on the KCB App for student personal accident and motor vehicle policies. In the year, we sold 316 and 52 student personal accident and motor insurance policies, respectively, on the App. This resulted in Ksh 100 million in gross written premiums from this channel on its debut year. We are still in the early stages of implementation, and we are seeking to further grow this through increased uptake and the addition of more insurance solutions to the App.

In the year, we also signed up to a new partnership to distribute life products, entailing Elimisha Plus, Endowment Plan and Last Expense. We distributed over 1,300 of these policies in 2023 following their launch in April. We also recruited 71 sales advisors and automated the processing of these policies via our partner's Connect Portal.

KSh. 737M
Profit before tax Up 16%

59%
RoE (2022: 55%)

Gross written premiums (Ksh B)



WINNER
Most Customer-Centric Bancassurance Intermediary

WINNER
Best Bancassurance Intermediary in Non-Life and Non-Embedded Products

WINNER
Best Bancassurance Intermediary in Life Products

WINNER
Best Bancassurance Intermediary in Technology Application

1ST RUNNERS UP
Risk Management Award Bancassurance Intermediary

2ND RUNNERS UP
Best Bancassurance Intermediary

By Think Business Insurance Awards

We are CONNECTED

One team.

Going beyond banking to lifestyle, connected to new ideas.

Digitally enabled.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ENVIRONMENTAL

SOCIAL

GOVERNANCE

Environmental, Social and Governance

The Group is committed to creating long-term value for shared prosperity through the alignment of our strategy to sustainable practices. As we deepen our presence across the region, we continuously seek to embed the best environmental, social and governance (ESG) practices as we endeavour to build a future-proof business.

We recognise that we have a responsibility to our stakeholders to apply the best initiatives towards the management of risks and opportunities related to ESG matters across our operations. Our ESG approach is anchored on environmental stewardship, delivering high social impact, and ensuring sound corporate governance practices.

Environmental

We are committed to operating sustainably and lending responsibly. We continue to assess and address our climate-related risks and opportunities and set up processes that enable us to enhance our approach to managing climate risks. In addition, through our environmental and social due diligence process, we support our customers institute measures to mitigate any adverse impacts they may have on the environment.

We have a detailed road map on embedding climate-related risk management, which we developed in 2022 in line with the guidelines on climate-related risk management issued by the Central Bank of Kenya. We have also updated our Enterprise Risk management framework to ensure the identification, assessment, management, and reporting of climate-related risks which help increase our understanding of the risks and opportunities in our portfolios and enhance our forward-looking analysis.

Our Group Board Audit and Risk Committee oversees climate risk management. We also have a dedicated department that monitors the implementation of our sustainability agenda and supports business units to tap on climate-related opportunities and develop measures to mitigate climate risks. The unit, which is composed of five employees is led by our Group Head of Corporate Affairs, who reports directly to the Group Chief Executive Officer.

The Group publishes a separate Sustainability Report annually, which details our progress across various sustainability initiatives and climate-related risks and opportunities. The 2023 report will be available on our website by the end of June 2024.

The Group manages all risks the business is exposed to centrally, including climate-related risks. Our risk management practices have been highlighted on pages 104 to 115 of this report. The Group continues to work on developing its management and reporting capabilities and shall engage third party expertise to strengthen its technical capacity in carbon management and climate risk. This will support the alignment of our net zero strategy with international best practices and taxonomies.

The Group publishes a Sustainability Report annually, which details our progress across various sustainability initiatives and climate-related risks and opportunities. The 2023 report will be available on our website by the end of June 2024.

Our 2023 sustainability highlights

Activities in line with our net-zero commitments

The Group remains agile in its net zero commitment. This is being actualised through various activities as outlined below;

Resource efficiency

The Group has been monitoring its resource usage since the establishment of the initial baseline in 2019 for scope 1 and 2 emissions. Our target is to achieve an annual decrease of 5%. In 2023, we achieved a 2% and 10% reduction in electricity and water usage, respectively. The reduction in electricity consumption was supported by the installation of LED lighting in 108 branches, solarisation of two branches and optimisation of office space.

Paper and fuel usage increased by 4% and 54%, respectively. The increase in fuel usage was due to frequent power outages experienced in 2023, which increased reliance on diesel generators across branches and increased resumption of business travel post COVID-19 period. We continue to closely monitor resource usage across our branches with the aim of meeting our annual reduction target of 5%, and our commitment to efficiency remains unwavering.

In addition, the Group has mapped areas with frequent power outages, which increase fuel dependency. This exercise has identified 19 branches for solarisation by 2025. Other facilities will undergo upgrades of their machinery and equipment such as data centres to ensure optimal energy efficiency.

With the aim of aligning further with the TCFD disclosures, the Group has started a process towards calculating its scope 3 emissions. This entails emissions attributed to upstream and downstream activities. Our upstream activities include business travel and emissions from our supply chain, including transport, distribution, and waste. Our downstream activities encompass our financed emissions.

Progress made in ESDD screening

The screening of loans under our environmental and social due diligence (ESDD) process is conducted for proposed and ongoing projects to ensure our financing does not pose negative effects on the environment and society. This screening is guided by the IFC performance standards, and our internal policies. In 2023, we screened loans worth Ksh 615 billion, up from Ksh 270 billion in 2022.

In addition, we also upgraded our ESDD toolkit, resulting in the following benefits:

- Improved the Bank's risk management to reduce the likelihood of negative impacts.
- Enhanced compliance with environmental and social regulations, standards, and best practices.
- Mitigated environmental and social risks to prevent harmful impacts such as habitat destruction, biodiversity loss, pollution, human rights violations, labour abuses, and community displacement.
- Creating a resilient and long-term value for the Bank's portfolio and our stakeholders.
- Creating innovative financial solutions that have supported our clients in line with the Group's adopted sustainable development goals.

Enhancing project visits in 2023 as part of these due diligence checks has proven invaluable. This hands-on approach, through our relationship managers and the sustainability unit, allowed us to identify both risks and opportunities and add value to our clients' projects.

Green finance and tree planting in 2023

Our subsidiaries, KCB Bank Kenya and BPR Bank, recorded significant growth in green loans in their portfolios in 2023. The proportion of these loans at the Group increased to 15% in 2023, driven by the onboarding of projects in the infrastructure, transport, and manufacturing sectors. The green projects in our portfolio encompass renewable energy, sustainable agriculture, waste management and recycling, and climate-smart infrastructure projects.

KCB Bank Kenya also participated in the region's first sustainability-linked loan for the country's leading telco. The facility was aimed at the installation of a solar towers lighting system fully powered by renewable energy, exemplifying a commitment to sustainable practices.

In addition, the KCB Foundation partnered with the United Nations Institute for Training and Research (UNITAR) to promote the use of electric motorbikes by boda-boda riders in Kenya as part of the effort to accelerate the transition to a low-carbon, resilient economy. This pilot project seeks to promote eco-friendly types of electric motorcycles and provide lessons that will guide the approach to scaling up the initiative towards leading the phased removal of fossil-fuel-powered motorcycles in Kenya.

KCB aims to plant 1.2 million trees by 2028. In the first year of the campaign, we planted 314,000 trees. Our approach involves partnering with schools to deliver on this goal and promote ownership and responsibility.

Measuring our financed emissions

In accordance with our net zero commitment and aligning to the GHG protocol, the Group embarked on a process to calculate its financed emissions. We started with the calculation of financed emissions (category 15) at KCB Bank Kenya. This will determine the baseline data for our downstream activities in the energy, transport, real estate, and housing sectors. These sectors were selected as they are high-emitting sectors, and thus huge contributors to climate change, and additionally represent a significant portion of the Bank's loan portfolio. We will report on these emissions in accordance with IFRS Sustainability Disclosure Standards in our subsequent annual disclosures beginning with our 2024 reporting period as guided in the Standard.

Sustainability e-learning and capacity building

In a bold stride towards sustainability, KCB has revolutionised the capabilities of its workforce, suppliers, and customers. Our commitment to ESG principles is evident in the extensive training initiatives implemented. In 2023, we trained up to 3,860 staff on ESDD processes, green lending, and climate risk management.

To enhance ESDD proficiency, our dedicated staff underwent rigorous training, with a particular focus on the identification of environmental and social risks and opportunities across the various sectors. Regional managers, equipped with this knowledge, are now set to engage in personalised sessions with clients, guiding them through a robust environmental and social due diligence process with the aim of mitigating the identified risks and tapping into the opportunities.

This training initiative not only amplifies our workforce's sustainability acumen but also reinforces KCB's dedication to fostering a corporate culture deeply rooted in responsible and ethical practices. Through these endeavours, we are not just shaping a workforce; we are cultivating a community of champions for a sustainable and resilient future.

Our Africa Climate Summit agenda

In the annals of Kenya's sustainability journey, 2023 served as a year of extraordinary progress. A profound shift in climate consciousness paved the way for unprecedented collaboration, with the focal point being the Africa Climate Summit that took place in Nairobi from September 4th to 6th, 2023. This monumental event served as a crucible for changemakers, providing a forum to deliberate on the imperative climate actions that demand collective adoption.

During the Africa Climate Summit, KCB Bank carved its niche by orchestrating a pivotal side event centred on green financing. Within this forum, the Bank illuminated the vital role financial institutions play in driving environmental and social prosperity. KCB further showcased its commitment by aligning with the Task Force on Climate-Related Financial Disclosures (TCFD) guidelines and launching a reporting framework that would assist financial institutions in reporting on climate related risks. This lays the foundation for standardised reporting of sustainability matters for financial institutions.

As the curtains fell on the Africa Climate Summit, KCB integrated into the formidable coalition of African leaders through the Nairobi Declaration on Climate Change and Call to Action. The declaration highlighted the Bank's commitment to curb emissions in harmony with the objectives set forth in the Paris Agreement.

Key priorities and outlook for 2024

Our gaze extends ambitiously towards 2024, a pivotal chapter where key priorities and strategic outlooks will materialise into impactful initiatives. The Bank remains diligent in tracking and reducing its carbon emissions, with the aim of introducing significant initiatives that will help reduce the emissions further. Our sights are set higher for the upcoming year as we embark on a comprehensive analysis of our scope 3 emissions.

KCB Group has embarked on an exercise to conduct scenario analysis and climate stress testing of its portfolio, which will in turn be monitored through our reporting framework in 2024. This is aimed at understanding and quantifying the climate-related risks and opportunities that the Group faces. Through this analytical lens, we endeavour to craft resilient strategies that stand the test of a spectrum of plausible future states.

Acknowledging that the focus on climate-related risks and opportunities has been paramount, KCB Group is broadening its perspective for the upcoming year. The integration of nature-related risks and opportunities is a key agenda item as we recognise that disruptions, such as the loss of ecosystem services and biodiversity, pose significant threats to the financial sector, potentially causing acute business disruptions and financial losses.

Progress made to facilitate the deployment of GCF funds

In a pioneering stride towards sustainable development, we take pride in being the trailblazing financial institution in Kenya to secure accreditation from the Green Climate Fund (GCF). This recognition positions us as a frontrunner in fostering climate mitigation and adaptation initiatives through innovative green financing solutions.

At the heart of our commitment lie two pivotal concepts: the electrification of mobility and dedicated support for Small and Medium Enterprises (SMEs) in climate smart technologies. Our strategic focus on these areas is driven by a profound belief in the transformative potential they hold for both economic growth and environmental stewardship.

The Bank has progressed into advanced stages with the two concept notes and is poised to implement the two projects, which expose the nation to a diverse array of opportunities in energy efficiency, smart agriculture, renewable energy, and smart transportation, aimed at tackling the global climate change challenge. As a Bank, we have championed the process of identifying of viable projects and aligning the concept notes with national and GCF priority areas.

Our strategic alliance with GCF positions us as an enabler for positive change, driving the realisation of sustainable development goals. By spearheading initiatives in e-mobility SMEs supporting aligned with the SDGs, we are not just envisioning a greener future but actively laying the foundation for it. In doing so, we not only transform financial landscapes but also contribute to a more resilient, equitable, and environmentally conscious society. As we navigate the exciting terrain of sustainable finance, our journey is defined by innovation, responsibility, and a steadfast commitment to building a better tomorrow for generations to come.

Initiatives under our adopted SDGs

The Group continued tracking the various metrics for our adopted Sustainable Development Goals (SDGs), embodying our commitment to these goals. In 2023, we also identified more impact areas in our Kenya, Tanzania, Uganda, and Rwanda subsidiaries. The identified impact areas were aligned to the Group's earlier adopted nine SDGs and an additional five SDGs that we impact.

This action cements the Group's commitment to the Forward Faster Initiative, which aims to guide companies in areas where we can make the biggest, fastest impact before 2030. Key initiatives in the year involved strategic partnerships with schools through the Linda Miti project, aiming to plant 1.2 million trees, the green financing initiative, and responsible lending. These endeavours directly contribute to SDG 13: Climate Action, fostering effective climate change planning and management.

As we look ahead, our focus remains steadfast on building upon these achievements, ensuring a sustained positive impact that resonates with our adopted SDGs. In summary, our 2023 initiatives not only demonstrate measurable progress but also leave an enduring mark on the communities and causes we passionately support.

1 NO POVERTY

- KCB Foundation created over 17,000 jobs.
- 480,000 Inua Jamii beneficiaries.

2 ZERO HUNGER

- Contributed Ksh 3 million to the Kenya Red Cross Society towards drought alleviation in counties that were in urgent need of food assistance.
- KCB Foundation donated foodstuffs and water worth Ksh 24 million through the National Drought Management Committee to mitigate prolonged drought effects.

5 GENDER EQUALITY

- Increased the number of scholarships awarded to female students to 639 in 2023.
- Partnered with Clean Start Solutions to identify girls formerly imprisoned for opportunities in schools, TVETS & Enterprise Development.

6 CLEAN WATER AND SANITATION

- NBK's Majikonnect initiative impacted over 251,000 beneficiaries.
- NBK availed affordable loans worth over Ksh 697 million to realise last-mile water connectivity.

8 DECENT WORK AND ECONOMIC GROWTH

- Over 2,000 youth entrepreneurs were placed under incubation hubs.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- Increased the value of loans screened under our environmental and social due diligence process to Ksh 615 billion.

10 REDUCED INEQUALITIES

- 4,280 scholarships under KCB Foundation
- Number of beneficiaries of the Women in Leadership programme increased to 349 in 2023 from 250 in 2022.
- Loans worth Ksh 115 billion disbursed under female-led and made enterprises proposition.

11 SUSTAINABLE CITIES AND COMMUNITIES

- Health Care insurance worth Ksh 1.3 billion provided.
- Ksh 5.2 billion in Bancassurance premiums.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- LED lighting in 50% of KCB Bank Kenya branches.
- 81% of our suppliers have signed our Supplier Code of Conduct.
- Solarised two branches and aiming to solarise an additional 19 by 2025.

13 CLIMATE ACTION

- Increased proportion of green loans to 15.0%.
- 72 secondary schools benefited from our LPG programme with the Foundation contributing Ksh 72 million in grants.
- Planted 314,000 trees in partnership with schools through the Linda Miti initiative.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

- Increased staff training and sensitization on ethics e-learning courses and anti-money laundering training.
- 249 fraud incidences were identified and frustrated.

17 PARTNERSHIPS FOR THE GOALS

- Forged and maintained partnerships, including the Net Zero Banking Alliance (NZBA), ABLC, GFNZA and UNEP FI Leadership Council.
- 99 partnerships with Farmer Producer Organisations through in Mifugo ni Mali.

Social

We leverage our products, policies, programmes, and actions to deliver social impacts in the markets we operate in. We are a regional powerhouse because, for 128 years, we have been committed to enabling progress – by uplifting families, communities, villages, towns, cities, businesses on the rise and those in the making, nations, and economies. We will not stop until we have made an impact on all our stakeholders' lives, because we are about people and building a sustainable tomorrow for generations to come.

Through our social lens, we work to deliver impactful programmes that create value for our customers, employees, communities, and governments in the countries we operate in.

In this section

Value for our customers

We deliver high social value for our customers through driving financial inclusion, safety on digital channels, supporting schools to broaden access to education and delivering affordable housing among other key initiatives.

Driving financial inclusion

Financial inclusion remains a key consideration in the banking sector in the countries in which we operate. The Group continues to undertake various interventions to drive financial inclusion. These include.

Supporting women-owned businesses

The Bank launched the Female-Led and Made Enterprises (FLME) proposition in 2022, aimed at availing Ksh 250 billion in financing to these businesses over a five-year period. FLME is a 360° intervention platform that seeks to grow the base of female entrepreneurs by offering more unsecured lending to address the challenges that most female customers cite as the major impediment to financing. The proposition also prioritises non-financial solutions through capacity-building programmes, training, workshops, mentoring, coaching, and networking opportunities through our Biashara Club.

The benefits for women include:

- Eased credit requirements and documentation.
- Faster loan processing turnaround time with a prioritised workflow in our loan origination system.
- Access to unsecured loans of up to Ksh 10 million.
- Women in chamas can get loans of up to 10 times their savings, enabling them to borrow up to Ksh 250 million per group.
- Flexible medical insurance solution through FLME Simba Health.
- Access to non-financial services including literacy skills, networking sessions, business trips.
- Capacity building through the KCB Foundation incubation programme for the start-ups.

As of the end of 2023, total disbursements under FLME stood at Ksh 115 billion. The value of deposits stood at Ksh 85 billion across 2 million customer accounts.

Powering small businesses

The Group deliberately works towards availing more lending to Micro, Small and Medium Size Enterprises (MSME) as this segment is the engine that powers economic growth across our markets. We continuously revamp our products to meet the ever-changing customer needs and ensure that the solutions we offer are accessible and affordable to small businesses.

To achieve this goal, we rolled out digital loan solutions for small businesses, revised lending criteria, extended loan tenures, enhanced limits, invested in automation, and devolved lending discretion to ensure faster turnaround times. We also leveraged data analytics to prescore customers and revised rules for small businesses to accommodate new-to-bank customers who may be inhibited by lack of prior banking relationships for credit appraisal. Overall, our MSME loan book has grown to over Ksh 100 billion.

The Bank launched the Female-Led and Made Enterprises (FLME) proposition in 2022, aimed at availing Ksh 250 billion in financing to these businesses over a five-year period.

Financial inclusion for the artisanal mining sector in the DRC

The Democratic Republic of Congo (DRC) is one of the least banked countries in the world. When our DRC subsidiary, TMB, first opened its doors in 2004, there were approximately 35,000 bank accounts in the DRC. By end of 2023, TMB boasted over 2 million clients, 108 branches, and over 3,600 agency banking outlets.

TMB has successfully widened access to financial services by focusing on:

- Building a culture of openness and inclusion.
- Investing in people, products, and technology with financial inclusion in mind.
- Developing a multi-channel distribution network that is unrivalled in scale and reach.
- Designing competitive and accessible products.

The largely informal artisanal mining (ASM) sector is estimated to employ up to 1 million people in the DRC, a sizeable number given the a total adult population (aged 15 to 64) of 43 million. The sector plays a crucial role in income generation, in particular in a number of the most underdeveloped regions of the Congo, and yet it has been entirely excluded from the banking system.

In late 2019, TMB launched an initiative to develop banking and insurance solutions specifically designed for the ASM sector. TMB is the only financial institution in the DRC seeking to engage with the sector. TMB is developing a range of financial services for artisanal and small-scale mining enterprises and individuals active in the sector, initially using the Bank's mobile banking service, Pepele Mobile, supported by the Bank's remote area banking teams. The Bank's strategy is to onboard not only the entire ASM supply chain but also provide services to the wider communities in which artisanal mining takes place.

The Bank's ASM strategy forms a crucial part of TMB's financial inclusion mission. TMB has the opportunity to cement a first mover advantage in a sector that offers potentially very high levels of growth and yet evidences significant barriers to entry. TMB's approach to ASM financial inclusion promises to be transformative for ASM communities across the DRC.

In 2023, TMB became the first bank to be admitted as a member of the Public-Private Alliance for Responsible Minerals Trade (PPA). This is a joint initiative among governments, companies (including Apple, Intel, Microsoft, and Sony), and civil society to support supply chain solutions to ensuring responsible mining in the DRC, as well as the wider Great Lakes Region. The PPA seeks to incentivize legitimate ASM operations, businesses, and trade. Also in 2023, TMB became a member of the OECD's Multi-Stakeholder Steering Group (MSG) for responsible sourcing of minerals.

Financial inclusion for persons living with disabilities

The Group has implemented various programmes to ensure access to financial services by persons with disabilities (PwDs). These include:

- KCB entered into a memorandum of understanding with the National Council for Persons with Disabilities in Kenya to provide LPO financing for tenders won by PwDs as well as financing to ensure access to low-cost and discounted assistive devices.
- Redesigned and modified branch set-ups including installation of access ramps to ensure ease of access for PwDs. The Bank also provides priority access to PwDs at our branches and ATM sites.
- waives taxes on banking services fees for PwDs in line with tax laws in Kenya.
- Awarded business worth Ksh 539 million to special interest groups which include PwDs, youth and women owned businesses.
- Training on Kenyan sign language for some of our customer facing staff in branches. Our customer excellence staff also received a PwDs sensitivity training.
- Facilitated the disbursement of funds to PwDs in Kenya through its participation in the Inua Jamii cash transfer programme.
- KCB Foundation allocated 10% of the 2Jiajiri youth employment and the secondary schools scholarships slots to PwDs.
- We availed a financial management training for PwDs.

Supporting refugees

In 2023, we signed a risk share agreement with the Swedish International Development Agency (SIDA) to spur lending to refugees and business communities that support these vulnerable groups. The Ksh 1 billion guarantee scheme is targeted at de-risking SMEs and refugees in a move that will unlock access to affordable credit for this special segment of customers. The instrument enables scaling up lending activities by reducing collateral requirements and thus creating opportunities for better living conditions for people fleeing from conflicts in an increasingly polarised world.

Aligning with our customers' values through Sahl Banking

2023 marked the ninth year of operations for KCB Sahl Banking which today is available across all our branches. Over this short period, Sahl has achieved commendable growth. Sahl is built on Shariah principles that are not only designed to drive financial inclusion but are also in line with our customers' values. It offers a variety of unique solutions that are Shariah-compliant and reflect our goal to bank on our customers' values.

The unit made significant strides in 2023 key among which was increasing financing for customers to support businesses and households. This was evidenced by a 69% growth in financing from Ksh 11.5 billion in 2022 to Ksh 19.4 billion in 2023. The number of customers grew by 30% in the year to 114,000 leading to a 34% growth in customer deposits from Ksh 15.4 billion in 2022 to Ksh 20.7 billion in 2023.

KCB Bank Tanzania also launched the first public Islamic bond in Tanzania, dubbed Fursa Sukuk, offering a Shariah-compliant investment option aligned with customers' values. The paper raised Tsh 11 billion, an oversubscription of 10%. It carries a profit rate of 8.75% per annum and a tenure of three years.

Fursa Sukuk is a Shariah-compliant investment endorsed by the Shariah Advisory Board of the Centre for Islamic Finance, Compliance and Advice (CIFCA) and by the independent Shariah Advisory Board of KCB Sahl Banking.

Customer safety online

Cybersecurity remains a key enabler of ensuring digital trust and effective management of risks arising from the usage of digital technologies. The Bank continues to invest in people, processes, and technologies to maintain and improve controls that ensure the technology used by the Bank remains trustworthy and secure. We also continuously take steps to ensure that our customers are safe as they transact on our digital touchpoints. These include:

- Campaigns such as "Kaa Rada" (Be alert), this are run on a regular basis and create awareness on the Bank's official communication channels, which aim to ensure customers are not socially engineered to share their account information with third parties and can easily identify impersonators when they receive calls from unofficial channels. This is done through bulk messaging, e-shots on social media, and customer education at the onboarding point.
- Stringent customer authentication and identification criteria before sharing any account information to safeguard against breaches of customer information and confidentiality.
- Regular fraud and cyber security awareness as well as e-learning courses for bank staff.
- Enhanced security features on the mobile banking app activation such as the use of one-time PINs.
- Restriction of Vooma mobile wallet top-up to own number, which has greatly reduced exposure of customers to social engineering.

Delivering affordable housing

We play an active role in the affordable housing market in Kenya. Our affordable housing mortgage proposition benefits customers in the lower-middle and middle-income earning brackets across consumer and MSME segments. It offers affordable financing towards the purchase or construction of residential units for owner occupation. Through this product, we seek to increase home ownership, reduce the demand deficit of decent housing, increase social well-being, and promote financial inclusion. Our affordable housing loans are priced at a fixed interest rate of 9%, which is the lowest in the market with the longest tenure of 25 years.

Over the past 13 years, we have funded affordable housing projects worth more than Ksh 23 billion delivered by private developers and county governments. In addition, we have financed affordable mortgage housing schemes for over 80 institutions, including for civil servants. Through these schemes, we have enabled over 6,000 civil servants to achieve their home ownership goals. Currently, we have a 30% market share in the residential housing space with a mortgage book of Ksh 88 billion. Over 75% of this book is retail and falls under affordable housing, with the balance being project finance.

In 2023, we re-introduced our mortgage unit as a distinct business segment. This was after we engaged a number of our customers across the country, and they consistently emphasized the need to have the unit back. The unit will work to drive the delivery of housing, both on the demand and supply side. It will also mobilise green funding towards affordable housing, promote private and public sector, collaboration, and champion the adoption of best sustainability practices in housing. KCB has always been a thought leader in the housing sector and in the past controlled over 50% of the mortgage market share. We have played a fundamental role in growing the housing market in Kenya and we now have an opportunity to do this more sustainably by driving affordability and accessibility through a specialist team that provides strategic market leadership for the Bank and for the country.

The new structure aims to leverage the synergies that exist across our teams on the housing demand and supply sides in our retail and corporate segments respectively. We also aim to be a financial intermediary to promote private and public sector collaboration in availing sustainable affordable housing.

Our affordable housing loans are priced at a fixed interest rate of 9%, which is the lowest in the market with the longest tenure of 25 years.

Over the past 13 years, we have funded affordable housing projects worth over Ksh 23 billion delivered by private developers and county governments.

Supporting schools to broaden access to education

KCB has traditionally supported the advancement of education across various levels. We bank the largest segment of both public and private schools, and we have maintained our position as a dependable partner over the years. We support schools in several initiatives including:

Infrastructure improvement

We offer innovative and competitively priced loan facilities to schools. This is backed by our partnerships with both government and private school umbrella bodies. Through these programmes, we have supported thousands of schools to improve infrastructure. KCB Bank Kenya availed accommodative LPO terms for contractors of school infrastructure projects needed to complete the actualisation of the competency-based curriculum (CBC), and to accommodate additional learners expected in secondary schools in Kenya in 2023.

In addition, NBK signed a partnership with the Kenya Private Schools Association to advance lending to private schools at a concessional interest rate of 11%. In 2023, the Bank financed 50 schools under this programme, disbursing over Ksh 219 million. This is part of NBK's Elimu Konnect, a Ksh 2 billion education financing and empowerment proposition. It targets to upskill infrastructure development, leadership capacity building, innovation in learning, energy and water provision, digitisation and ICT infrastructure, as well as asset financing for schools.

Digital learning

We partnered with an education technology firm to enable our customers and schools to access coding lessons at discounted rates and pay in installments through KCB Bank Kenya and NBK. Through this partnership, we are now at the forefront of driving the mainstreaming of digital learning.

To support the digitalisation of education in Tanzania, KCB Bank Tanzania donated construction materials for a computer laboratory in Longido in partnership with Ereto East Africa Foundation.

We also offer digital billing solutions for schools which enable automation of student information, invoicing, payments, and reconciliation. The solutions also enable schools automated communication and other academic management services.

Facilities for clean energy

Statistics show that up to 97% of primary and secondary schools use firewood derived from forests as cooking fuel according to a 2018 study[1] by Clean Cooking Alliance of Kenya (CCAK). This places a significant strain on the country's forest cover and negates ongoing afforestation efforts.

CCAK estimates that 1 million metric tonnes of wood-fuel are used by primary and secondary schools every year, with a value of Ksh 10 billion. The increased over-reliance on wood and charcoal as the primary sources of fuel by institutions requires urgent attention for Kenya to reduce greenhouse gas emissions by 30% by the year 2030 under the Intended Nationally Determined Contribution (INDC).

By transitioning to cleaner fuels like LPG, institutions can realise up to 40% savings in their cooking and lighting budget, with better health and environmental outcomes, improved kitchen hygiene, and increased motivation among workers.

In 2021, KCB commenced an ambitious project to convert schools into alternative sources of cooking energy so as to reduce the reliance on wood fuel. The Bank developed an unsecured loan product for learning institutions, both private and public to take up alternative energy cooking solutions, the most popular being LPG cooking gas solution.

To incentivise the schools, the Bank partnered with the KCB Foundation for a partial grant for schools. The Foundation extends a 30% grant, while the Bank offers the remaining balance through a loan facility. As at the end of 2023, 72 secondary schools had benefited from the programme with the Foundation contributing Ksh 72 million in grants.

Scholarships and donations

Our Foundation supports bright students from disadvantaged backgrounds to access full secondary and tertiary school scholarships, as highlighted on page 81 of this report. We also partnered with over 1,400 schools to plant over 300,000 trees in 2023 as highlighted on page 71.

In addition, the Bank supports schools with donations of learning materials and sponsorships for various programmes. During the year, these included:

- A long running relationship with schools and teacher umbrella bodies, through which we sponsor their events, annual meetings, and conferences. Deliberations at these conferences support schools and teachers in sharing best practices leading to improved access and quality of education.
- KCB Bank Tanzania donated 120 desks worth Tsh 24 million to Kibaha Primary School to enhance learning and teaching environments. The support is in line with the Bank's priorities to support education development in the country.
- The KCB Foundation in partnership with KCB Bank branches invested over Ksh 32 million on projects proposed by branches and units. The investment included support for schools through the donation of 111 water tanks and the construction of nine sanitation facilities. 528 desks and 110 chairs were also donated to 25 schools, improving the learning environment for students.

We offer innovative and competitively priced loan facilities to schools. This is backed by our partnerships with both governments and private school umbrella bodies. Through these programmes, we have supported thousands of schools to improve their infrastructure.

[1] Use of Biomass Cookstoves and Fuels in institutions in Kenya.

Empowering our Employees

At KCB, we create a conducive environment for employees to fulfil their potential and deliver our strategy. We bank on our competitive employee value proposition to attract and retain the best talent. In addition, we provide opportunities for development and career growth, a comprehensive wellness programme and performance-based reward and recognition.

Strong employee value proposition

The Group offers a superior employee value proposition to attract and retain exceptional talent. Fair and responsible remuneration is a core principle for us; our actions reflect a deliberate decision to strengthen this stance over the years. The Bank has managed to maintain a low staff attrition rate backed by our competitive employee value proposition that rewards productivity and attracts the requisite talent to deliver our strategy. In 2023, we had an attrition rate of 7.9% compared to 6.0% in 2022, of which 4.6% was attrition through voluntary early retirement.

We purposefully endeavour to maintain fairness and equity in employee remuneration and motivate high levels of employee performance. In addition, we recognise and reward individuals and teams who perform exceptionally, and create a positive impact on the business through our annual Simba Awards programme. Furthermore, we implement annual salary reviews and pay bonuses subject to individual and company performance.

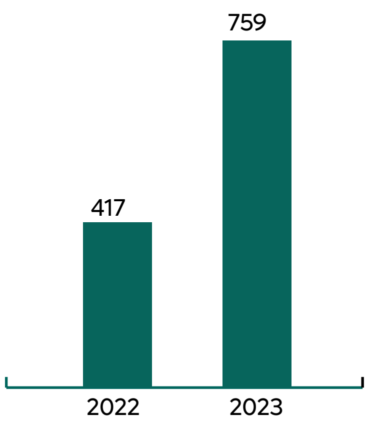
We provide benefits to employees including pension, loan facilities below prevailing market rates, and a wellness package supported by robust medical cover. In addition, to enhance physical wellness, the Bank organised inter-regional games, which culminated in the inter-bank games where KCB Kenya emerged number two overall.

During the year we undertook various initiatives to strengthen our employee value proposition including:

- Restructuring staff loans to cushion our employees following increased taxes in some of the markets we operate in.
- Revised allowances to support employees during travel while performing their duties.
- Re-classification of branches saw large branches increase from 51 to 52, medium branches increase from 43 to 66, and small branches reduce from 107 to 83. This resulted in the promotion of branch leadership and increased headcount in the large and medium branches to support their increased portfolios.
- Rolled out the Sales Force Commission Structure for direct sales representatives and sales management staff in line with best practice compensation for sales staff to support the retention of our sales staff.
- Promotion of 759 employees in the year through competitive process compared to 417 in the previous year.

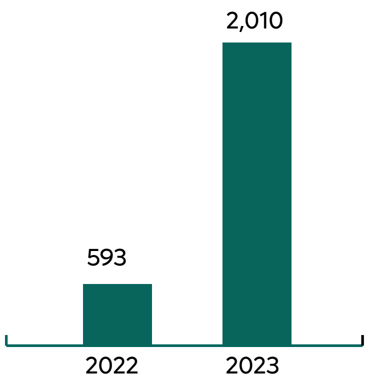
During the period, the Bank handled 48 disciplinary cases related to fraud. Out of these, 22 employees were terminated after going through the disciplinary process, while 26 resigned during the investigation process. Our policies ensure that the disciplinary process is fair and this process continues to be an effective means of deterrence of fraudulent activities. In addition, we conducted employee training in the areas that had process lapses, and enhanced the control environment for the affected areas.

Employees promoted



Share of promotions in 2023

Number of new hires



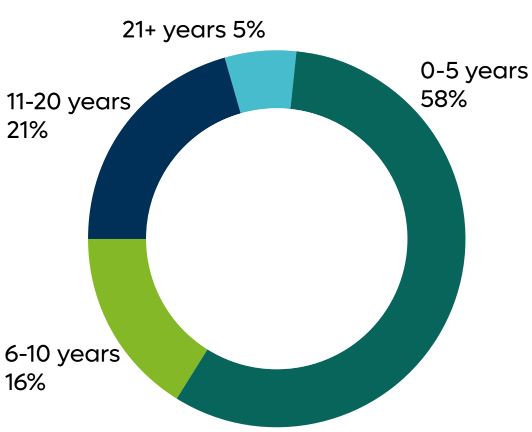
The Bank has managed to maintain a low staff attrition rate backed by our competitive employee value proposition that rewards productivity and attracts the requisite talent to deliver our strategy. In 2023, we had an attrition rate of 7.9% compared to 6.0% in 2022, of which 4.6% was attrition through voluntary early retirement.

Talent management

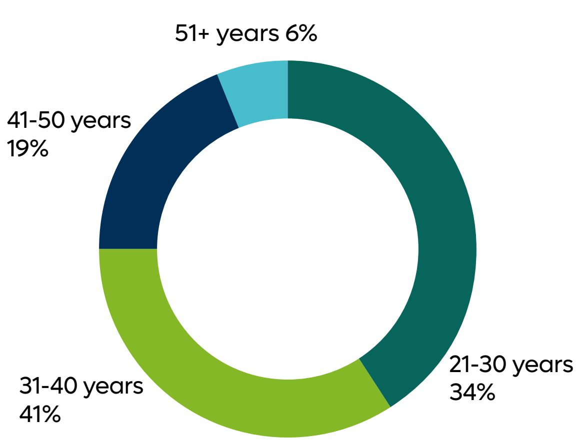
The Group has continued to make great efforts towards talent retention through succession planning, learning, and development initiatives. Training continues to be a key pillar of enhancing the capacity of staff to deliver on their mandates. We run blended training programmes delivered either virtually, in-classroom sessions or on-the-job training that provide every member of staff with the opportunities to improve their skills throughout the year. We have consistently invested in leadership development programmes across all levels in support of effective management of teams across the Group. Our Leadership Centre in Kenya continues to provide a great learning environment that supports our learning agenda across the Group.

The Group's succession planning strategy supports talent cover by providing a strong talent bench. We have put in place a robust talent management framework to drive the identification of the right development initiatives for staff, and ensure training in leadership and technical skills. The Women in Leadership (WIL) programme has supported women mentorship across all management levels in the Group.

Diversity by tenure



Diversity by age



Diversity and inclusion

Our diversity and inclusion policy guides the organisation to create and sustain an environment that attracts and retains a diverse and inclusive workforce. Through this policy, we ensure that we sustain an environment where each employee can develop their full potential irrespective of their race, ethnicity, gender, marital status, age, disability, and religious beliefs. For the first time, the Group now has more female than male employees. The proportion of female employees in our headcount rose to 51% in the year, up from 47% in 2022.

In addition, we registered an increase in female employees at the management level from 41% to 44%, and a slight decrease at the senior management level.

We have continued to sustain diversity among employees in various age groups, currently with a workforce that has four generations. This has been a huge contributor to keeping our employee value proposition refreshed regularly to meet staff expectations across the different staff categories.

The Group has continued to have a sizeable portion of employees who have worked for the organisation for over five years, enabling talent and knowledge retention, while at the same time refreshing the organisation by attracting new hires.

Work environment

2023 marked a turning point in our organisation's culture with the launch of our new Brand Purpose; **For People. For Better.** and our new values of Closer, Connected, Courageous. These were launched through various cascades, and we undertook specific actions to support the embedding of these values across the Group.

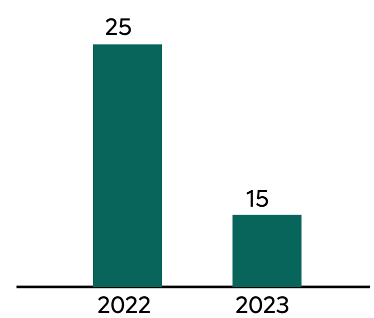
We also carried out a Group-wide Organisational Health Index (OHI) survey to assess the status of our ability to sustain our culture change journey transitioning to **For People. For Better.** and our ability to sustain a culture of leadership, customer obsession, execution, and performance at all levels. We were able to achieve an impressive Group response rate of 84%, and our OHI score stood at 80, an improvement by 1 point since the 2021 survey, affirming our place in the top quartile and continuing to be stronger than industry and regional peers.

Employee wellness

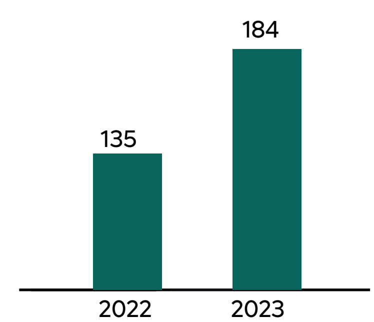
At KCB Group, we continue to support employee wellness as a critical pillar that enables our employees to thrive not just as employees but also as holistic human beings. During the year we undertook the following initiatives to support employee wellness:

- Enhanced medical coverage to enable our employees and their families to continue to access quality medical care.
- Supported employees to take full annual medical checks to identify and manage existing and emerging medical conditions.
- Provided seven health talks across the Group in areas of depression, wellness, and financial health.
- Continued to provide a mothers' room for use by lactating mothers and a children's crèche at our Kencom building to support employees with young children.

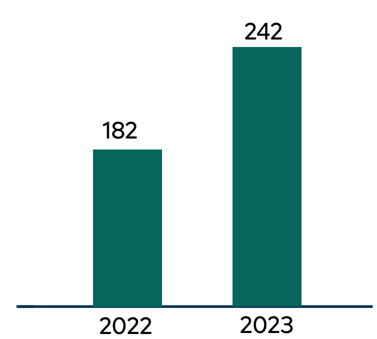
Average number of leave days taken per staff



Number of staff who took maternity leave



Number of staff who took paternity leave



Supporting communities

We are a responsible corporate citizen, and thus we play an active role in supporting the various communities we operate in. This is through both our targeted Foundation programmes and initiatives undertaken by our banking subsidiaries in the region.

The KCB Foundation is a vital arm through which we drive the creation of shared value. The Foundation was established in 2007 and mandated to implement the Group's corporate citizenship responsibilities. Since then, it has supported programmes in education, small enterprises, health, environment, and humanitarian aid with great emphasis given to underserved communities. The Foundation has two main objectives:

- To drive business for the KCB Group by positioning the Foundation as the preferred implementing partner of government, development agencies, and grant making institutions in the private sector that are underwriting community development programmes.
- To design and implement smart and sustainable social investment programmes and projects that empower and prepare underserved communities to develop an appetite for financial services.

On the other hand, our subsidiaries in the region complement the efforts of our Foundation by supporting our communities through responsible procurement, partnerships with governments, and investment in sports.

Youth employment creation

The KCB Foundation through its flagship programme, 2jiajiri, created 13,352 jobs in Kenya in 2023. It also supported 1,216 businesses, reaching over 16,500 households with over 82,900 people. In addition, loans amounting to Ksh 97 million were disbursed to various entrepreneurs under the programme. Furthermore, 6,289 youth project participants were trained in various sectors, enabling them to acquire market-oriented skills in construction, manufacturing, domestic care, beauty & personal care, creatives, agribusiness, automotive, and ICT.

During the year, 1,216 youth enterprises received business development services and market linkage support from the programme. The services include capacity building in record keeping, cash flow management, working capital assessment, marketing, and business strategy. The businesses were also linked to markets using various platforms. Out of the initiative the following outcomes were noted:

- Loans worth Ksh 47.5 million were disbursed.
- 200 enterprises were able to earn Ksh 3.9 million in sales through market days.
- 1,216 businesses were expanded creating over 4,800 jobs.

Through the Young Africa Works (YAW) Niko Waks project, 5,441 students are being trained under various 2Jiajiri sector pillars. 1,436 of these students completed training during the year and the remainder are expected to conclude in 2024. The participants also received entrepreneurship and life skills training. The Foundation also supported 200 youth agribusiness entrepreneurs at our model farm to increase productivity through training on hydroponic farming, market access, and technical advisory services. This enabled them to earn over Ksh 24 million in sales.

The Foundation also deliberately scaled the programme beyond Kenya, delivering the following impacts in 2023.

Tanzania	» 1,600 youths were mobilised and 500 were enrolled into technical training institutions in Tanzania. » 388 toolkits were issued to project participants. » 966 jobs were created.
Uganda	» 1,515 students were trained on entrepreneurship. » 639 toolkits were issued to project participants. » A toolkit loan product was approved in the last quarter of 2023 and rolled out to the market. » 1,904 jobs were created. » 659 project participants were recruited for technical training.
Rwanda	» 186 beneficiaries completed technical training, and a further 200 were recruited to under the training. » 200 beneficiaries were trained on entrepreneurship. » 23 businesses were registered. » 1,079 jobs were created.
Burundi	» 200 beneficiaries completed technical training, and a further 273 were recruited to under the training. » 165 project participants were trained on entrepreneurship. » 19 toolkits were issued to project participants. » 72 jobs were created.

Under the Foundation's maritime seafarers project, we disbursed Ksh 22.3 million in concessional loans to help 226 young people get jobs in the cruise industry. In addition, the KCB Foundation sponsored 22 additional youths to undertake training in work safety for potential seafarer job applicants. The programme is aimed at enabling young people to access employment opportunities on various cruise ships. It is being implemented in partnership with the Kenya Maritime Authority.

Under the Foundation's maritime seafarers project, we disbursed Ksh 22.3 million in concessional loans to help 226 young people get jobs in the cruise industry

Availing scholarships for vulnerable students

The Foundation sustained 4,280 scholarships for students at various levels of education in 2023. Our scholarship programme covers high school and tertiary education for students from disadvantaged backgrounds, including victims of harmful cultural practices, teen mothers, and persons living with disabilities. In 2023, the profile of these beneficiaries is as below:

Beneficiaries of KCB Foundation Scholarships

3,857 Bright and needy	253 Persons living with disabilities
73 Teen mothers	97 Victims of harmful cultural practices

The Foundation sustained 4,280 scholarships for students at various levels of education in 2023. Our scholarship programme covers high school and tertiary education for students from disadvantaged backgrounds including victims of harmful cultural practices, teen mothers and persons living with disabilities.

During the year, several partners also supported the programme through sponsoring an additional 250 students. The partners included SHOFCO, Kengen, EFAC, Elimisha Watoto, and Kenya Education Fund. In addition, KCB Bank staff across 166 branches and units contributed Ksh 14.5 million through the Ubuntu programme which availed an additional 95 scholarships.

All the beneficiaries went through a mentorship programme in 2023 equipping them with life skills and crucial leaderships skills. The KCB Foundation procured a partner who provided professional support to mentors, recruited 424 KCB staff mentors, trained 70 teacher mentors, conducted two annual special mentorship sessions for the niche categories, and held 17 career days in various high schools in Kenya aimed at providing the much-needed mentorship support to high school students. Notably, the transition rate to the university stood at 98% in the year.

The Foundation also introduced a student athletic programme that will provide scholarship opportunities to talented students, to nurture and grow their talent into world-class athletes under the annual KCB Scholars initiative. The Foundation selected the first cohort of 50 students to join this programme in 2024. The students will receive scholarships covering the full four-year secondary education period and athletics coaching at identified centres of excellence.

Notably, the transition rate to the university stood at 98% in the year.

Supporting small holder livestock farmers

Under the Mifugo Ni Mali (MNM) programme, the Foundation supported 120 Farmer Producer Organisations (FPOs) with a membership and supplier base of 44,493 livestock producers. This was done through capacity building in business planning, livestock insurance, credit preparedness, and pasture establishment. The FPOs were supported to construct and rehabilitate three market centres, a fish market in Busia and livestock markets in Kajiado and Garsen. They were also linked with product off takers and supported by business-to-business trade fairs enabling the farmers to earn over Ksh 318 million in sales.

The programme also extended quality assurance training to 30 FPOs in six counties, reaching out to 146 farmers. The training covered aspects including food safety, quality assurance, accreditation, and certification. These training sessions were aimed at improving food processing and handling practices, which will enhance market penetration and incomes for the FPOs. In December, the Foundation supported the 2023 Kimalel Goat Auction in Baringo County with a sponsorship of Ksh 6 million, facilitating farmers to earn over Ksh 50 million in sales.

Enabling sustainable access to clean water in ASAL areas

NBK has continued to improve water access through its flagship MajiKonnect programme. It is a financing programme for the water sanitation and hygiene sector targeting Micro, Small and Medium-Sized Enterprises (MSMEs), Corporates, and Water Services Providers (WSPs). The programme aims to support the water sector with affordable and flexible financing to improve access to water services, spanning from infrastructure to last-mile connectivity. Under the programme, NBK achieved the following in 2023:

- Onboarded 64 MSMEs and two WSPs.
- Disbursed Ksh 697 million to MSMEs and WSPs in the programme.
- Enabled over 251,000 people to access safe and affordable drinking water.
- Created and sustained 553 jobs in the water and sanitation sector.
- Participated in the UN Water Conference in New York, and the European Microfinance Week in Luxemburg, positioning the Bank as a partner of choice in the water sanitation and hygiene sector.

In addition, the KCB Foundation drilled six boreholes in three constituencies in Marsabit County to alleviate water access challenges faced by communities in arid and semi-arid (ASAL) regions. The Foundation allocated a budget of Ksh 46 million to support this endeavour, enabling 36 villages with a population of over 46,000 people to gain access to sufficient and clean water for both household and livestock use. This initiative aims to enhance the communities' resilience to droughts and improve their overall wellbeing. It is also expected to contribute to some limited crop production activities through irrigation for the locals.

Responsible procurement

At KCB we promote responsible procurement and prioritise purchasing from local businesses. We are one of the largest purchasers in the region, with a variety of suppliers in our supply chain. We are committed to dealing fairly with our suppliers, acting with integrity, and ensuring a responsible supply chain. We are also committed to involving local suppliers in our supply chain and contributing to local business development. In 2023 local suppliers accounted for 78% of the Bank's total procurement spend.

The Bank maintains a supply chain and shared services sustainability strategy in 2022 to support suppliers improve their sustainability practices and influence the supply chain for greater environmental and social outcomes. In line with this strategy, the Bank cascaded the Supplier Code of Conduct, with 53% of suppliers signing up to the Code. This is a key commitment to responsible and sustainable procurement practices and supplier development support.

The Group has a zero-tolerance policy against all forms of corruption, bribery, and unethical business practices. We require all service providers to adhere to the Group Code of Ethical Conduct. We also have in place a policy to ensure the equitable distribution of work to our suppliers. This policy places emphasis on MSMEs as well as special interest groups. These special interest groups comprise enterprises owned by youth, women, and persons living with disabilities.

We have put in place initiatives to increase the provision of business to special interest groups through a review of the selection framework and proactive stakeholder alignment on identified procurement requirements, which can be reserved for this category of vendors. We believe that these initiatives will improve the volume of business awarded to this category of vendors. Overall, these groups were awarded procurement contracts worth Ksh 875 million in 2023, up from Ksh 828 million in 2022.

In addition, we have in place a supplier performance framework to evaluate the performance of our suppliers annually. In 2023, this evaluation was conducted for 157 key contracted vendors, returning an average performance of 92% against a minimum of 85% on all deliverables.

Spend per category	2023
Information technology	44%
Operations and services	28%
Facilities and property	19%
Marketing	9%

Category of top 100 vendors in 2023	Share of number of vendors in top 100	Share of value of work among top 100
Corporate	38%	44%
Foreign	22%	28%
SME and Special Interest Groups	40%	19%

Partnering with governments

We are a partner of choice for governments in the region for delivery of impactful socioeconomic programmes. Our wide footprint, solid track record, exceptional talent, robust technology, and strong balance sheet enable us to partner with authorities across the region to develop and distribute products that support communities to build resilience and drive economic growth.

In 2023, we supported governments and authorities in the region to deliver programmes, which drove financial inclusion, ensured meeting energy needs, supported food security, among others. These included:

Leading financial solutions

We are a partner of choice to design and deploy financial solutions for government entities and their employees, backed by our wide footprint and solid track record. These include revenue collection, distribution of funds, processing of salaries, project financing, management of cash-backed mortgage schemes for employees, check-off loan facilities, among others.

Provision of trade finance solutions for the importation of key commodities in Kenya

KCB Bank Kenya was a leading bank in providing trade finance instruments that facilitated the importation of fuel into the country through the government-to-government (G2G) framework. The trade instruments were issued to participating oil marketing companies, who are KCB's long-standing customers.

The Bank also provided trade instruments that facilitated imports of edible oil, rice, and fertiliser with a similar collateral management structure. These are self-securing and self-liquidating structures, and they accounted for growth in contingent liabilities in 2023.

These trade instruments enabled the country to meet its energy needs and avail high quality and affordable inputs for farmers, a vital cog for food security.

Distribution of Inua Jamii stipends

We leveraged our wide footprint in Kenya to facilitate the disbursement of Ksh 7.8 billion to over 480,000 beneficiaries of the Government of Kenya's Inua Jamii social protection safety net programme for vulnerable groups.

Partnerships with county governments

We supported county governments through integrated fees collection services, leveraging the enhancements in our cash management solutions. In addition, we partnered with the county governments to roll-out tailormade solutions that enabled small and medium size enterprises access affordable financing to grow their businesses. Through our Foundation, we worked with counties to provide scholarships, access to technical & vocational training under 2jiajiri and drove sustainable agriculture, among other initiatives.

Implementation of The Hustler Fund

KCB was selected by the Government of Kenya to deliver its flagship financial inclusion product dubbed Hustler Fund to provide affordable micro credit to the underserved segments of the economy. KCB supported the rollout of the government funded programme through building of credit scoring models and disbursements leveraging its systems and expertise.

KCB's investment in sports

The Group has continuously made targeted investments through sponsorship across various sports disciplines. These include motor sports, football, rugby, volleyball, golf, chess, and athletics. In 2023, we directly impacted over 150 individuals engaged in various capacities and earning their livelihoods from sport. KCB has invested over Ksh 2.5 billion in sports over the past four decades providing opportunities for young people. Each of our sports teams has a member of our senior management offering leadership to the team as a patron. The Group also offers employment opportunities for some of the players in these teams across various units in the Bank.

The positive sentiments emanating from this investment drive strong brand value and provide a platform for meaningful engagements with our customers. Deliberately deepening our investment in sports is part of our resolve to do good as a business, effectively support communities, and build talent across various sports disciplines. Sports foster national cohesion by unifying everyone regardless of age, gender, religious affiliations, and backgrounds.

Motor sports

KCB has played a pivotal role in elevating the motorsports landscape in East Africa while giving a platform to local drivers to participate in regional and international competitions. When the Safari Rally was excluded from the WRC calendar in 2002, KCB stepped in to fill the void by sponsoring the Kenya National Rally Championship, Autocross, and other local circuits investing over Ksh 1.7 billion in two decades.

Since the return of the legendary WRC event to the Kenyan soil in 2021, KCB has reaffirmed its commitment to the sport by injecting over Ksh 400 million while extending support to local rally drivers, Nikhil Sachania, Evans Kavisi, and Karan Patel to participate in the global spectacle. In the 2023 edition, KCB pumped in Ksh 150 million into the WRC Safari Rally.

During the year, BPR Bank Rwanda Plc also sponsored rally driver Karan Patel during the fifth round of the African Rally Championship. The competition kicked off with the much-anticipated three-day Mountain Gorilla Rally that was held in Bugesera, Rwanda where Karan emerged the overall winner. The Rwanda Mountain Gorilla Rally is a flagship event of the Rwanda Motorsport Club. It is an event of the African Rally Championship which is run under the auspices of the International Federation of Automobiles.

KCB Bank Burundi has consistently sponsored the Club Automobile du Burundi (CAB) for the last 11 years.

Chess

The KCB Professional chess team was formed in the late 1980s. The team has won major honours over the years from participations in various local, regional, and international competitions. In 2023, the team proved their prowess after producing five players out of 10 who represented Kenya in the All-African Games scheduled in Accra, Ghana.

Volleyball

The KCB women's volleyball team was the best team in Kenya.

- Won the Kenya Volleyball Federation League.
- Represented Kenya at the Africa Club Championship and finished among the top five.
- 6 KCB Volleyball players called up for National team duty in 2023.

Rugby

The KCB Rugby Club was formed in 1989 and has dominated the local Kenyan rugby scene over the years. In 2023, KCB rugby team continued to drive stronger affinity with fans and positive sentiments through engagement on the back of excellent performances at two key events in the rugby calendar, the Kenya national 7s circuit and the Impala Floodlights tournament.

KCB rugby players called up for National team duty in 2023;

- 6 players in the 7s Kenya National team.
- 5 players in the 15s Kenya National team.

Golf

KCB successfully conducted the first edition of the KCB East African Golf Tour in 2023. The series traversed six countries, reaching 1,500 golfers and over 400 junior golfers. We also hosted over 400 ladies in the golf clinics that ran concurrently with the series across the region. In addition, we planted over 1,000 trees over the course of the tour.

The 8-month long series comprised an 18-leg amateur series in Kenya. Tanzania and Uganda fielded two series each while the DRC, Rwanda and Burundi hosted one tournament each. The winning golfers from each club converged at the Karen Country and Golf Club for the grand finale, where 200 golfers from 40 teams across East Africa competed at the Pro-Am event.

KCB injected Ksh 60 million into the tourney and has over the years spent over Ksh 300 million on golf sponsorships in a bid to grow talent and provide an opportunity for golfers to compete locally and regionally.

Football

Founded in 1993, KCB FC has risen to be a formidable football side playing in the top-tier league in Kenya, the FKF-premier league. The team has produced some of the best football talents that the country boasts of.

KCB Bank Burundi has consistently sponsored the Club Automobile du Burundi (CAB) for the last 11 years.

Athletics

KCB Bank Kenya has over the years sponsored several athletic competitions across the country. In 2023, the Bank committed Ksh 5 million to sponsor the Nairobi City Marathon. The Bank also availed Ksh 1 million to support a marathon aimed at identifying talents at Iten, the source of world leading athletes.

50 students in the KCB Foundation Athletics programme will receive fully paid scholarships to join secondary schools across the country, covering the full 4-year secondary education period and athletics coaching at identified centers of excellence.

Corporate Governance Statement

Our approach to Governance

Corporate governance is the framework of systems, policies and processes by which we operate and through which our people are both empowered and accountable for making decisions that affect our business, operations, customers and stakeholders. The framework establishes the roles and responsibilities of KCB Group's Board, management team, employees and suppliers. It also establishes the systems, policies and processes for monitoring and evaluating Board and management performance, and the practices for corporate reporting, disclosure, remuneration, risk management and engagement with our shareholders.

The approach of the Board of Directors ("Board") of KCB Group Plc. ("Company") to corporate governance is based on a set of values and behaviours that underpin our day-to-day activities, and are designed to promote transparency, fair dealing, and the protection of stakeholder interests, including our customers, our shareholders, our employees and our community.

We consider that good governance, achieved through an ethical culture, competitive performance, effective control and legitimacy is fundamental to the sustainability of our business and our performance.

The Board applies good governance practices to promote strategic decision making for the organisation to balances short, medium and long-term outcomes to reconcile interests of the KCB Group together with its stakeholders and the society to create sustainable shared value. To that end, sound governance practices, based on accountability, transparency, ethical management and fairness, are entrenched across the business.

Directors have a statutory duty to promote the success of the Company for the benefit of its stakeholders. In promoting the success of the Company, Directors must have due regard to the long-term consequences of their decisions, the legitimate interests of employees, the need to foster effective business relationships with suppliers, customers and various stakeholders, the impact of the Company's operations on the community and the environment, and the desire to maintain a reputation for high standards of business conduct.

The Board is committed to ensuring that the Company complies with the laws, regulations and standards applicable to it. The Board is responsible for ensuring that high standards and practices in corporate governance and more specifically the principles, practices and recommendations set out under the *Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015* ("the CMA Code"), the Corporate Governance Guidelines as prescribed by the Central Bank of Kenya being the primary regulatory authority of the Group and KCB Bank Kenya Limited as well as the Companies Act, 2015 ("the Act") are adhered to.

The Board regularly reviews its corporate governance arrangements and practices and ensures that the same reflects the developments in regulation, best market practice and stakeholder expectations. Our corporate governance framework enables the Board to oversee the strategic direction of the organisation, financial goals, resource allocation, risk appetite and to hold the executive management accountable for execution.

This statement details the key corporate governance arrangements and practices of KCB Group Plc. and its affiliate companies (collectively, the "Group"). The statement sets out the key components of KCB Group Plc.'s corporate governance framework, which provides guidance to the Board, management and employees and defines the roles responsibilities and conduct expected of them.

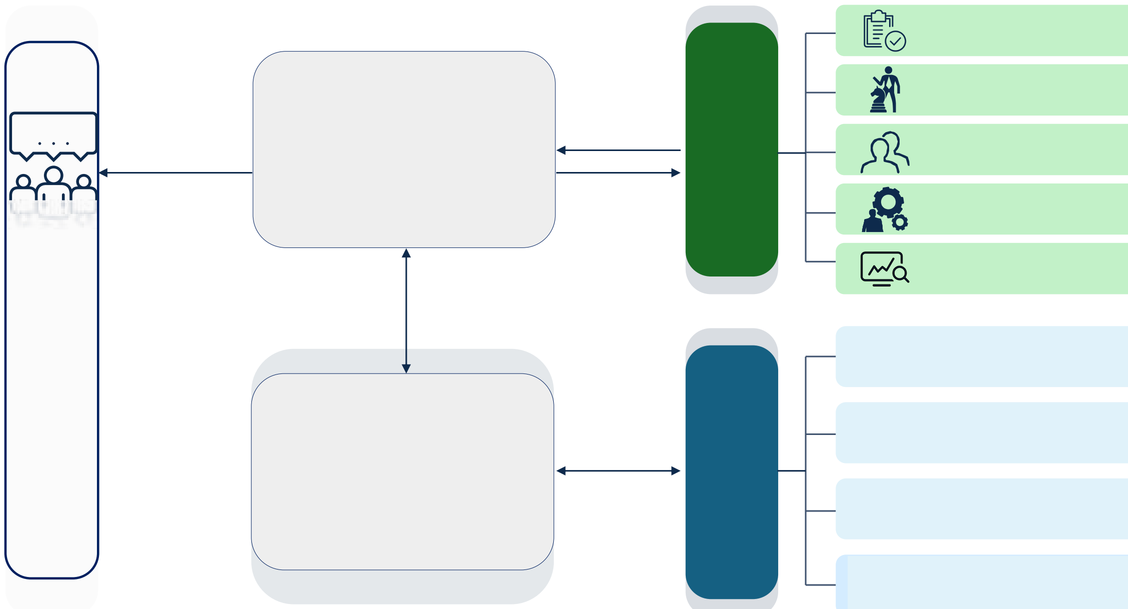
GOVERNANCE STRUCTURE & FRAMEWORK

KCB Group operates within a clearly defined governance framework which provides for delegated authority and clear lines of responsibility without abdicating the responsibility of the Board. Through the framework, the Board sets out the strategic direction of the Group while entrusting the day-to-day running of the organisation to the executive management led by the Group Chief Executive Officer, with their performance against set objectives and policies closely monitored. The Board operates through five committees mandated to review specific areas and assist the Board undertake its duties effectively and efficiently.

The Board Charter, which has been approved and is regularly reviewed by the Board, provides for a clear definition of the roles and responsibilities of the Group Chairman, directors as well as the Company Secretary. The roles and responsibilities of the Group Chairman and the Group Chief Executive Officer are separate and distinct with a clear division of responsibility between the running of the Board and the executive responsibility of running KCB Group's business.

The KCB Group Board Charter is available on the company website (www.kcbgroup.com)

The fundamental relationships between the shareholders, Board, Board committees and executive management is illustrated below:



Separation of Roles and Responsibilities

The role of Chairman is separate from that of the Group Chief Executive. There is a clear division of responsibilities. Care is taken to ensure that no single director has unfettered powers in the decision-making process.

How we divide up our responsibilities	
Chairman	» Responsible for leading the Board, its effectiveness and governance. » Setting the agenda to take full account of the issues and concerns of the Directors and ensuring links between the shareholders, Board and management are strong.
Group Chief Executive	» Responsible for day-to-day leadership, management and control of the Group. » Recommending the Group strategy to the Board and ensuring that the strategy and decisions of the Board are implemented via the Executive Committee
Independent Non-executive Directors	» Ensure that the Group has in place proper internal controls as well as a robust system of risk management. » Constructively challenge the Directors and monitor the delivery of the Group Strategy within the risk and control environment set by the Board.

Company Secretary

The Company Secretary is a member in good standing with the Institute of Certified Secretaries (ICS). The Company Secretary sits in board meetings and serves as a central source of guidance and advice to the Board on matters of ethics, statutory compliance, compliance with the regulators and good governance.

Role of the Company Secretary

1. Providing a central source of guidance and advice to the Board and the Company on matters of statutory and regulatory compliance and good governance.
2. Providing the Board and the Directors individually with guidance on how their responsibilities should be discharged in the best interests of the Company.
3. In consultation with the Chairman, identifying and facilitating continuous Board education and Directors' professional development as required and facilitating the induction training of new Directors.
4. In consultation with the Group Chief Executive Officer and the Chairman, ensuring effective flow of information within the Board and its committees and between senior management and non-executive Directors.
5. Guiding the company in taking the initiative to not only disclose corporate governance matters as required by law, but also information of material importance to decision making by shareholders, customers, and other stakeholders.
6. Keeping formal records of Board discussions and following up on the timely execution of agreed actions.

OUR BOARD

KCB Group Plc. is governed by a Board of Directors ("Directors" or "Director") each of whom is, except for the Group Chief Executive Officer and Group Finance Director, elected by the Company's shareholders.

The primary responsibility of the Board is to act in the best interests of KCB Group and to foster the long-term success of the Group, in accordance with its legal requirements and its responsibilities to shareholders, regulators and other stakeholders. The Board achieves such success by setting appropriate business strategy and overseeing delivery against the set strategy. It ensures that the Group manages risks effectively and monitors financial performance and reporting.

The Board serves as the focal point and custodian of corporate governance in the organisation. The directors recognise that good governance can create shareholder value by enhancing long-term equity performance. While the Board is unwavering in its adherence to legislation and regulations, the Group's commitment to good governance goes beyond a commitment to comply with minimum standards; it strives to create an ethos where governance is a central consideration in the way the business of the Group is conducted.

The Role of Our Board

The Board sets the strategic objectives of the Group with input from management, and oversees management, performance, remuneration and governance frameworks of the Group. The Board develops and applies a work plan to help ensure that it attends to all its responsibilities when these responsibilities have not been delegated to a committee.

The Board has the following key responsibilities:

» **Vision, strategy, values and purpose:** setting the vision, strategy, values and purpose and, in doing so, setting and overseeing the corporate culture.
» **People:** appointment and performance monitoring of the Chief Executive Officer, terms of employment and succession planning for executives, remuneration, diversity and workplace health and safety.
» **Business, operational and financial matters:** reviewing and approving the strategic direction of the Group, approving significant corporate strategic initiatives, overseeing the architecture and technology strategy and approving regulatory financial disclosures.
» **Risk:** considering recommendations of the Audit & Risk Committee including in relation to risk culture, the risk management strategy and framework, risk appetite and the effectiveness of risk management.

The scope of authority, responsibility and functioning of the board is contained in the Board Charter which is available on our website.

Key Activities and Achievements

During the year 2023, the board achieved the following key actions:

» Approval of the audited financial statements for the year ended 31 December 2022. The board further considered and approved the quarterly unaudited financial statements for the year.
» Reviewing and recommendation of a final dividend totalling to Ksh. 3.2 billion for the year ended 31 December 2022. In November 2022, the board approved the payment of an interim dividend to shareholders amounting to Ksh. 3.2 billion relating to the performance for the year ended 31 December 2022. The total dividend approved by the board for the year ended 31 December 2022 amounted to Ksh. 6,426,925,630.
» The board considered the liquidity position of its various subsidiaries to ensure that each was adequately capitalised in accordance with the requirements of the respective in country Prudential Guidelines and approved the granting of a Tier II facility to its subsidiary National Bank of Kenya.
» The board elected a new chairman in May 2023 and continued to oversee the succession planning of the Group board and the subsidiary boards.
» The board continued to oversee the integration of Trust Merchant Bank following the completion of the acquisition by KCB Group.
» Received a report on the board evaluation.
» Reviewing and approving the strategic initiatives and financial plans for the year.

Board Composition

The Articles of Association of the company provide that the Board shall comprise of a maximum of eleven Directors. The current Board structure comprises of two executive Directors, one non-executive Director and eight independent non-executive Directors including the Group Chairman. The Board determines its size and composition, subject to the Company's Articles of Association, Board Charter and applicable law.

The Board composition is driven by the following principles:

» The board must comprise of a majority of independent non-executive directors.
» The board should consist of directors with a board range of skills, experience and expertise and be from a diverse range of backgrounds.
» The Chairman of the Board must be an independent non-executive director.

Authority and Delegation

The Board Charter sets out the Board authority and matters reserved for determination and approval by the Board. These include decisions concerning strategy and long-term objectives of the Group, the Group's capital, financial planning and financial budgets, significant contracts and various statutory and regulatory approvals. Matters related to the approval of the remuneration policy, resource management, risk management framework and risk appetite are also Board reserve matters. To assist it in discharging these responsibilities, the Board has established Board committees to consider key issues.

Further details of the Board committees including their respective roles, key responsibilities, composition and membership are provided later in this Statement.

The Group Chairman is responsible for the strategic leadership of the Board and is pivotal in creating conditions for the overall effectiveness of the Board. He promotes an open environment for debate and ensures all Directors can speak freely and contribute effectively. The Group Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and management at the Annual General Meeting and other shareholder meetings.

The Board, in the Board Charter, delegates responsibility for the day-to-day management of the business to the Group Chief Executive Officer. The Group Chief Executive Officer in turn delegates aspects of his own authority to members of the Executive Committee. The scope of, and limitations to, these delegations are clearly documented in various policies and cover areas such as operating expenditure, capital expenditure and investments. These delegations balance effective oversight with appropriate empowerment and accountability of senior executives.

To adequately undertake responsibilities in the day-to-day management of the business, in line with the authority delegated by the Board, management committees have been established. The management committees include the Executive Committee (EXCO), the Group Leadership Committee (GLC), the Assets and Liabilities Management Committee (ALCO), the Group Operational Risk and Compliance Committee (GORCCO) and the Management Credit & Risk Committee (MCRC).

The Role of Our Board Committees

The Board committees assist the Board in carrying out its responsibilities. In deciding committee memberships, the best use of the range of skills and expertise across the Board is considered to ensure shared responsibility. Overlapping memberships in committees enables insights where matters raised in one Committee may have implications for another. Committee membership is reviewed regularly, and changes are made on a need basis while ensuring that the overall continuity of knowledge within the committee is not affected.

The Board receives a report from the Chairman of each committee on significant areas of discussion and key decisions at the subsequent Board meeting. To assist each Committee in discharging its responsibilities, each Committee has an annual meeting planner that sets out the scheduled items of business and reports to be considered during the year. Each committee has in place terms of reference that set out the roles and responsibilities and the procedural rules that apply to the committee.

Under the procedural rules, each committee must be composed of at least three members, a majority of independent directors and have an independent Chairman. The Audit & Risk committee is made up of only independent non-executive Directors in line with the provisions of the Prudential Guidelines issued by the Central Bank of Kenya.

A summary of the roles of the current committees, current members and key activities undertaken during the year 2023 are set out below.

Audit and Risk

Purpose and activities	Members at end of FY23	Attendance
The purpose of the committee is to provide a structured, systematic oversight of the institution's governance, risk management, and internal control practices. The committee assists the board and management by providing advice and guidance on the adequacy of the institution's initiatives for: » Values and ethics » Governance structure » Risk management » Internal control framework » Oversight of the internal audit activity, external auditors, and other providers of assurance » Financial statements and public accountability reporting	Lawrence Njiru (Chairman)	4/6
	Alice Kirenge	6/6
	Ahmed Mahmoud	4/6
	Anuja Pandit	6/6

In line with its mandate, the committee reviewed the unaudited and audited financial statements for the full year 2023 and ensured that the same was ultimately approved by the Board. The committee further reviewed the internal audit reports presented by the Internal Auditor for audits undertaken during the year in line with the approved audit plan. The committee held sessions with PwC, the external auditor, to receive the auditor's independent report and assurance on the financial statements.

During the year, the committee reviewed and approved various policies. The committee further received and considered reports on the level of compliance with AML/CFT regulatory requirements. The committee further reviewed ICAAP for the entire Group ensuring all business risks were identified and the Group had sufficient capital to cover the identified risks.

Human Resources & Governance

Purpose and activities	Members at end of FY23	Attendance
This Committee reviews human resource policies and makes suitable recommendations to the Board on senior management appointments. This Committee also oversees the nomination functions and senior management performance reviews.	Alice Kirenge (Chairman)	17/17
	Lawrence Njiru	16/17
	Ahmed Mahmoud	16/17
	Anuja Pandit	17/17
	Paul Russo	12/17

During the year, the committee, jointly with the Strategy & IT committee undertook the interview process for the various senior management roles arising out from the reorganisation.

In line with its mandate, the Committee reviewed the senior management performance for the year.

Nomination Committee

Purpose and activities	Members at end of FY23	Attendance
The Committee keeps under review the structure, size and composition of the Board as well as succession planning for Directors. It leads the process for identifying, nominating for approval by the Board, candidates to fill Board vacancies.	FCS Dr. Joseph Kinyua (Chairman)	6/7
	Alice Kirenge	7/7
	Lawrence Njiru	7/7
	Ahmed Mahmoud	7/7
	Anuja Pandit	7/7
	Paul Russo	5/7

During the year, the committee reviewed the Board succession plans for the Group as well as the skills matrix for the Board and its subsidiaries.

The committee identified and nominated two directors for approval by the Board to fill casual vacancies.

Strategy & IT Committee

Purpose and activities	Members at end of FY23	Attendance
The purpose of the committee is to assist the Board in meeting its responsibilities by ensuring the adequacy and effectiveness of the Company's strategic plans, significant investment decisions, strategic development plans and financial budgets. Ensuring also that Group's IT governance supports effective and efficient management of IT risks and resources to facilitate the achievement of the Group's strategic objectives and compliance with regulatory requirements.	Geoffrey Malombe (Chairman)	7/8
	Ahmed Mahmoud	8/8
	Paul Russo	8/8

The Committee reviewed the performance of the Group against the set strategy. The Committee further reviewed the proposed 2023 strategic initiatives, financial plans and budgets proposed by management.

The committee received and considered reports on the performance of the Group's Information Technology systems and the progress in improving uptime and availability.

Oversight Committee

Purpose and activities	Members at end of FY23	Attendance
The purpose of the Committee is to ensure that the KCB Group Board has total and complete oversight of the subsidiaries.	Lawrence Njiru (Chairman)	3/3
	Geoffrey Malombe	3/3
	Paul Russo	3/3

The committee reviewed large advances for amounts above Ksh. 1 billion by the subsidiaries of the Group as well as procurement by subsidiaries where the expenditure exceeded Ksh. 100 million.

The committee further received quarterly updates on governance matters and on litigation cases for claim amounts above Ksh. 200 million across all subsidiaries.

Board Meetings

The Board has in place an annual work plan that sets out the Board activities in a year. The Board meets at least once every quarter, and additionally, when necessary, to consider all matters relating to the overall control, business performance and strategy of the Company and succession planning.

Directors are required to attend at least 75% of the meetings held during the year. Where a Director is unable to attend a meeting, the Director may provide feedback on any of the agenda items to be discussed through the Group Chairman.

The Group Chairman, in conjunction with the Group Company Secretary work closely with the Group Chief Executive Officer to come up with the annual work plan and to set the agenda for each meeting. The notice, agenda and detailed board papers are circulated in advance of the meetings. Directors are entitled to request for additional information where they consider further information necessary to support informed decision-making.

During the year ending 31 December 2023, the Board held nine Board meetings. A strategic planning session was held in conjunction with the Board meeting held in November 2023.

Details of Directors' attendance at Board meetings during the year were as follows:

Number of meetings (Total)	9
Andrew Kairu(1)	5
Dr. Joseph Kinyua(2)	6
C.S. National Treasury (Alternate – Geoffrey Malombe)	8
Lawrence Njiru	9
Anne Eriksson(3)	1
Ahmed Mahmoud	4
Dr. Obuya Bagaka(4)	4
Alice Kirenge	9
Anuja Pandit	9
Paul Russo (Group Chief Executive Officer)	9
Lawrence Kimathi (Group Finance Director)	8

(1) Retired from the board on 26 May 2023.
(2) Appointed to the board on 24 March 2023.
(3) Resigned from the board on 20 March 2023.
(4) Retired from the board on 25 May 2023.

Board Composition

The individual attributes of each Director are as critical as the skills and experience that they bring. There is an expectation that each Director be able to demonstrate sound business judgment, a strategic view, integrity, a readiness to question, challenge and critique, and leadership qualities.

At a collective level, the diversity of skills, knowledge, experience, gender and attributes enables the Board to provide the oversight needed to develop and achieve our strategy. In addition, experience through business and economic cycles developed from length of service on the Board is valued. This provides a deeper understanding of the industry including how political, regulatory, economic and financial market developments may impact the business, as well as providing the benefit of corporate memory.

More generally, our Directors are expected to have a clear understanding of our strategy and knowledge of the industry and markets in which the business operates, and be able to respectfully challenge management and each other. Our Directors must have a good understanding of the organisation's operations and our stakeholders, to enable them to monitor effectively the performance of the business and the implementation of the strategy.

Skills, Experience & Diversity

KCB Group seeks to have a Board that has the right mix of individuals with relevant attributes skills, knowledge and experience and who jointly have the overall collective competence to deal with current and emerging issues and effectively guide management in ensuring the highest performance for the Group. The non-executive Directors are expected to have a clear understanding of the strategy of the Company as well as knowledge of the industry and markets in which the Group operates.

The aggregate mix of skills and experience of the Directors seeks to challenge management, ensure robust and constructive debate, augments and challenges the strategic thinking of the executives thereby adding value to the Group.

The Board regularly reviews the skills, knowledge and experience represented on the Board against the skills and experience needed to deliver the strategy. The Board continuously reviews the skills, experience and diversity mix of the Board and continues to make efforts on diversifying the skill set and gender. The Nominations committee has been tasked to take this into consideration in its nominations.

The current Board composition is as follows:

Name	Date of appointment	Areas of expertise	Gender	Non-executive / Executive	Independence
FCS Dr. Joseph Kinyua	24 March 2023 26 May 2023 (as Chairman)	Public administration, economics, financial services and corporate governance.	Male	Non-executive Chairman	Independent
C. S. National Treasury (Alternate - Geoffrey Malombe)	Institutional	Financial services and public sector.	Male	Non-executive	Non-independent
Lawrence Njiru	7 August 2018	Business strategy, finance, audit and accounting.	Male	Non-executive	Independent
Ahmed Mahmoud	12 August 2020	Corporate and commercial law, financing transactions and Islamic finance.	Male	Non-executive	Independent
Alice Kirenge	10 November 2021	Strategic marketing, customer service, insurance and financial services.	Female	Non-executive	Independent
Anuja Pandit	16 August 2022	Banking, business advisory and management, finance and financial advisory.	Female	Non-executive	Independent
Agnes Lutukai	1 March 2024	Finance, audit and accounting, quality assurance and business advisory.	Female	Non-executive	Independent
Paul Russo	25 May 2022	Business advisory and management, strategy development, financial accounting and financial advisory.	Male	Group Chief Executive Officer	Non-independent
Lawrence Kimathi	1 May 2015	Financial advisory, financial accounting and business management.	Male	Group Finance Director	Non-independent

Appointment, Re-election and Tenure of Directors

The board is committed to a process of orderly succession, aiming for a blend of diversity in geography, background, approach and gender.

Succession planning is an on-going process, with the Board discussing the same regularly and robustly. The nomination and appointment process of a director to the board is clearly set out in the Nomination & Appointment Policy. The Policy provides for the Nomination Committee, which is responsible for the selection and appointment of board directors.

The process to appoint a new Director is overseen by the Board Chair and the Nominations Committee. The committee's responsibilities include recommending to the Board the procedure for the selection of new Directors, the proposed criteria for the selection of Board candidates with reference to the current mix of skills, knowledge, experience and tenure on the Board, and identifying and nominating a short list of candidates to the Board. The Board may engage the services of a professional intermediary to assist in identifying and assessing potential candidates.

The competencies outlined in the table below are among those considered in the selection of non-executive directors to the board.

Demonstrable business acumen	Special technical skills or expertise
Directors must have considerable business experience, together with proven understanding of corporate and business processes, which have been accomplished through a successful track record and must have an impeccable reputation in the business community.	Demonstrate significant knowledge and achievement in either business, finance, audit, law, technology, governance, strategy, management or other fields important to the operations of the Group. The combined experience of the directors of the board is expected to exhibit these competencies.
Integrity	**Time commitment**
Directors should demonstrate high levels of integrity, professional and personal ethics, as well as values consistent with those of the KCB Group. Directors must have the ability to exercise independent judgement.	Directors need to be able to dedicate sufficient time to adequately carry out their duties.

The preferred candidates meet with the members of the committee before a final decision is made. The committee then puts the short-listed candidate forward for consideration by the full board. Upon consideration by the board, a successful candidate is appointed to the board. Prior to the confirmation of appointment, all Directors are required to meet the "Fit and Proper" requirements set out in the Prudential Guidelines issued by the Central Bank of Kenya. New Directors are issued with letters of appointment, with clear terms and conditions regarding the discharge of their duties.

As at 31 December 2023, the Board comprised of 9 Directors.

Anne Erikson resigned as a director on 20 March 2023.

FCS Dr. Joseph Kinyua was appointed as a director on 24 March 2023 and elected as chairman of the board on 26 May 2023.

Dr. Obuya Bagaka and Andrew Kairu retired from the board on 25 May 2023 and 26 May 2023 respectively.

A Director appointed by the Board to fill a casual vacancy must seek election at the next Annual General Meeting ("AGM") after their appointment. As further provided for in the Articles of Association, at every AGM, and as may be applicable, at least one-third of the non-executive Directors must retire from the Board and where eligible, stand for re-election.

During the 52nd AGM of the Company held on 25 May 2023:

Mr. Ahmed Mahmoud, the C. S. National Treasury and Ms. Anuja Pandit were re-elected to continue serving as directors on the board.

FCS Dr. Joseph Kinyua having been appointed to fill in a casual vacancy on the board, retired in line with the requirement under the Articles of Association and was re-elected by the shareholders to continue serving as a director on the board.

The Board Charter provides that non-executive Directors are normally expected to serve a term not exceeding a total of eight years. In accordance with the Board Charter, the Group Chairman serves for a maximum term of five years in that capacity.

Appointment and Equipping Directors to perform their Role

Each Non-Executive Director enters into an agreement that covers the Director's role and responsibilities, time commitments, induction and ongoing education, performance, remuneration, disclosure of outside interests, independence, privacy and confidentiality obligations. Arrangements for access to information, insurance, indemnity and access to independent professional advice arrangements are contained in the appointment letter signed by each Director.

Induction and Training

Following appointment, each Director participates in an induction programme to familiarise themselves with our business and strategy and to develop industry knowledge. The information provided includes information about our corporate governance framework, policies, organisational structures and business activities.

The induction programme includes a series of meetings with other Directors, the Group Chief Executive Officer and senior executives. Directors also receive comprehensive guidance from the Group Company Secretary on Directors' duties and liabilities.

There is a periodic review of the professional development activities needed for Directors to maintain their skills and knowledge to perform their role as Directors effectively. In addition to personal professional development training, Directors as a collective actively seek to enhance their knowledge of the Group's operations, industry and market developments, and regulatory changes. This is effected by the Board engaging with industry and regulatory leaders, participating in technical briefings, and undertaking regular deep-dive, free-form discussions with Executives and senior management at Board meetings.

The Chairman regularly reviews the professional development needs of each Director. Through the board evaluation process, Directors provide feedback on emerging topics that would enhance their knowledge. The programme of continuing education ensures that the Board is kept up to date with developments in the industry both locally and globally. It includes sessions with local and overseas experts in the areas of general corporate governance and in the fields relevant to the Group's operations.

Trainings undertaken in the year 2023 include:

- Board audit committee trainings covering the following areas:
  - Focus on financial reporting oversight.
    - Financial statements, financial reporting and internal controls.
    - ESG disclosure and the impact of ESG risks and opportunities on financial reporting.
    - Leveraging the use of technology in information management, reporting, and analytics.
  - Governance.
    - Audit committee effectiveness.
    - Regulatory landscape.
  - Enterprise risk management oversight.
    - Oversight in management's approach to identifying and addressing risk.
    - Third Party risk management.
    - Technology risks - Cyber risk, Data privacy, and Digital transformation.
    - Internal Capital Adequacy Assessment Program (ICAAP) and Stress and Scenario testing.
  - Global Banking Trends.

Individualised director board training programmes including:

- Women Directors Leadership Programme, an incisive 8-month programme aimed at sharpening leadership ability and strengthening impact at board level.
- The Effective Director programme that covers the work of the board and seeks to add value to the contribution of individual directors. The programme addresses contemporary paramount issues on boards.
- The Effective Director Masterclass (TED Masterclass) Programme to take on a deeper dive into key aspects of oversight and monitoring that are required for the 21st-century director.
- Emerging risks facing banks, regulatory environment and developments in financial reporting.
- Leading the Board programme for sitting chairpersons and vice-chairs.

Access to Information and Independent Advice

The Board or Board committee is entitled to seek any information it requires from any Group employee or from any other source. It is entitled to meet with employees and third parties without the presence of management and may request employees and third parties to attend Board meetings.

Procedures are in place, through the Chairman and the Company Secretary, enabling the Directors to have access, at reasonable times, to all relevant Company information and to executive management, to assist them in the discharge of their duties and responsibilities and to enable them to take informed decisions. The Directors are also entitled to obtain independent legal, accounting or other professional advice at the Company's expense. The Board may conduct or direct any investigation to fulfill its responsibilities and can retain, at the Company's expense, any legal, accounting or other services that it considers necessary from time to time to fulfill its duties.

A committee may consult with a professional adviser or expert at the cost of the company if the committee considers it necessary to carry out its responsibilities. There is also provision for direct access to committees by management and the external auditor. The Group Director, Internal Audit and Group Chief Risk Officer have a direct reporting line to the Audit & Risk committee and an administrative reporting line to the Chief Executive Officer and have a standing invitation to attend all Audit & Risk committee meetings. The external auditor may request to meet with the Audit & Risk Committee and has a standing invitation to attend all Audit & Risk Committee meetings. The external auditor may also request to meet with the Board and the Chair of the Audit & Risk committee.

As well, the Company Secretary provides advice on governance matters and support to the Board, Committees and Directors. The Company Secretary is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board. Directors are expected to strictly observe the provisions of the statutes applicable to the use and confidentiality of information.

Performance Assessments of Board Directors and Board Committees

The Board reviews its performance, and the performance of individual Directors, every year. Every third year, this process is led by an external consultant, and in those years when a consultant is not engaged, the Chair leads the assessment of the Board and each Director. The process may involve the completion of questionnaires and meetings with individual Directors. The Chair provides feedback and conducts a session with the full Board to discuss feedback about the Board as a whole.

In February 2023, the Board undertook an assessment of its performance for the year 2022 through an external consultant where areas of strengths and focus were identified, and an action plan of continuous improvement agreed. Upon receipt of the external consultant report on the evaluation, the board considered that a follow-up by the external consultant be undertaken for the year 2023.

From December 2023 to February 2024, the external consultant undertook the board evaluation process for the year 2023. The report of the evaluation was presented to the Central Bank of Kenya in March 2023 in line with regulatory requirements.

Following an extremely comprehensive financial year 2022 Board evaluation, which was also facilitated by the same consultant, a condensed and progressive questionnaire tailored to the needs and circumstances of the Group was issued to the Board of Directors. The customised Board evaluation tool for the financial year 2023 totaled 22 questions and covered the essential functions and responsibilities of the governing body: strategic direction, policy, oversight and accountability.

The evaluation was undertaken using a rigorous framework of analysis involving Directors' participation in three key processes:

- Completion of bespoke and comprehensive questionnaires provided separately to Directors of the Group Board and Subsidiary Boards on a confidential basis.
- Participation by the consultant in confidential one-on-one interviews with the Directors of the Group and Subsidiary Boards. The interviews were held virtually.
- Participation in special sessions for Board members, which will be convened to discuss preliminary results and build consensus on a way forward.

The recommendations of the consultant based on the outcome of the evaluation included:

- Undertaking regular skills assessments to identify gaps and training needs that exist based on current and emerging trends and continue to improve the meeting the training needs.
- Execute on the year 2022 self-assessed Director training needs by developing a Director education programme to be overseen by the Chairman of the Board and supported by the Group Company Secretary.

The recommendations from all the evaluation exercises will continue to be implemented during the year 2024.

GOVERNANCE AUDIT

The Capital Markets Authority (CMA), Code provides that issuers of securities to the public are required to undertake periodic governance audits. Following extensive stakeholder consultation to consider the frequency, cycle, cost and scope of governance audits, the CMA advised all issuers of a revision in the cycle of governance audits to at least once every two years with the option of CMA increasing or decreasing this frequency on a risk-based approach.

In line with the CMA Code a governance audit was conducted on the Company for the year ended 31 December 2023 by C. S. Bernard Kiragu of Scribe Services who issued an unqualified report. The audit confirmed that the Board has put in place a sound governance framework, which complies with the legal and regulatory framework and in line with global best governance practices in the interest of stakeholders.

The next governance audit will be undertaken in December 2025.

Corporate Governance Self-assessment Report

During the year 2023, the Capital Markets Authority assessed the status of implementation of the CMA Code by the Company for the year ended 31 December 2022. The assessment was based on a review of the following areas: commitment to good corporate governance; board operations and control; rights of shareholders; stakeholder relations; ethics and social responsibility; accountability, risk management and internal control; transparency and disclosure. The overall rating awarded to the Company was a leadership rating of 87% (up from 84% for the year 2021 and 81% for the year 2020). This is a testament to the Board's continued commitment to sound corporate governance practices. The Company continues to implement the recommendations received from the CMA to improve its level of implementation of the recommendations under the CMA Code.

DIRECTOR INDEPENDENCE

The Board recognises the importance of independent judgement and constructive debate on all issues under consideration. Directors are expected to bring views and judgement to Board deliberations that are independent of management and free of any business relationship or circumstances that would materially interfere with the exercise of objective judgement, having regard to the best interest of the organisation and its stakeholders.

The Board Charter, prepared in line with the CMA Code and the Prudential Guidelines issued by the Central Bank of Kenya, provides that a majority of its directors should be independent.

In accordance with the Board Charter, the Board only considers directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the Company or the shareholders generally.

During the year 2023, except for the directorship held by the Cabinet Secretary, National Treasury, all other non-executive directors of the company were considered independent.

CONFLICT OF INTEREST

All Directors of the Company must avoid any situation which might give rise to a conflict between their personal interests and that of the Group. The Directors are each responsible to notify the Group Chairman and the Group Company Secretary of any actual or potential conflict of interest situations as soon as they arise. The Articles of Association permit the Board to authorise the conflict, subject to such conditions and limitations as the Board may determine.

The Board has formal procedures for managing conflicts of interest in accordance with the Companies Act 2015 and the CMA Code. Directors are required to declare a conflict of interest or a material personal interest in any matter concerning the Company immediately for the Board to review. Declaration of conflicts of interest is also a standard agenda item which is addressed at the onset of each Board and Committee meeting. Any Director with a material personal interest in any matter being considered during the Board or committee meeting will not vote on the matter or be present when the matter is being discussed and considered.

The Board also requires all Directors to disclose on appointment and annually any circumstance which may give rise to an actual or potential conflict of interest with their roles as Director.

During the year 2023, except for the directorship held by the Cabinet Secretary, National Treasury, all other directors of the company were considered independent. No incidents of material conflict of interest were identified for any of the Directors.

SUBSIDIARY BOARDS

In line with the provisions of the Prudential Guidelines issued by the Central Bank of Kenya, KCB Group Plc as the majority shareholder in all the subsidiaries within the Group has the overall responsibility to ensure adequate corporate governance is in place across the Group.

The subsidiaries operate as separate legal entities in their respective countries. Each subsidiary has a Board of Directors that has oversight functions over the management of the subsidiary.

Each subsidiary Board comprises of a majority of non-executive directors. The Group Board Charter requires that country Boards be guided by the same governance principles as the parent company. The boards of directors of the subsidiaries are accountable to the subsidiaries' shareholders for the proper and effective administration of the subsidiaries in line with overall Group direction and strategy. These Boards also have statutory obligations based on local legislative requirements in their respective countries. In the event of any conflict with Group policies, the local laws prevail.

The Group Board's confidence in the activities of its controlled entities stems from the policies put in place that are adopted across the subsidiary companies as well as the quality of directors on those subsidiary boards. At least one member of the KCB Group Plc Board sits on each of the subsidiary boards as a member.

GOVERNANCE AUDITOR'S REPORT

STATEMENT OF THE RESPONSIBILITY OF DIRECTORS

The Board is responsible for putting in place governance structures and systems that support the practice of good governance in the organisation. The responsibility includes planning, designing, and maintaining governance structures through policy formulation, which is necessary for efficient and effective governance of the organization. The Board is also responsible for ethical leadership, risk governance and internal control, transparency and disclosure, equitable protection and exercising of members' rights and obligations, compliance with laws and regulations, sustainability, performance management and strategy formulation and oversight.

The Board of Directors of KCB Group Plc ("the Company") is committed to the highest standards of Corporate Governance and strives for continuous improvement by identifying any loopholes and gaps in the Company's governance structures and processes. It is on this premise that the Board commissioned a governance audit, with the aim of ensuring that all processes necessary for directing and controlling the Company are in place.

The Directors have therefore ensured that the Company has undergone a governance audit for the year ended 31 December 2023, and obtained a report, which discloses the state of governance within the Company.

GOVERNANCE AUDITOR'S RESPONSIBILITY

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

Being part of a continuous audit process, the Auditor has assessed the continual application of recommendations from previous audits and has ensured that the current recommendations are in line with the Group's vision and mission in order to ensure that the Board's goals, structure and operations are consistent with the latest developments in Corporate Governance. The structure of the report, findings and recommendations will therefore focus on providing a progressive approach following the seven steps of governance auditing.

OPINION

In our opinion, the Board has put in place a sound governance framework, which is in compliance with the legal and regulatory framework and in line with global best governance practices for the interest of stakeholders. In this regard, we issue an unqualified opinion.

CS. Bernard Kiragu, ICPSK GA. No 159
For: Scribe Services

Date: 30 April 2024

Subsidiary Governance Model

With regards to the governance of its subsidiaries, KCB Group adopts a dual reporting model. The subsidiary's corporate governance is administered both by the local Board and the Group Board concurrently.

Legally, the country board has ultimate responsibility for the subsidiary, but KCB Group, as the majority shareholder (in almost all cases holding 100%) and being overall responsible for the strategic direction of the Group, has a duty to ensure that the subsidiary is run properly. As a result, the subsidiary Managing Director has dual reporting lines to the local Board and to KCB Group's Executive Management. The local Board has access to the KCB Group governance and management structure. The local Boards are legally constituted, and directors' duties comply with the host country's legal system.

The subsidiaries at all times comply with the Group Board Charter, subject only to local legal requirements.

RESPECTING OUR SHAREHOLDERS AND INVESTORS

KCB Group is committed to giving our shareholders appropriate information and facilities to enable them to exercise their rights effectively. We are also committed to making sure shareholders and the investment community have appropriate information to make investment decisions.

The ways in which we do this include:

- Our announcements to the Nairobi Securities Exchange and media publications – announcements are made in accordance with the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002. All financial results are published on a quarterly basis in national publications.
- The Investor Relations page on our website – this provides a central point for shareholders to access information including investor presentations, reports and information about the annual general meeting.
- Our annual general meeting – shareholders are invited to attend and participate in our annual general meeting each year.
- Our investor relations team – our team is committed to engagement with the investment community, telling our story and communicating our strategy.
- Our financial reporting and statutory reporting and this corporate governance statement – the integrity of financial reporting is discussed in more detail in a later section.
- Our appointed shares registrar - All shareholders queries, application for registration of transfer of shares of the company, immobilisation of shares and dividend queries as well as the collection of share certificates and dividend cheques are handled by the company's appointed shares registrar – Image Registrars Limited. The registrar can be reached at their offices on the **5th Floor, Absa Plaza, Loita Street, P. O. Box 9287 – 00100, Nairobi** or through their e-mail address kcbshares@image.co.ke and through their telephone numbers **0709 170 000, 0724 699 667, 0735 565 666.**

KCB Group is committed to providing shareholders with information that is timely, of high quality and relevant to their investment, and to listening to and responding to shareholder feedback.

Communication and Periodic Continuous Disclosure

Key shareholder communications include the Group's Annual Integrated Report, the Group Sustainability Report and full year, half-yearly and quarterly financial results. The Group additionally posts all material information on its website www.kcbgroup.com. Shareholders are encouraged to visit the website for general information about the Group and to be able to view financial reports and results briefing presentations.

The Group additionally releases material information to the Capital Markets Authority and the Nairobi Securities Exchange as well as the Central Bank of Kenya in line with all disclosure requirements in the Capital Markets Act, the Banking Act, the Prudential Guidelines as well as all other relevant regulation. Being cross listed in the region, material information is also released to the securities exchanges in Tanzania, Uganda and Rwanda.

Annual General Meetings

The annual general meeting provides an opportunity for shareholders to engage with us, and we strongly encourage this. Shareholders can ask questions before the meeting. At the meeting, shareholders will have a reasonable opportunity as a whole to ask questions about or make comments on the management of the Group or the business of the meeting.

The Board has always placed considerable importance on effective communication with its shareholders. It ensures that the rights of shareholders are always protected. Notices of meetings and all statutory notices and information are communicated to shareholders including details on how to vote and ask questions are set out in the notice of the annual general meeting. The notice is published 21 days prior to the meeting through print and digital channels in line with the Articles of Association.

Shareholders who are unable to attend the AGM in person are encouraged to vote on the proposed resolutions by appointing a proxy prior to the AGM. Voting is conducted by poll on all resolutions.

KCB Group held its AGM in 2023 via virtual means. The use of virtual meeting technology by KCB Group during the AGM held in June 2023 allowed a larger number of shareholders to participate in the AGM regardless of their geographic location. 17,375 shareholders attended and voted on the resolutions during the AGM compared to 4,905 shareholders who attended the physical meeting held in May 2019.

Shareholders were given an opportunity to submit written questions to KCB Group before the AGM and were also able to participate in the live KCB Group AGM vote and ask questions online. All resolutions were submitted to a poll and the results published in the local dailies within 24 hours following conclusion of the AGM.

Investment Community

KCB Group is committed to engagement with the investment community and consistently shares our story and communicates our strategy. Our investor relations programme includes liaising with institutional investors, brokers, analysts and rating agencies including presentations during our announcement of our annual results. The investor relations team is responsible for drafting certain market announcements, providing feedback to management and the Board on market views and perceptions about the Group and coordinates roadshows including half-year and full-year results announcements.

The investor relations team has the primary responsibility for managing and developing the Group's external relationships with existing and potential institutional equity investors. Supported by the Group Chief Executive Officer and the Group Finance Director, they achieve this through a combination of briefings to analysts and institutional investors.

POLICIES AND CODES OF CONDUCT

KCB Group maintains and has in place policies and codes of conduct that capture not only our legal obligations, but also the reasonable expectations of our stakeholders, including our customers. These policies apply to all employees and Directors of the KCB Group, and to anyone working on the Group's behalf, including contractors and consultants. The Group has zero tolerance for all forms of corruption, bribery and unethical business practices.

The Group has in place a suite of policies, procedures and practices to promote a culture of compliance, honesty and ethical behaviour including in relation to anti-money laundering and counter-terrorism financing, whistle-blower protection and conflicts of interest.

Our Code of Ethical Conduct

Our Code of Ethical Conduct (the Code) sets the expectations for all our employees, executives and Board members to make conduct decisions that are lawful, ethical and respectful to deliver fair outcomes for customers, colleagues, partners and stakeholders. It covers a range of areas including personal conduct, integrity, honesty, transparency, accountability, fairness and prevention of corruption.

The Code provides clear guidance to our people of their responsibility to demonstrate high standards of corporate and individual behaviour when conducting the business of the Group. It provides a framework for how our people can apply good judgement by thinking before acting, applying Group policies and procedures, considering the consequences of their decisions and, speaking up when needing help. It emphasizes the importance of making the right decisions and behaving in a manner that builds respect and trust in the organisation. The Code sets out clear behavioural requirements and where these are not met, there are consequences.

The Code is periodically reviewed and Code of Ethical Conduct awareness and learning programmes and sessions are conducted.

Conflicts of Interest

The Code sets out the approach to follow to ensure the Group complies with its regulatory obligations and other related Group policies when dealing with conflicts of interest. The Conflict-of-Interest Procedures provide guidance to our people to identify, effectively manage and monitor any actual, perceived or potential conflicts which may arise.

Whistle-Blower Programme

KCB Group does not tolerate fraud, corrupt conduct, bribery, unethical behaviour, legal or regulatory non-compliance or questionable accounting or auditing by employees, Directors, customers and contractors. KCB Group is committed to a culture that encourages all people to speak up about issues or conduct that concerns them.

The Code supports a culture of integrity and ethical behaviour and sets out a clear process and the protections available for those who want to raise a concern regarding suspected misconduct. This could include concerns related to financial irregularities,, anti-bribery and corruption, internal accounting controls, questionable accounting or auditing matters.

The KCB Group whistle-blower programme encourages the reporting of any wrongdoing in a way that protects and supports whistle-blowers. The programme provides confidential and anonymous communication channels to raise concerns. The confidential and anonymous communications channels are supported and monitored independently by Deloitte details of which are provided below:

Telephone Communication:

» Toll free number: 0800 720 990 (Kenya)
» Toll free number: 0800 110 025 (Tanzania)
» International calls: +27 315 715 795 (Uganda, South Sudan, Rwanda and Burundi)

E-mail Communication:

kcb@tip-offs.com

All people are encouraged to raise any issues involving illegal, unacceptable or inappropriate behaviour or any issue that would have a material impact on the organisations customers, reputation, profitability, governance or regulatory compliance.

There is zero tolerance for any actual or threatened act of reprisal against any whistle-blower and the Group takes reasonable steps to protect a person who makes disclosure of any inappropriate behaviour including taking disciplinary action potentially resulting in dismissal for any person taking reprisal against a whistle-blower.

Insider Dealing Policy

Our Insider Dealing Policy imposes restrictions on trading in the Group's securities by Directors, employees and contractors (and their associates) who are in possession of price sensitive information. They are also prohibited from passing on inside information to others who may use the inside information to trade in the company's securities. In addition, a blackout period on trading is imposed on Directors, employees and contractors (and their associates) starting 1st January, up to and including the date of announcement of annual results and further from 1 April, 1 July, and 1 October of any year up to the date of announcement of quarterly results such date being inclusive and ending on the next business day after each respective results announcement. The Board may also impose additional restrictions.

Anti-Bribery and Corruption

The Group has strong standards of integrity, ethics and conduct and supports this by complying with relevant Anti-Bribery and Corruption legislation. Therefore, our people will not directly or indirectly give, offer or request a bribe and will not engage in corruption. Our people will not accept directly or indirectly a benefit (monetary or otherwise) given, offered, authorised, accepted or requested as an inducement for action which is illegal, unethical or a breach of trust. We will not accept secret commissions (monetary or otherwise) from a third party, in return for agreeing to depart from our internal policies and procedures or legal obligations. Political donations may give rise to perceptions of cash for influence. Employees, Directors or third parties acting on behalf of the Group must not make any political donations on behalf of the Group.

Integrity of Financial Reporting

The Group develops and maintains a risk management culture that aids in the creation of risk awareness and promotes appropriate behaviour and judgement in connection with risk taking. In the context of corporate governance, the Board supports in ensuring effective risk management, promoting appropriate risk taking and ensures that emerging risks and risk-taking activities are identified, assessed, escalated and addressed in a timely manner.

The risk management culture instilled at the Group emphasizes the importance of:

- Risk reward to ensure compensating returns to the organisation for any risk taken,
- Effective system controls,
- Monitoring violation of risk appetite limits, and
- Cultivating integrity.

Financial Reporting

The integrity of financial reporting to Shareholders is protected through the following elements.

- Board oversight and responsibility
- Oversight from the Audit & Risk Committee
- External Auditor

Board

The Directors are responsible for assessing whether the financial statements and notes are in accordance with the Companies Act, 2015, comply with accounting standards and give a true and fair view of the financial position and performance of the Group. A Directors' declaration to this effect is included in the annual financial report

Audit & Risk Committee

The Audit & Risk Committee assists the Board by providing oversight of the Group's financial reporting responsibilities including external audit independence and performance. The Audit & Risk committee's responsibilities include the following:

- Reviewing the half-year and full-year statutory financial reports for recommendation to the Board.
- Reviewing significant accounting estimates and judgements used for the preparation of the financial reports.
- Reviewing and approving any new or proposed changes in Group accounting policies.
- Monitoring developments in statutory reporting and accounting and disclosure requirements.
- Reviewing the effectiveness of the Group's internal control and risk management framework.

External Auditor

The audit or review by the external auditor provides a further level of protection of the integrity of the financial statements. The Audit & Risk committee oversees the external audit function. This includes reviewing and approving the external audit plan and engagement and assessing the performance of the external auditor.

Whereas the directors are responsible for preparing the accounts and for presenting a balanced and fair view of the financial position of the Company, the external auditor examines and gives their opinion on the reasonableness of the financial statements. Independence of the external auditor is important to the integrity of the audit function. The external auditor is invited to meetings with the Audit & Risk committee from time to time without management or others being present. The external auditor reports independently and directly to the Board at the end year Board meetings.

RISK MANAGEMENT GOVERNANCE

Risk is an inherent part of the KCB Group's business, and the effective management of risk is a fundamental enabler of our strategic plan.
The strategy for managing risk is aimed towards customer protection and enabling sustained performance.
This is achieved through the Risk Management Framework of the Company. The Group is exposed to both financial and non-financial risks and is committed to having risk management policies, processes and practices that support a high standard of governance. This enables management to undertake prudent risk-taking activities.

The Board oversees the risk management strategy and framework taking into account the risk appetite, prudential capital requirements and strategic and business priorities of the Group. This includes setting and reviewing the risk appetite, monitoring the effectiveness of the risk management framework and making changes to it.

The following Board committees assist the Board in the oversight of risk:

- **Audit & Risk Committee:** In relation to financial reporting and taxation risk and further in relation to risk appetite and risk management strategy.
- **Human Resources & Governance Committee:** In relation to remuneration risk.

At KCB Bank Kenya subsidiary level, the Credit Committee reviews issues relating to credit risk appetite and credit risk management strategy.

The following management committees also assist in relation to risk management:

- Executive Committee
- Operational Risk Committee
- Asset and Liability Management Committee
- Management Credit and Risk Committee

Risk Management Framework

The Group's risk management function has designed and oversees a Risk Management Framework to allow the Group identify, measure and manage risks within a Board-approved risk appetite.

The Group's risk management is based on the 'three line of defence' model. The overarching principle of the model is that risk management capability must be embedded within the business to be effective. These act as the foundation for effective risk management across the Group.

The Risk Management Framework covers all systems, structures, policies, processes and people that identify, measure, evaluate, monitor, report and control or mitigate both internal and external sources of material risk. The Risk Management Framework is regularly reviewed in light of emerging risks arising from the changing business environment, better practice approaches and regulatory expectations.

Additional information and details of the Risk Management Governance of the Company is contained in a separate section of this integrated report.

Directors Remuneration

The Human Resources & Governance Committee of the Board is responsible for setting and administering the non-executive Directors remuneration policy.

The aggregate amount of emoluments paid to Directors for services rendered during the year 2023 is disclosed in Note 39 to the Financial Statements.

Neither at the end of the financial year, nor at any time during the year, did there exist any arrangement to which the Company is a party, under which Directors acquired benefits by means of acquisition of the Company's shares.

Additional details are provided in the Directors' Remuneration Report at page 123 of the Integrated Report.

Board of Directors' Profiles

Name: FCS Dr. Joseph Kinyua, EGH (72 years)

Designation: Group Chairman

Date of Appointment to Designation:

Appointed Group Chairman in May 2023

Date of Appointment to Board: March 2023

Education and Professional Background:

FCS Dr. Joseph Kinyua, EGH is the immediate former Head of Public Service. He has had an illustrious career spanning over 44 years in public service and has a wealth of experience in public administration. He is credited with effectively holding a pivotal role in implementing key government initiatives and reforms including the liberalisation of the financial services sector, the foreign exchange market and the trade and capital accounts of the balance of payments among other initiatives.

Prior to his appointment as the Head of Public Services in 2013, he had served in various senior positions in the government, including as Permanent Secretary to the National Treasury.

Current KCB Group Board Appointments

Dr. Kinyua is the chairman of the Nominations committee of the board.

Name: Geoffrey Malombe (52 years)

Designation: Alternate Director to C. S. National Treasury

Date of appointment to Board as Alternate: December 2022

Education and Professional Background:

FCPA Geoffrey Malombe, HSC, ndc (K) is currently the Director, National Assets and Liabilities Management Department. Prior to this, he was the Ag. Director, National Assets and Liabilities Management Department. Prior to that, he was the Senior Deputy Accountant General. He holds a Masters of Arts in International Studies from the University of Nairobi, a Masters of Business Administration (Finance Option) from the University of Nairobi and a Bachelors of Science in Agricultural Economics from Egerton University. Geoffrey is a member of the Institute of Certified Public Accountants of Kenya (CPA-K) and the Registration of Accountants Board (RAB). He has previously served as a member of the boards of Kenya Medical Research Institute, Kenya School of Law, the Leather Council of Kenya, the National Water & Soil Conservation Corporation, the Consolidated Bank of Kenya and ICPAK. He currently serves on the board of the Kenya Defence University.

Current KCB Group Board Appointments

He is a member of the boards of KCB Bank Kenya Limited and National Bank of Kenya Limited.

Name: Lawrence Njiru (51 years)

Designation: Director

Date of Appointment to Board: August 2018

Education and Professional Background:

Lawrence holds a Bachelor of Commerce (Accounting) degree from Kenyatta University and is a member of the Institute of Certified Public Accountants of Kenya (CPA-K). He joined the KCB Group Board in May 2018.

He has over 10 years' experience in Board leadership and has served as a non-executive director of Kenya Seed Company where he chaired the Audit Committee and previously as Chairman of Simlaw Seeds Company Limited. In addition, he has over 20 years senior management experience in business strategy, finance, commercial, audit and accounting. He worked at Standard Media Group Kenya Limited as Group Commercial Director and served as Group Financial Controller in the same Group. Prior to this, he worked as a senior auditor at KPMG East Africa.

Current KCB Group Board Appointments

Lawrence is the chairman of the Oversight and the Audit & Risk committees and is a member of the HR & Governance and the Nominations committees. Lawrence is the Chairman of KCB Bank Kenya Limited and sits on the board of KCB Bank Burundi Limited.

Name: Ahmed Mahmoud (48 years)

Designation: Director

Date of Appointment to Board: August 2020

Education and Professional Background:

Ahmed Mohamud Mahmoud is an advocate of the High Court of Kenya and an experienced commercial lawyer specializing in financing agreements and Islamic finance, corporate law, and transactions agreements. He holds a Masters Degree in Law (LLM) and Bachelors of Law Degree (LLB) from the University of Liverpool in the United Kingdom and a Post Graduate Diploma in Law from the College of Law, London, England.

Current KCB Group Board Appointments

Ahmed is a member of the Audit & Risk, the Strategy & IT, the HR & Governance and the Nominations committees. He is a member of the board of KCB Bank South Sudan Limited and is the Chairman of KCB Foundation.

Name: Alice Kirenge (63 years)

Designation: Director

Date of Appointment to Board: November 2021

Education and Professional Background:

Mrs. Alice Kirenge holds a Bachelor of Commerce degree in Management and an MBA in Strategic Marketing. She is a fellow of the Life Management Institute (FLMI), and an Associate in Customer Service. She is an alumnus of Strathmore Business School (SBS) and Babson Business School, Boston Massachusetts, USA. She is a member of the Institute of Directors (IoD). She has several years' experience in the insurance and financial services sectors. She is a founder member of the Starehe Girls Centre and currently sits on the Board of Sokoni Women's Development Initiative. She has previously served on the boards of Women's Enterprise International (WEI) and of the Lamu Port South Sudan Ethiopia (LAPSSET) Corridor Development Authority where she served as the chair of the finance and administration committee.

Current KCB Group Board Appointments

Alice is the Chairman of the HR & Governance committee, and a member of the Audit & Risk and Nominations committees. She is the Chairman of KCB Bancassurance Intermediary Limited and is a member of the board of the KCB Foundation.

Name: Anuja Pandit (53 years)

Designation: Director

Date of Appointment to Board: August 2022

Education and Professional Background:

Ms. Anuja Pandit holds a MBA in Strategic Management (USIU, Nairobi); A BSC in Accounting and Finance (USIU, Nairobi); and a Distinction in the ACI Dealing Certificate from the ACI Financial Markets Association.

A senior banker of more than two decades, Anuja has amassed a wealth of experience leading diverse teams in Sub-Saharan Africa, having worked with Citibank in their Global Markets Business, and most recently serving as their Regional Director, driving their Digital Strategy in Automated Trading Systems. A pioneer in Digital Treasury Transformation and an e-Fx Specialist, she has been instrumental in leading, developing and executing strategic business initiatives; adopting new technologies that delivered strong efficiencies through value added automation and business culture transformation; thereby achieving a distinguished market presence in the region.

Anuja currently runs a consulting firm, leading a team that provides property management solutions, assisting residential and commercial developments to streamline their operations.

Current KCB Group Board Appointments

Anuja is a member of the HR & Governance, Audit & Risk and Nominations committees. She is a member of the board of KCB Bank Tanzania Limited.

Name: Agnes Lutukai (61 years)

Designation: Director

Date of Appointment to Board: March 2024

Education and Professional Background:

Agnes is a seasoned Chartered Accountant with over 35 years' experience at KPMG, 24 of which were at partner level. Her distinguished career spans various leadership roles at KPMG East Africa, South Africa and Nigeria. She also worked as a part time consulting Partner on audit quality initiatives within the Europe, Middle East & Africa region until February 2024.

Agnes has previously served as the Chairman Central Bank Nigeria Technical Work Group of Regulators and External Auditors of Deposit Money Banks in Nigeria; a committee member, Financial Reporting Council of Nigeria; and a Committee Member, National Insurance Commission, Nigeria.

Agnes is a fellow member of the Institute of Certified Public Accountants of Kenya (ICPA-K), where she serves as member of the Professional Standards Committee. She is also member of the Institute of Certified Secretaries of Kenya (ICS-K), a member of the Association of National Accountants in Nigeria, a member of Women on Boards Network and an Alumni of Centre for Corporate Governance.

Name: Paul Russo (48 years)

Designation: Group Chief Executive Officer

Date of Appointment to Board: May 2022

Education and Professional Background:

Paul Russo, EBS holds a Masters in Business Administration from Strathmore University Business School and a Bachelor of Business Management from Moi University. He also holds a senior executive programme for Africa Certificate from Harvard Business School. He is a member of the Kenya Bankers Association Governing Council. Paul sits on the Boards of the National Investment Council and the National Steering Committee on Drought Response. He is also a member of the Steering Committee for the World Rally Championship (WRC) Safari Rally Project. He also serves in the United Nations Environment Programme Finance (UNEP-FI) Leadership Council.

Prior to his appointment as the Group Chief Executive Officer, he served as the Group Regional Business Director and the MD NBK. A HR practitioner, he has close to 25 years of work experience spanning executive and key roles including Group HR Director, KCB Group. He has served at other big corporates such as Barclays, PwC, K-Rep Bank, EABL, and Unga Holdings.

Current KCB Group Board Appointments

Paul is a member of the HR & Governance, the Strategy & IT, the Oversight and the Nominations committees and serves as a member of the boards of KCB Bank Kenya Limited, National Bank of Kenya Limited, BPR Bank Rwanda Plc., KCB Investment Bank, KCB Bancassurance Intermediary, KCB Asset Management and KCB Foundation.

Name: Lawrence Kimathi (54 years)

Designation: Group Finance Director

Date of Appointment to Board: May 2015

Education and Professional Background:

Lawrence Kimathi holds a Masters in Business Administration (MBA) with merit from Warwick Business School, UK, a Bachelor of Science degree majoring in accounting from United States International University – Africa (USIU) and is a Certified Public Accountant of Kenya, CPA (K). He is a member of the Institute of Certified Public Accountants of Kenya and Institute of Directors. His senior leadership experience spans over 25 years having worked as Finance Director/CFO in several multinational organizations which include Cadbury East and Central Africa, AIG, East Africa Breweries Limited, BAT Sub Saharan Africa and BAT Plc in London.

Current KCB Group Board Appointments

Lawrence is a member of the KCB Bank Uganda Limited Board.

Name: Bonnie Okumu (44 years)

Designation: Group General Counsel and Company Secretary

Date of Appointment as Secretary: March 2021

Education and Professional Background:

Bonnie Okumu was promoted to the role of Group General Counsel in January 2021. Prior to this, she was the Director, Legal Services, having been appointed as such in July 2018 following a promotion from the role of Head, Legal Services which she held since January 2014 when she joined KCB.

Before joining KCB, she was the Chief Legal and Regulatory Affairs Officer & Company Secretary at Telkom Kenya Limited. Prior to this, she was the General Counsel & Company Secretary at Unilever Kenya Limited where she oversaw the legal and company secretarial functions for nine operating companies in seven countries in East and Southern Africa. Until she joined Unilever, she was the Regional Legal Manager for Nestlè where she set up the legal department and led a team of lawyers in providing legal and tax advisory services to 14 operating entities in 20 countries in the Equatorial African Region. Earlier in her career, she was an associate at Dentons, Hamilton Harrison & Mathews and an audit assistant at Deloitte & Touché. She holds an LL.B. from the University of Nairobi, is an advocate of the High Court of Kenya as well as a Certified Secretary (CS). She also holds a senior executive programme for Africa (SEPA)certificate from Harvard Business School.

SHAREHOLDING

The Company files monthly investor returns to meet the continuing obligations as prescribed by the Capital Markets Authority and the Nairobi Securities Exchange

Directors Interests as at 31 December 2023

Name of Director	Number of Shares	% Shareholding
Cabinet Secretary to the Treasury of Kenya	635,001,947	19.7607
Mr. Paul Russo	100,000	0.0031
FCS Dr. Joseph Kinyua	-	-
Mr. Lawrence Njiru	-	-
Mr. Ahmed Mahamod	-	-
Ms. Alice Kirenge	15,100	0.0005
Ms. Anuja Pandit	-	-
Mrs. Agnes Lutukai	-	-
Mr. Lawrence Kimathi	-	-

Shareholders' Profile as at 31 December 2023

Profile	Number of Shareholders	Number of Shares Held	% Shareholding
Kenyan Individual Investors	187,259	865,717,766	26.94
Kenyan Institutional Investors	6,603	1,787,477,088	55.62
East African Individual Investors	253	2,822,911	0.09
East African Institutional Investors	53	271,275,830	8.44
Foreign Individual Investors	620	69,691,735	2.17
Foreign Institutional Investors	59	216,477,485	6.74
Total	**194,847**	**3,213,462,815**	**100.00%**

Summary of Totals

Shares Range	Shareholders	Number of Shares	% Shareholding
1 to 500	76,872	10,085,917	0.31
501 to 1,000	15,303	10,906,160	0.34
1,001 to 5,000	74,076	181,262,566	5.64
5,001 to 10,000	17,820	117,312,175	3.65
10,001 to 50,000	8,703	165,940,681	5.16
50,001 to 100,000	824	57,247,870	1.78
100,001 to 500,000	799	167,210,095	5.20
500,001 to 1,000,000	166	116,257,566	3.62
1,000,001 to 2,000,000,000	284	2,387,239,785	74.30
Total	**194,847**	**3,213,462,815**	**100.00**

Major Shareholders

Shareholder	Number of Shares Held	% Shareholding
Cabinet Secretary to the Treasury of Kenya	635,001,947	19.76
National Social Security Fund	312,711,292	9.73
Stanbic Nominees Ltd A/C Nr3530153-1	137,794,000	4.29
Kenya Commercial Bank Nominees Ltd A/C 927b	79,289,541	2.47
Standard Chartered Kenya Nominees Ltd A/C Ke004667	61,384,600	1.91
Babla, Sandip Kana Sinh; Babla, Alka Sandip	29,540,800	0.92
Standard Chartered Nominees Non-Resd. A/C Ke10085	27,574,726	0.86
Standard Chartered Nominees A/C 9688	26,967,223	0.84
Babla, Sandip Kanaksinh Karsandas	26,871,400	0.84
Solanki, Chirag Menesh; Solanki, Kalavati Menesh	23,000,000	0.72
	1,360,135,529	**42.34**

Risk Management

KCB's risk management strategy is to maintain the Group's stability and support the achievement of its business objectives. These objectives are achieved while meeting the predefined risk appetite and the limitations deriving therefrom, which form the boundaries for the Group's business activity. To achieve this, the Group has deployed the Enterprise Risk Management Framework (ERMF), which is a Board-approved document designed to support the identification and assessment of material risks that may inhibit the achievement of the Group's objectives, ensuring a holistic approach to risk management that is incorporated into business decision-making. It outlines the Group's approach to ensuring its key risk exposures are effectively managed, controlled, and monitored within an agreed risk appetite.

Our Enterprise-wide Risk Management approach supports bottom-up and top-down risk identification from both internal and external sources. This is done on an ongoing basis to ensure risks are reported as and when they emerge. This is supported by periodic Risk and Control Self-Assessments (RCSAs), which are an integral discipline for each business area within the Group.

The key objectives of the ERMF are to:

1. Establish standards for the consistent identification, assessment, measurement, management, monitoring, control, and reporting of risk exposures.
2. Describe and facilitate the delivery of the Group's risk strategy.
3. Define the Three Lines of Defense model.
4. Outline the approach taken with respect to setting and defining risk appetite and associated tolerances.
5. Define the risk governance structure and the roles and responsibilities of the Board and management.

The Risk Management function supports the Board in formulating risk appetite, strategies, policies, and limits. It provides review, oversight, and supports functions throughout KCB on risk-related items.

1. Enterprise Risk Management process.

i) Risk identification, assessment, and management.

Risk identification is forward-looking and seeks to identify material risks to which the Group may become exposed in conducting its day-to-day operations. For each of the key business functions, a Risk and Control Self-Assessment (RCSA) is undertaken. A likelihood and impact matrix is used to determine risk ratings, taking into account the potential impact on the Group's critical operations, financial position, and reputation in the event of a risk crystallizing.

In quantifying risk, the Bank generally endeavours to aggregate risks at the entity level or the Group as a whole. Accordingly, risk quantification and measurement are performed consistently at all operating entities in the Group, to the extent possible, based on appropriate, accepted methods and models.

Where set thresholds are breached, clear mitigating actions are put in place including the time frames required to resolve the breaches to bring the risk within acceptable tolerance levels. All key controls are recorded and assessed on a regular basis, in response to triggers. Control assessments consider both the adequacy of the design and the operating effectiveness of controls. Where a control is not effective, the root cause is established, and action plans are implemented to improve their design or performance. Control effectiveness against all inherent risks is reported and monitored.

ii) Risk Monitoring and Reporting

The Group actively monitors the risk control measures by tracking the trends of the risks and their risk levels. Risk reporting provides senior management with the information they need to respond to and manage risks.

2. Risk Appetite

The Group's Risk Appetite Framework sets out its overall approach, including policies, processes, systems, and controls through which risk appetite is established, communicated, managed, monitored, and reported. The Group's risk appetite defines the boundaries for its business activity, the desired forward-looking risk profiles, and informs the strategic planning process. The risk appetite forms the basis for establishing our business strategy, resource allocation, and earnings plans, as well as monitoring the operating status, thus integrating risk management and business strategy to achieve disciplined risk-taking that achieves an optimal balance of risk and return. The risk appetite dictates the types of risk KCB is willing to accept and guides investment decisions to ensure that planned business activities provide an appropriate balance of return for the risk assumed while remaining within acceptable risk levels. Quantitative and qualitative measures are set, based on forward-looking assumptions that reflect the Group's aggregate risk appetite statements.

The Group's risk appetite statement articulates the level and types of risk that the Group is willing to accept, as well as those it seeks to avoid or minimize. It is expressed through quantitative measures and qualitative statements that provide direction to all business areas and set clear tolerances for activities that are both within and outside the range of risk appetite. The appetite limits are monitored using a range of key indicators to ensure that the business is being managed within a limit structure for each risk category. This facilitates the identification of potential breaches in appetite and ensures that they are promptly escalated and managed appropriately.

In the event that our desired risk appetite is breached, a predefined escalation governance matrix is applied so that these breaches are highlighted to senior management for remediation. Reports relating to our risk profile as compared to our risk appetite and strategy and our monitoring thereof are presented quarterly to the board.

The board reviews and approves our risk appetite on an annual basis, or more frequently in the event of unexpected changes to the risk environment, to ensure that it is consistent with our Group's strategy, business and regulatory environment, and stakeholders' requirements.

The Group's Risk Appetite Framework sets out its overall approach, including policies, processes, systems, and controls through which risk appetite is established, communicated, managed, monitored, and reported.

3. Risk Governance

The Group's risk governance is the architecture within which risks are monitored and reported. The Board is ultimately responsible for ensuring that the risk management approach and risk governance structure are applied in practice and operate as expected. The Group operates within the principles of a Three Lines of Defence model.

The Board receives and reviews risk-related information, while management committees are responsible for ensuring that the risk and control environment is established and maintained in day-to-day decision-making and that individual decisions are made in line with the established risk appetite.

The risk function is responsible for assessing the adequacy and effectiveness of the first line of defence risk governance and control activities. They ensure that risk limits are set at appropriate levels to keep aggregate risks within risk appetite and that the aggregate forward-looking risk profile relative to risk appetite is effectively monitored and reported to board committees.

Risk management is performed based on a global view of the Group's activity, with due attention to the activities in subsidiaries with potentially significant exposure to the Group. Risks are managed separately by each subsidiary according to policies formulated by each subsidiary's board of directors. The subsidiaries are instructed to manage risks based on the strategy and policy of the Group, with adjustments according to the country-specific circumstances and/or regulations, which are reported to the parent company.

Governance is maintained through the delegation of authority from the Board to individuals through the management hierarchy. Senior executives are supported where required by a committee-based structure that is designed to support an effective information escalation path and effective decision-making. The interaction of the Board and senior management governance structures relies upon a culture of transparency and openness that is encouraged across the Group by both the Board and senior management. This ensures that escalated issues are promptly addressed and remediation plans are initiated where required.

Line managers are directly accountable for identifying and managing risks in their areas of operation, ensuring that business decisions strike an appropriate risk and reward balance and are consistent with the Group's risk appetite. In the subsidiaries, the Heads of Risk and Compliance report independently to the respective Board Committees on the effectiveness of the tools used to mitigate risk.

The main duties of the Board of Directors around risk management include:

- Approving the risk appetite and risk capacity framework of the Group.
- Approving risk-management policies consistent with the risk

appetite framework, including the establishment of risk limits in the various areas of activity.

- Through the compliance function, ensuring that there is adequate assurance of compliance with all relevant laws, regulations, codes of conduct, and standards of good practice.
- Providing clear guidance to senior management regarding risk management, based on the recommendations of the executive committee, and ensuring that senior management takes the necessary actions to identify, measure, monitor, and control risks.
- Approving methodologies for risk assessment and control, and for the allocation of capital with respect to risks.
- Providing oversight over the implementation of the established risk-management policy; examining the actual risk profile and the actions that the Bank must apply to comply with all regulatory directives concerning risk management.

The Risk Division also operates several management committees, chaired by the Group Chief Executive Officer:

The Group Operation Risk and Compliance Committee (GORCCO) is responsible for reviewing risk and compliance issues to ensure all material risks inherent in the activities of the Group are identified and managed within the risk appetite.

The Group Assets and Liabilities Committee (ALCO) reviews pricing of assets and liabilities to ensure loan mix and yields are optimised, and funding costs minimised, while keeping the balance sheet structure consistent with the current asset-liability strategy of the Group.

The Group Business Continuity Management Committee (BCM) is a cross-functional team of key stakeholders which includes the senior managers with key support roles and the appropriate business owners of critical functions, who together have the responsibility for the overall management of the business continuity function on a day-to-day basis.

Three Lines of Defense Model

Our risk and control structure is based on the Three Lines of Defense Model. Each line has a specific role and defined responsibilities. The three lines work closely together to identify, assess, and mitigate risks.

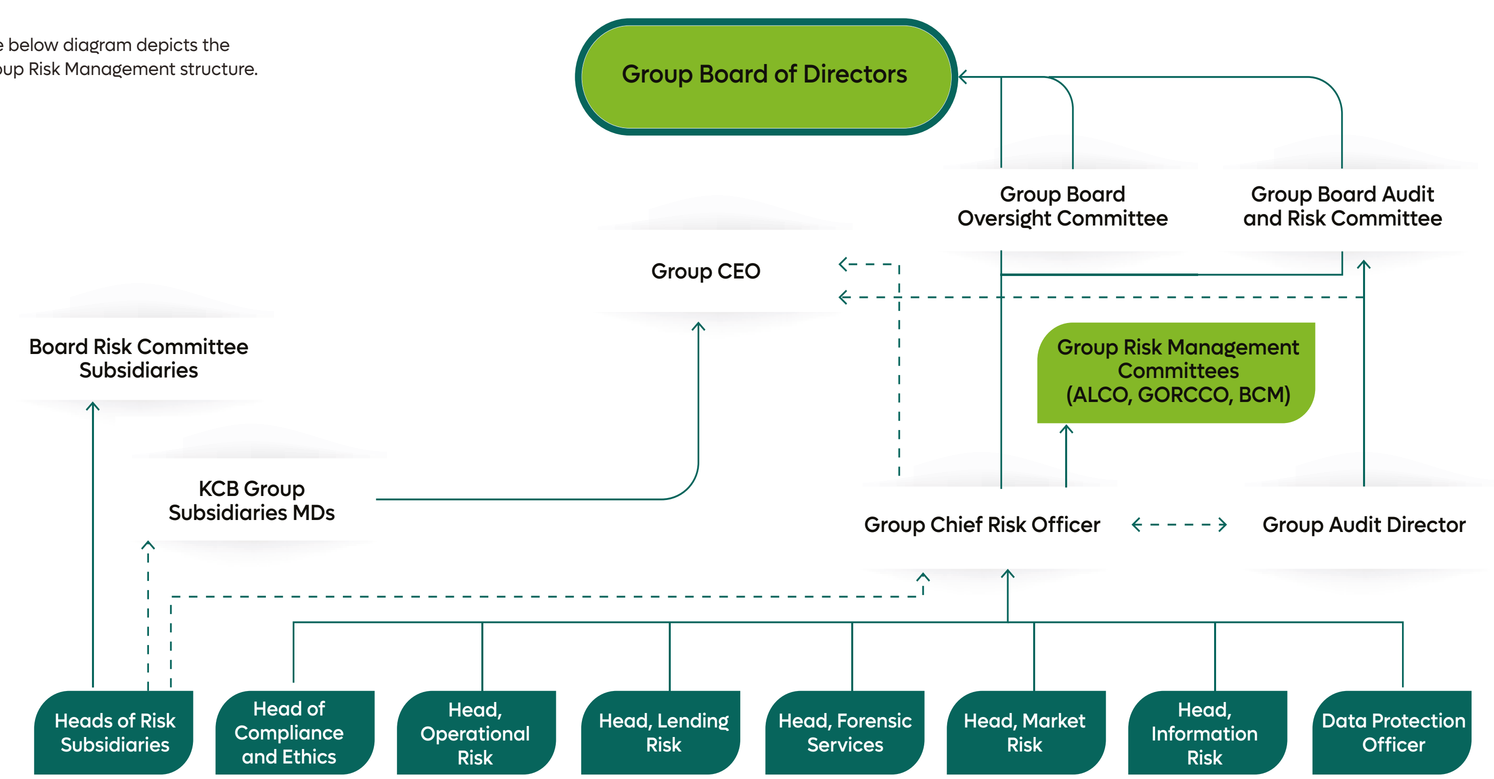
1. **The first line** of defence includes the business units, including support and operational divisions, that create or take risks, as well as the internal control units within the divisions that provide internal control over the risk creators and risk takers. The management of the first line of defence is responsible for:
   - I. Managing risks within appetite via proactive identification, assessment, measurement, management, monitoring, control, and reporting.
   - II. Reporting risks and issues.
   - III. Implementing controls to manage risks.
   - IV. Establish an effective risk culture within their areas of responsibility

2. **The second line** of defence consists of the control units at the Risk Management function, which is independent of the business divisions. This line is responsible for:
   - Developing, implementing, and maintaining risk management frameworks and policies.
   - Developing an appropriate risk appetite for Board approval.
   - Providing independent expert advice and guidance.
   - Ensuring effective risk-based decision-making is subject to governance and oversight.
   - Supporting and challenging the first-line of risk management.
   - Providing assurance on regulatory compliance and the effectiveness of key controls.

3. **The third line** of defence consists of Internal Audit, which operates independently and objectively. Its goals include:
   - Independent assurance on the risk management framework and practices.
   - Assess whether risk management is being implemented and operating effectively across both the first and second lines.
   - Review the overall risk management approach to ensure alignment with regulatory expectations and industry standards.

Group Risk Management Organisational structure.

The below diagram depicts the Group Risk Management structure.



4. Risk and Compliance Culture

The Group has a strong risk culture, which starts with the Board setting the tone from the top of the organisation to influence the risk consciousness of all employees as they conduct their daily activities and pursue business objectives. Our risk culture aims to ensure that all business functions and employees consider risk management and consult appropriately with the risk function during the development of new products, procedures, policies, and systems.

The Group Chief Executive Officer works with the Executive Committee to embed a strong risk culture within the Group regarding the identification, escalation, and management of risk matters in line with the ERMF. Specifically, all employees, regardless of their positions, functions, or locations, must play their part in the Group's risk management. Employees are required to be familiar with risk management policies that are relevant to their responsibilities, know how to escalate actual or potential risk issues, and have a role-appropriate level of awareness of the risk management process as defined by the ERMF.

The risk culture embedded in the Group emphasises the following principles:

» Direct responsibility of all employees for risks that they take within their authority.
» Demonstration of highest levels of integrity, transparency, and proactivity in disclosing and managing all types of risks.
» Identification and assessment of current and emerging risks, open discussion of these, and prompt response actions.
» Achieving a proper balance between risk and reward, subject to the risk appetite.
» Deploying an effective system of controls consistent with the size and complexity of the Bank.
» Providing oversight and challenge and taking decisions promptly.
» Monitoring violation of limits and divergence from established policies.
» Proportional disciplinary proceedings, as may be necessary.

The Group regularly conducts risk surveys across all its entities. Respondents to the staff survey continue to demonstrate a strong awareness of risk culture and a positive view and understanding of what is required of them regarding risk culture and risk management.

5. Stress Testing

KCB Group implements a set of internal stress tests, updated regularly, to assess the resilience of the balance sheet and capital adequacy while providing insights into how key elements of the bank portfolio may behave during a crisis. KCB undertakes scenario analysis at various levels under a forward-looking approach that helps anticipate potential impacts on the financial robustness of the Group, taking into consideration the existing balance sheet, business plans, current economic conditions, and future outlook. Where indicators of the stress test fall below the acceptable level, the Group revises its appetite and business plans. Stress testing is also a key element of KCB's recovery planning, ensuring its liquidity and capital are well protected while enhancing the Group's financial stability under various scenarios.

Our objectives for stress testing include:

» Inform the setting of risk appetite by assessing the underlying risks under stress conditions.
» Identification of risk concentrations and potential weaknesses in the Bank's portfolio.
» Integration in the planning process and examination of the effects of the business plan on potential exposures.
» Examination of the financial robustness of the Bank and evaluation of the potential damage that may be caused by extreme events of various types.
» Analysis of the sensitivity of the Bank to shocks or exceptional but possible events.
» Assessment of the materiality of the various risks.
» Examination of the Bank's compliance with its risk appetite and risk capacity.
» Support for the ICAAP and the formulation of contingency plans to minimise the damage of extreme events.
» Ensure the Group's compliance with all of the regulatory and internal limits.

KCB undertakes scenario analysis at various levels under a forward-looking approach that helps anticipate potential impacts on the financial robustness of the Group, taking into consideration the existing balance sheet, business plans, current economic conditions, and future outlook. Where indicators of the stress test fall below the acceptable level, the Group revises its appetite and business plans.

Our current risk priorities

This section describes the specific risks within our material risk types where the Board and the Executive Leadership team are focusing their efforts. It includes a mix of existing and emerging risks that could materially impact our ability to serve our customers or deliver our strategy. Regarding the material risks, the Risk Committee of the Board of Directors and management bodies receive reports, and multifaceted discussions are held to ensure appropriate risk control measures and risk responses are put in place.

I. Cybersecurity

The growing threat of cyberattacks coupled with the increasing digitisation of banking products and services, could expose the Bank to security risks. Further, the Bank also leverages partnerships with third parties, and these could also be a source of information security risks. In July and August 2023, Kenya's digital infrastructure became a target of cyberattacks through a series of Distributed Denial of Service Attacks (DDoS) that affected both public and private institutions. The numerous attempted attacks on KCB were thwarted by our robust cyber defence that has been put in place over time, coupled with enhanced cybersecurity monitoring measures.

The bank continuously invests in extensive resources (both human and technological) to strengthen our information security and cyber defence systems, and cope with the sophistication of cyber threats. The Group operates cyber defence processes to minimize the risk of system penetration, unauthorised access to information systems, and materialisation of attacks, and to ensure the correctness, availability, and confidentiality of data. Our cybersecurity governance encompasses management oversight at various levels, with the ultimate responsibility assumed by the Board.

Cybersecurity is built into our culture to foster crucial behaviours that protect the Group and our customers' information. This includes the provision of training to all staff, including rolling out mandatory cybersecurity training courses and awareness initiatives on digital channels to help customers to stay safe online.

We have in place a Cybersecurity policy and a Cybersecurity Incident Response Plan that ensure it is prepared to manage cyber incidents effectively and efficiently. The plan establishes incident handling, response, and recovery capabilities. It determines the appropriate response for cybersecurity incidents that may arise and applies to all staff, management, and third parties such as consultants, contractors, and service providers.

Mitigants put in place include:

- 'Defence-in-Depth' strategy, providing multiple lines of defense.
- Periodic system security assessments, such as RedTeam assessments.
- Monitoring, detection, and analysis of potential cybersecurity intrusions through the use of Security Information and Event Management (SIEM) tools and Security Operations Centre (SOC) and proactive threat analysis.
- Distributed Denial of Service (DDOS) mitigation.
- Response to confirmed cybersecurity incidents by coordinating resources and directing the use of timely and appropriate countermeasures.
- Providing situational awareness and reporting on cybersecurity status, incidents, and trends in adversary behaviour.
- Implementation of a data protection and privacy policy, including a data management programme focusing on strengthening our Data Management Framework across the Group.
- Collaboration with a range of government, community, and industry bodies to strengthen system-level resilience and reduce the possibility of cyber-attacks and the impact of fraud and scams on the community.

II. Data Protection

Data protection forms an essential part of KCB's risk resilience and plays a critical role in ensuring the delivery of innovation with embedded regulatory compliance. KCB Group reaffirms its dedication to responsibly handling personal data and ensuring the rights of data subjects are upheld across all its operations.

There has been an increase in the data protection regulatory footprint with the promulgation of data protection legislation in Tanzania and Rwanda, in addition to the Kenyan and Ugandan legislations that had previously been passed in the East African region. The General Data Protection Regulations from the European Union also form a compliance guide due to the extra-jurisdictional application of the law. We have in place a data protection department to ensure continuous compliance with the prevailing laws across the countries of operation.

2023 saw maturity in data protection compliance efforts that coincided with heightened regulatory actions against entities that had data protection compliance lapses, especially in Kenya, where several entities were fined. No regulatory actions or fines were passed against KCB in 2023. Our data protection department increased its capacity with the refinement of operations to ensure technological and operational compliance.

Enhanced data protection training, with the inclusion of role-based training provided platforms for the upskilling of KCB Group's stakeholders on data protection. Data protection training formed part of the compulsory training undertaken in the year 2023 by all KCB staff. Awareness shall continue to form a critical part of entrenching data protection compliance within all Group operations.

A key initiative undertaken in the year 2023 was the Record of Processing Activities (RoPA). The initiative was conducted to create enhanced visibility of personal data processing activities and to identify and evaluate the risk of privacy breaches, and identify appropriate privacy controls to mitigate unacceptable risks. The initiative included the refinement of the identification of all processing activities that pertain to personal data and sensitive personal data, the enhancement of data inventories, and the design of data flow maps for all processing activities that touch on personal data. Through the initiative, the Group was able to evaluate its data protection and privacy compliance and is utilising the findings of the initiative to further firm up its compliance efforts. KCB Group shall endeavour to continuously enhance its risk frameworks to ensure compliance in line with the KCB Group Data Protection and Privacy Policy which is a key guide in ensuring compliance standards throughout the Group.

KCB appreciates that data protection is a key reputational risk driver and shall work to mitigate this by ensuring responsibility in the handling of personal data as well as providing for data subject rights management. In 2024, we shall further enhance technical compliance for data protection to ensure that technology plays a greater role in the development of compliance maturity across the Group.

III. Regulatory compliance risk environment

There has been a continued supervisory and regulatory focus on AML/CFT/PF and the resilience of banks to economic shocks. Banks have had to make significant efforts to respond to these increasing demands and mitigate against regulatory actions for noncompliance. In this regard, the Group continues to uphold current and new regulatory requirements in its undertakings and has no appetite for breaches in laws and regulations.

Key actions we are taking:

- Closely monitoring regulatory developments to ensure new regulatory requirements, laws, or regulations are embedded in our policies and implemented promptly.
- Scanning our local, regional, and global environment to keep abreast of emerging regulatory agendas to ensure adequate preparedness for appropriate response.
- Investing to improve our compliance systems, and controls and enhance capabilities to continually comply with new requirements.
- Embedding a strong compliance culture and desired behaviours through training and awareness to both internal and external stakeholders as appropriate.
- Regular compliance programmes with remedial actions where any gaps are noted.
- Ensuring that regulatory ratios and limits are adhered to.

IV. Macroeconomic environment

KCB's business performance is closely linked to the performance of the regional economies, which in turn are impacted by events in the regional and global economies. Intensified US-China friction and the protracted Russia-Ukraine situation followed by the Israeli–Palestine war resulted in the materialisation of geopolitical risks.

2023 saw the depreciation of local currencies against the US dollar in the countries that we operate in, fanning inflationary pressures across the region as import prices surged. This, together with the slowdown in economic growth and interest rate hikes, resulted in a review of monetary policies by the regulators. The interest rate hikes geared towards curbing inflation resulted in an increase in the cost of funds due to the repricing of deposits, necessitating prudent cost management by the bank. Similarly, the depreciation of the local currencies against major currencies coupled with shortages in the availability of the US dollar resulted in increased impairments, especially on dollar-denominated corporate exposures. KCB reviewed and aligned its investment activities, loan pricing, and proactively sought foreign currency funding to meet its obligations to itself and its customers. The Group regularly adapts to macroeconomic scenarios, and we remain disciplined in our approach to allocating capital, ultimately ensuring continued financial strength.

Key actions we are taking:

- We undertake regular stress tests to understand how our business performs and to prepare alternative action plans for a range of economic scenarios.
- We maintain a dynamic risk appetite setting approach that considers current and outlook views.
- On an ongoing basis, management develops mitigating actions and assesses their effectiveness to guide decision-making while adjusting business strategies as may be required.

Management of Principal Risks

A. Capital.

Internal Capital Adequacy Assessment Process (ICAAP)

The bank is required to carry out an Internal Capital Adequacy Assessment Process (ICAAP) to assess its capital position, establishing both regulatory and internal capital resources and requirements. KCB prepares the ICAAP report annually, and this informs the Board's ongoing assessment of the Group's processes for managing the sources and uses of capital as well as compliance with supervisory expectations for capital planning and capital adequacy.

The ICAAP comprises strategies and processes to assess and maintain, on an ongoing basis, the amounts, types, and distribution of internal capital commensurate to the bank's risk profile, as well as robust governance and internal control arrangements. A detailed framework for stress testing is employed, evaluating the impact on capital and liquidity funding based on potential adverse macro-economic and internal shocks.

The Group submitted its ICAAP document for 2022 to the Central Bank of Kenya in April 2023. In this document, the Bank evaluated risks and the potential effect of its asset mix on its risk profile and set internal capital objectives based on these evaluations, taking into consideration the supervisory requirements and the prevailing operating environment.

All banking subsidiaries continue to prepare their ICAAP reports annually, in line with global guidance and their local regulatory requirements.

We pursue an active approach to capital management through ongoing review and Board approval of the level and composition of our capital base against key policy objectives.

Capital management is performed routinely as an integral part of the Group's strategic and financial plan. Capital planning at the Group is based on the workplan of the Group and on regulatory directives, which are translated into risk-adjusted assets and changes in the various tiers of capital while maintaining safety margins.

Various sensitivity tests are applied within the planning of capital and capital ratios. The Group also routinely monitors actual results as compared to planning, and the gaps between result and planning and, as necessary, examines the actions needed in order to maintain the established capital targets.

The objectives of the Group's capital management are to:

- Maintain sufficient capital in order to continue to undertake its activities, including in stressed environments.
- Retain flexibility to take advantage of future investment opportunities.
- Ensure the firm operates above minimum regulatory capital ratios.

B. Credit risk.

The credit portfolio is a major component of the asset portfolio of the Group, therefore, deterioration in the stability of the various borrowers may have a significant adverse effect on the Group's asset value and profitability.

Activities that create credit risk include:

- **Balance sheet exposures** present liabilities to the Bank, such as credit and mortgages to the public; credit to banks and deposits with banks; credit to governments; investment in bonds (corporate and other); and the balance sheet part (market value) of derivatives and financial instruments.
- **Off-balance sheet exposures** are potential (unrealised) liabilities to the Bank, such as guarantees, unutilised commitments to grant credit and unutilised credit facilities.

Credit concentration risk may also arise from non-optimal diversification of specific risks in the credit portfolio, such that the credit portfolio is insufficiently diversified across the various risk factors; for example, when the credit portfolio is composed of a small number of borrowers (name concentration) or has a high degree of exposure to a particular economic sector (sector concentration).

Actions implemented to manage credit risks include:

- Adherence to the Credit Policy, Credit Risk Appetite, and related governing guidelines. The goal of credit risk management is to ensure the Group operates within the risk appetite defined in accordance with the policies and strategic objectives in the area of credit, from a single transaction to the credit portfolio level.
- The Bank's credit risk management framework and policy is based on diversification of the credit portfolio and controlled management of risks. Risk diversification is reflected by the distribution of the Bank's credit portfolio across different sectors of the economy, a large number of borrowers, different linkage segments, and different geographical regions. For this purpose, the Group conducts industry-level economic feasibility studies to evaluate the risk and business potential related to activity in the various economic sectors. The Group's business objectives are determined in accordance with these studies.
- Credit review processes identify, monitor, mitigate and report to the responsible manager or function on negative signs related to borrowers.
- The identification of credit risk in existing products is based on risk management, measurement, and control processes at the various lines of defense, on the other hand, the identification of risk in new credit products is guided by the new products and initiatives risk assessment policy which specifies the processes to be followed for each new product at the Bank to identify all risks inherent in the product, assess the extent and materiality of such risk, and provide solutions for the measurement, control, and hedging of the risk.

Credit risk management is based on the following principles:

- **Independence**: This ensures proper corporate governance, prevent conflicts of interest, and create a system of checks and balances. This ensures that the information regarding risks reported to management functions, and in particular to senior management and the Board of Directors, is objective and is not influenced by other considerations, in particular considerations of business success and remuneration for such success.
- **Hierarchy of authority**: The Group has a hierarchy of authority that outlines a sequence of credit authorisations according to the level of debt of the borrower or group, the risk rating and problematic debt classifications, allowing control over the process of approving new credit transactions. The hierarchy of authority provides a definition of individual credit approval thresholds and thresholds for escalation to the approval committee.
- **Credit policies and procedures**: The Board of Directors of the Group approves the credit policies, which are examined and updated regularly, according to changes in the financial markets and in the economy. The policies and procedures include various limits on the credit portfolio in accordance with the risk appetite of the Group, including exposure limits by economic sector, country, financial institution, or as a function of the risk level assessed by the Group. Limits are also imposed on the maximum exposure to a single borrower or a group of borrowers according to the credit rating assigned to the borrower, which reflects the borrower's risk level.
- **Controls and risk identification**: The process of reviewing and identifying credit risks is conducted by the three lines of defence. In the first and second lines of defense, controls are applied from an individual credit item to the portfolio level according to materiality thresholds. The Credit and Risk Divisions coordinate reports to the Senior Management and Board of Directors regarding trends and changes in the credit portfolio, including the level of credit risk in the portfolio, compliance with limits, special events, analysis of concentration, stress scenarios, and presentation of general risk indicators.

Problematic debts and borrowers in distress

The policy for debt classifications and allowances includes indicators for the identification of customers who, according to the Bank's assessment, may default on their obligations to the Bank. The Credit, Retail and Corporate Banking Departments determine whether specific customers should be included in the Bank's watch list, whether the customer's rating requires re-classification, and whether an allowance for credit losses is necessary. Customers identified for close monitoring and existing watch list customers are discussed monthly in the Management Credit Risk Committee. These borrowers are supervised and monitored more closely, and the Bank works to reduce its exposure to them by redeeming credit from the borrowers' resources. In certain cases, customers are transferred to a division specialising in monitoring and restructuring customers' debt or to the debt collection unit.

C. Market Risk

Market Risk is the risk of loss arising from potential adverse changes in the value of the Bank's assets and liabilities due to fluctuations in market risk factors such as interest (IRR) and foreign exchange rates (FX risk). The Group's policy is to optimise reward while managing its market risk exposures within the risk appetite defined by the Board.

Liquidity Risk is the risk that the Bank is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor, and composition of funding and liquidity to support its assets.

Market Risk exposures arising from the trading book are managed by the Treasury department while those arising from non-trading activities are managed through Asset and Liability Management (ALM) and ICAAP processes. Oversight of market and liquidity risk is provided by the Asset Liability Committee (ALCO).

Market and Liquidity Risk measurement, limit setting, reporting, and oversight are conducted by the Market Risk department under the Group Chief Risk Officer.

The Market Risk Framework defines the policies that govern KCB's strategy and objectives for market, liquidity and country risk management and the approach and processes by which KCB achieves those objectives. It establishes risk management processes that result in the identification, assessment, measurement, monitoring and control or mitigation of market, liquidity, and country risks in a consistent manner across KCB Group. It also outlines the risk governance structure and relevant roles and responsibilities, with the ALCO providing key oversight at the management level.

KCB expresses its acceptable level of market, liquidity and country risk through risk appetite statements and the setting of the respective risk limits. The Group monitors risk through various limits, including, but not limited to, exposure risk (PV01) and stop-loss limits. The Group has a limit approval matrix that allows the business units to take risks in a controlled manner. The respective limits are monitored on a daily, weekly, monthly and quarterly basis, keeping a record for all breaches as well as the breach authorisation. Any limit breaches are required to be reported in a timely manner to limit approvers to determine the suitable course of action required to return the applicable positions to compliance.

Liquidity risk is monitored through the Liquidity and Loan to Deposit Ratio limits as well as the review of the funding analysis looking at interbank borrowing and deposit concentration. The bank maintains a Contingency Funding Plan, and a Capital and Liquidity recovery plan that detail the actions that can be taken to recover from a liquidity stress event.

The Group also undertakes market risk stress testing to:

- Assess the adequacy of the Group's financial resources for periods of severe stress and develop market-risk-related contingency plans.
- Promote risk identification and add further insight into the need for adjusting existing or adding new limits.
- Supplemental quality assurance for market risk management practices.

D. Operational risk

This is the risk of an adverse outcome resulting from inadequate or failed internal processes, people, and systems or external events or legal risk. Operational risk is assessed using the Risk and Control Self-Assessment (RCSA) process by identifying potential risks and evaluating the effectiveness of existing controls to mitigate those risks. We also have in place a comprehensive operational risk management framework that is supported by established policies, standards, and procedures, including a defined operational risk appetite. Significant risk issues identified through monitoring and testing are escalated as may be needed to appropriate committees and control owners to be remediated.

Adherence to operational risk policies is monitored by the first line of defence with oversight and assurance reviews by the risk function. Risk management oversight is exercised through the operational risk departments, with regular reporting to senior management and the Board.

All business functions and risk management teams are required to complete RCSA analysis every quarter. This acts as a specific control through which management validates that all significant risks are identified, assessed, assigned to owners, and appropriately managed through the application of controls. Management must accept, mitigate, or avoid each risk and determine how each risk exposure should be managed. To ensure the effective management of this process, KCB upgraded its operational risk management system in 2023 to ensure holistic visibility and prompt responses to mitigate the prevailing risks.

Operational risk events are collated and reported to manage, mitigate, and monitor operational risk within the organisation. The data captured is used for root cause analysis and evaluation of internal controls to measure the risk impact in the Bank by aggregating losses and monitoring performance to indicate whether the Bank is operating within its risk appetite.

Responsibility for routine management of operational risk and for activities aimed at mitigating the risk lies with functional managers and the managing directors of subsidiaries in the Group. These activities are overseen by the Operational Risk Department within the Risk Division. Operational risk management activity is supervised and directed by three risk forums:

- The Board Risk Management Committee.
- The Management Committee comprising the Group Operational Risk and Compliance Committee (GORCCO), chaired by the Group CEO.
- The Divisional and Subsidiary Operational Risk Management and Compliance Committees at the divisional or subsidiary levels.

Business Continuity

The Bank maintains and implements a continuity plan for emergency preparedness and business continuity. The Bank's preparedness is based on detailed action plans, working procedures, periodic tests, and drills defined in a system of emergency procedures. For the Group to succeed in its ambitions, it needs to consistently demonstrate high levels of availability, reliability, and responsiveness to customers. As part of its emergency preparedness, the Bank regularly conducts a review of the Business Continuity Management Framework, defines reference scenarios, maps, and analyses critical processes and the resources required for the recovery of such processes during an emergency through the Business Impact Analysis, and updates its action plans based on the prevalent methodologies globally.

To ensure that the Group achieves and maintains a robust resilience posture, a crisis management team simulation exercise is conducted annually. This exercise, which focused on multiple cyber incidents was undertaken in November 2023. The objectives of the simulation exercise are:

- To facilitate Group's the crisis management team and members practice their role in managing a real crisis should one occur.
- To identify any major gaps in the CMT Plan as may be revealed by the simulation and highlight recommendation areas to address the gaps.
- Exercise the CMT on handling cyber incident scenarios which have become frequent and more sophisticated.

The Group continues to enhance its existing approach to business continuity to mitigate and manage the emerging risks that the Group may be exposed to. Its main objectives are:

- Safeguarding staff safety in emergency situations.
- Guaranteeing that critical functions are performed and service is delivered to our customers.
- Fulfilling our obligations towards employees, customers, shareholders, and other stakeholders.
- Complying with regulations.
- Minimising potential losses to the Group as well as the impact on business activities.
- Protecting our brand image, credibility, and trust.

E. Information Technology Risk

Information and Communication Technology risk arises from inadequate information technology or systems, inadequate ICT policy and strategy, or inadequate use of the Group's information and communication technology.

KCB maintains an Information Risk Policy that governs the protection of KCB's information assets from all threats, whether internal or external, deliberate, or accidental, to ensure business continuity, minimise business damage, and maximise return on investments and business opportunities. The objective of the policy is to protect the Group, its staff, customers, and other third parties from information risks where the likelihood of occurrence and the consequences are significant. The policy also provides a consistent risk management framework in which information risks are identified, considered, and addressed. In addition, the Information Security Policy governs the management and security of data and the information systems that handle this data. KCB understands that Information is an important business asset and to be suitably protected from a growing variety of threats and vulnerabilities to ensure business continuity, minimise business risk, and maximise return on investments and business opportunities.

F. Fraud Risk

Fraud includes all those activities involving dishonesty and deception that can drain value from the business, directly or indirectly, whether or not there is personal benefit.

The Group Fraud Risk Policy/framework covers both internal and external frauds and aims to reinforce the KCB values of honesty, integrity, and ethics. In this regard it has a "zero tolerance" approach to fraud and corruption. KCB is committed to ensuring that a fraud-free environment exists and high ethical standards are upheld in the organisation.

In 2023, exposures to successful fraud reduced by 70.5% compared to 2022, with the main drivers being internal and mobile banking-related frauds. The reduction was attributed to our continuous actions to reduce fraud losses through the constant review and enhancement of control standards. Our Fraud Management System has enhanced fraud management through the automated detection of fraud across banking systems by enabling the identification of unusual behaviour and increasing operational efficiency by augmenting fraud investigation efforts. The bank also undertakes training and awareness sessions, underpinned by a zero tolerance to fraud culture agenda and fraud assessments on key products or processes being rolled out to the market.

At KCB, it is everybody's responsibility to prevent and report fraud, misappropriations, and other inappropriate conduct within their knowledge and ability. To detect potentially inappropriate activities, the Group has in place a whistleblowing platform available to both internal and external stakeholders for reporting such issues. Further, there is a management-level disciplinary committee that reviews fraud cases and applies the consequence management framework.

G. Compliance Risk

The Group holds that compliance is not just the responsibility of specialist compliance staff, but it is a part of the culture of the Group and an integral element of the bank's entire scope of activities. It is therefore the responsibility of every business and support function, and every member of staff, to conduct business in compliance with all applicable requirements.

The Group is committed to transparent management that emphasises accountability, disclosure, and compliance with all relevant laws, regulations, and standards of practice. KCB recognises and affirms that compliance starts at the top and that it concerns everyone within the Bank. We hold that compliance is an integral part of the bank's entire scope of activities, and it is therefore the responsibility of each member of staff to conduct their business in compliance with all applicable requirements.

In line with its commitment to compliance, the Group takes proactive steps to ensure compliance with the ever-changing regulatory environment and applicable standards and supports its business growth by adequately monitoring and addressing compliance risks.

The Compliance Function identifies, assesses, advises on, monitors, and reports on the Bank's compliance risk, that is, the risk of legal or regulatory sanctions, financial loss, or loss of reputation that the Group may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct, and standards of good practice applicable in all the jurisdictions it operates in, as well as failure to conform to internal compliance policies and standards of operation and with the highest ethical standards.

KCB Group minimises compliance uncertainty by ensuring that the activities of the Group and its staff are conducted in accordance with all laws, regulations, codes of conduct, and standards of good practice applicable in all the jurisdictions it operates in, as well as conforming to internal policies and standards of operation, and with the highest ethical standard. This is achieved through a compliance and ethics framework that supports a robust compliance culture that is based on the highest standards of ethical business practice.

Across branches, managers service quality and compliance provide the necessary compliance assurance, while individual business units deploy compliance managers discharging compliance obligations. KCB holds up business areas as the first line of defense on compliance matters, with the central compliance unit actively promoting awareness, guidance, and monitoring for compliance assurance.

H. AML/CFT/CPF Compliance

The Group remains committed to strictly upholding and complying with international rules and standards on Anti-Money Laundering (AML), Combating the Financing of Terrorism (CFT) and the new focus area of Combating Proliferation Financing (CPF). The Group, through its AML, KYC, and sanctions policies has implemented a robust AML/CFT/CPF compliance programme aligned to international best practices. The programme is deployed across all branches and subsidiaries. Each Subsidiary maintains an independent Money Laundering Reporting Officer (MLRO). A common standards approach is upheld through Group AML Policies and in the deployed AML/CFT system, which is supported by the Compliance Group Shared Service Centre in alignment with requirements in all jurisdictions.

The Group's AML/CFT/CPF programme is benchmarked against international best practices while maintaining compliance with the regulatory requirements in its countries of operation.

I. Reputational Risk

The Group values its good reputation and protects its brand through monitoring reputational risks and their drivers, as well as through continuous media monitoring. All staff and other parties working for or on behalf of the Group are called upon to uphold ethical business conduct in all their business dealings.

In addition, annual ethics training is provided to all staff, and employees are encouraged to freely raise any ethical concerns through established channels, either internally or anonymously through external channels.

J. Regulatory Compliance

Whilst the Group has a zero-risk appetite for regulatory breaches or legal incidents, it remains exposed to them, driven by new legislation and regulations that continue to be rolled out, which in each case need to be interpreted, implemented, and embedded into day-to-day operational and business practices across the Group.

The Group continues to keep abreast of the constantly changing regulatory environment. Local and international regulations and guidelines with significant impact are monitored, and guidance is issued to businesses on interpretation and adoption to ensure that the Group remains in compliance with the requirements. The Group continually adapts to the rapidly changing regulatory environment and ensures compliance while reducing exposure to regulatory risk.

K. Strategic Risk

Strategic risk is a material present or future risk to profits, capital, reputation, or status that may be caused by changes in the business environment, faulty business decisions, improper implementation of strategy or business decisions, or failure to respond to changes in the industry (e.g., competitors' actions), the economy, or technology. Strategic risk is a function of the congruence of the organisation's strategic objectives with its environment, adaptation of the business plans that it develops to achieve these objectives, resource allocation, and quality of implementation.

The strategic plan of the Group is a three-year plan approved by the Board of Directors and examined and adjusted annually to the prevailing changes in the business environment in the region and globally, changes in the Bank's competitive environment, and changes in the Bank's objectives. The previous KCB strategy, dubbed Beyond Banking, came to an end in 2023, paving the way for the launch of a new three-year Group strategy christened Transforming Today Together in January 2024. The new strategy will provide the foundation for KCB's initiatives from 2024 to 2026.

Our annual strategic planning process consists of three main stages, each of which addresses a different aspect of strategic risk management and assessment:

- **Stage 1:** Identification of the strategic risks to the Bank in its competitive environment including an examination of the factors influencing the Bank's competitive ability and future growth potential, including an examination of global and local trends and the current situation at the Bank.
- **Stage 2:** Formulation of a high-level work plan, adapted to the business environment and the strategic trajectory.
- **Stage 3:** Construction of detailed plans for all areas, examination of scenarios, and establishment of risk indicators. This stage involves the determination of themes, strategic focus areas of the Bank, and strategic maps for the realisation of each theme. In addition, strategic maps are created for the areas, in congruence with the themes, and strategic risk indicators are established. Goals and metrics are established for each map (at the process level and the level of business results), derived from the strategy. This allows strategy to be translated into measurable steps for the various units, making it possible to identify the extent of the Bank's exposure to strategic risk.

Concurrent with the strategy development process, the risk function also carries out a well-structured pre and post-approval review of the risks to the achievement of strategic objectives, which supports the decision-making process and any necessary course corrections.

The Group continues to keep abreast of the constantly changing regulatory environment. Local and international regulations and guidelines with significant impact are monitored, and guidance is issued to businesses on interpretation and adoption to ensure that the Group remains in compliance with the requirements.

L. Conduct Risk.

Conduct risk is the risk of creating harm to a customer, counterparty, or market arising from inappropriate behaviour by KCB or its partners in the execution of business activities.

The Group endeavours to minimise conduct risk by maintaining effective Risk Management Frameworks incorporating a set of Good Conduct Principles and by promoting an appropriate organisational culture. This is complemented by the various Group policies, processes, and practices aligned to the Risk Management Framework.

Key actions undertaken include:

- Maintaining an ethical culture that promotes good business practices and reinforces appropriate behaviours aligned with the Group's values.
- Policies and procedures are in place to ensure appropriate controls and processes that deliver fair customer outcomes and support market integrity and competition requirements.
- Customer needs are considered through customer plans, with integral risk assessments for all new products and initiatives before rollout.
- Enhanced product governance framework to ensure products continue to offer customers fair value, and consistently meet their needs throughout their product life cycle.
- Effective complaints management and escalation mechanisms when required.
- Ongoing engagement with third parties involved in serving the Group's customers to ensure consistent delivery.
- Ensuring that communications with customers are clear, fair, and not misleading.

M. Climate Risk

Climate risk is part of the Group's sustainability policy, and it remains committed to creating long-term value for shared prosperity through the alignment of its strategies with sustainable practices. KCB is committed to a net-zero future and recognises that our planet urgently needs drastic and lasting action to protect communities, businesses, and the natural environment from the damaging effects of climate change.

The Group's climate action agenda has driven efforts towards setting the net zero target of 2050 and joining the Net Zero Banking Alliance (NZBA), a global alliance of financial institutions with the common goal of achieving net zero by 2050. By joining the NZBA, KCB became part of other global banks, representing over 40% of global banking assets while also aligning its lending portfolio with the goal of achieving net-zero carbon emissions by 2050. As part of accelerating its climate commitment and increasing climate flows, KCB has committed to directing 25% of the total loan portfolio to green investments by 2025.

To curb the effects of its lending on the environment, the Group has established an elaborate Social Environment Management System that guides the identification, avoidance, and management of possible environmental and social risks. KCB also monitors its carbon footprint and has now set a plan to determine its Scope 3 emissions and set targets for the same. This allows KCB to elaborate and extend its climate ambitions and support a shift in its operations and portfolio to transition to the green economy and generate savings while positively impacting the environment.

The Group continues to work on developing its management and reporting capabilities and shall engage third party expertise to strengthen its technical capacity in carbon management and climate risk. This will support the alignment of its net-zero strategy with international best practices and taxonomies.

Looking ahead

It is anticipated that 2024 will continue to experience the underlying geopolitical tensions combined with the flareups of hostilities in multiple regions such as Sudan, Russia, Ukraine, and the Israel-Hamas wars contributing to an unstable global order, fanning global uncertainties, volatilities and an adverse impact on the macroeconomic environment. Further, extreme weather events are likely to continue to be experienced due to climate change, with slow climate-change adaptation efforts and resources falling short of the type, scale, and intensity needed to deal with climate-related risks.

Heightened supervisory and policy actions with emphasis placed on data protection, cybersecurity, ESG, conduct risk, digital transformation, operational resilience, and financial crime, including money laundering, terrorism financing, and proliferation financing, will continue into 2024.

The Group will also continue to proactively assess the internal and external environment to identify emerging issues and implement appropriate controls to adapt, adequately mitigate potential exposures, and ensure compliance with any new regulatory actions. Further, we will also continue to enhance our risk management frameworks as and when required to ensure resilience as well as remain relevant and effective in the dynamic environment that we operate in. Emphasis on risk and control self-assessment, and management of existing and emerging risks remain critical for the Group.

Internal Controls

In pursuit of maintaining financial integrity and ensuring transparency, KCB Group places paramount importance on robust internal controls and effective audit mechanisms. Oversight of these mechanisms is conducted through the Group Audit and Risk Committee (GARC), that plays the role of providing a structured and systematic approach to the Group's governance, risk management, and internal control practices. The Committee further assists the board and management by providing advice and guidance on the adequacy of the institution's initiatives.

To enhance the independence and effectiveness of GARC, the Group has established a comprehensive framework that upholds the following principles:

- The composition and structure of GARC comprise a minimum of at least three non-executive directors and one member, who is an independent director, serving as the Committee Chairman.
- The members collectively possess sufficient knowledge of audit, finance, accounting, banking, technology, and law.
- The Committee members are required to adhere to the organisation's code of conduct and any values and ethics established by the Group. The members should also disclose any conflict of interest or appearance of a conflict of interest to the Committee.
- The members of GARC, regional business Board Audit Committee members, and relevant senior management undergo financial reporting and governance-related training annually to ensure that they are up-to-date with current trends and best practices that ensure that they execute their mandate effectively.

Internal audit charter and internal audit function

The purpose, authority, and responsibilities of the group internal audit function is guided by an internal audit charter which is periodically revised and approved by GARC. The charter delineates the scope of activities, independence, reporting lines, and accountability mechanisms, providing a framework for conducting audits in accordance with professional standards and ethical principles.

The group internal audit function is a centralised independent assurance function. In line with country-specific regulations, each of the regional subsidiaries has put in place their own internal audit functions reporting to their respective board audit committees. The group internal audit function provides general oversight of regional audit functions. In addition, the group internal audit function provides support to regional businesses through the review of specific high-risk areas such as credit, technology, treasury, risk management and financial reporting.

Group oversight

Our governance structure incorporates robust mechanisms for Group oversight over internal controls and audit functions. Board-level committees oversee risk management, audit, and compliance activities, ensuring alignment with strategic objectives and regulatory requirements. The day-to-day responsibility for managing risk and the maintenance of the Group's system of internal control is collectively assumed by the Executive Committee (EXCO). EXCO is supported in this task by the internal audit function. The continuous guidance and support provided by EXCO to the internal audit function, fosters a culture of accountability and transparency across the organisation.

Scope of internal controls and internal audit

Our internal controls encompass a comprehensive range of policies, procedures, and processes designed to uphold governance standards and mitigate risks across all operational facets. These internal controls are continually evaluated by our internal audit function to ensure their effectiveness in achieving organisational objectives and safeguarding stakeholders' interests. Through independent and objective assessments, the internal audit function ensures that our internal controls are robust, aligned with industry standards, and operating effectively to mitigate risks and achieve our strategic objectives.

Appointment and independence of external auditors

We adhere to stringent policies regarding external audit tenure and rotation to reinforce audit quality and independence. Our external auditors are selected by GARC, approved by the Board, and finally appointed by shareholders based on their expertise, experience, and adherence to professional standards. As per the Central Bank of Kenya regulations, the external audit partner rotates out of the assignment after every five years.

Regular assessments are conducted to evaluate their performance and ensure compliance with regulatory requirements. We maintain a strict policy on non-audit services to safeguard auditor independence and prevent conflicts of interest. Any non-audit services performed are discussed with the external auditors to review and confirm their independence.

Actions by management on audit issues

We achieved a 97% closure rate of audit issues identified in 2023, reflecting the Group's proactive approach to addressing control deficiencies and enhancing the effectiveness of internal controls. Through collaborative efforts between management and the internal audit function, we successfully resolved the majority of audit issues within established timelines, demonstrating our commitment to continuous improvement and accountability. Some of the remedial actions implemented included enhancing control frameworks, implementing process improvements, and providing additional training and resources to staff members.

97%

Audit issues closure rate

Audit experience and learnings in 2023

The Group 2023 audit plan was developed based on residual risk assessment derived from inherent risk assessments and the evaluation of the control environment for each auditable business unit. In addition, in accordance with global internal audit standards, the audit plan also considered local regulatory expectations and feedback from executive management. Thereafter, the audit plan was approved by GARC.

Execution of the approved 2023 audit plan provided valuable insights into our operations, risks, and control environment, highlighting areas of strength and areas for improvement. Key learnings from the audit process included the importance of proactive risk management, stakeholder engagement, and leveraging technology to enhance audit effectiveness and efficiency. To ensure transparency and foster a culture of accountability, the Group Internal Auditor presents the key audit findings to the Group Executive Committee monthly. Further, on a quarterly basis, GARC monitors the progress of the resolution of identified audit issues and provides guidance as and when required.

Focus areas within the 2024 audit plan

The 2024 audit plan emphasises strategic priorities and emerging risks, aligning with our objectives and regulatory requirements. Key focus areas include trade finance, credit, cybersecurity, regulatory compliance, digital transformation initiatives, and operational resilience. The audit plan incorporates a risk-based approach, prioritising areas with the highest impact on our financial integrity and operational performance.

We recognise the transformative potential of continuous auditing in enhancing the effectiveness and efficiency of our audit processes. In 2024, we will continue to embrace innovation and digital transformation and remain committed to exploring new opportunities to enhance our audit processes and deliver greater value to our stakeholders. Furthermore, continuous auditing fosters a culture of agility and responsiveness within our audit function, enabling us to adapt rapidly to evolving business environments and regulatory requirements. Through the strategic adoption of continuous auditing, we aim to further elevate the effectiveness, efficiency, and relevance of our audit function in safeguarding the financial integrity and sustainability of KCB Group.

We are COURAGEOUS

Never accepting the status quo.

Acting with purpose and direction.

The head and the heart guides us.

FINANCIAL STATEMENTS & NOTES

For the Year Ended 31 December 2023

KCB Group Plc
Corporate Information
For the Year Ended 31 December 2023

Directors

Dr. Joseph Kinyua	-	Chairman (Appointed 24 March 2023)
Mr. Andrew Kairu	-	Retired on 26 May 2023
Mr. Paul Russo	-	Group Chief Executive Officer
C. S. National Treasury	-	Alternate Geoffrey Malombe
Ms. Alice Kirenge		
Mr. Ahmed Mahmoud		
Mr. Lawrence Njiru		
Mrs. Anne Eriksson	-	Resigned on 20 March 2023
Dr. Obuya Bagaka	-	Retired on 25 May 2023
Ms. Anuja Pandit		
Mr. Lawrence Kimathi	-	Group Director Finance

Company Secretary

Bonnie Okumu
P.O. Box 48400 – 00100
Nairobi, Kenya

Auditor

PricewaterhouseCoopers LLP
PwC Tower
Waiyaki Way / Chiromo Road
P.O. Box 43963 – 00100
Nairobi, Kenya

Registered offices and principal places of business

KCB Group Plc
Kencom House
Moi Avenue
P.O. Box 48400 – 00100
Nairobi, Kenya

KCB Bank South Sudan Limited
KCB Plaza
Ministry Road
P.O. Box 47
Juba, South Sudan

BPR Bank Rwanda Plc
KN 67 Street, 2
P.O. Box 1348
Kigali, Rwanda

KCB Bank Kenya Limited
Kencom House
Moi Avenue
P.O. Box 48400 – 00100
Nairobi, Kenya

National Bank of Kenya Limited
National Bank Building
18 Harambee Avenue
P.O. Box 72866 – 00200
Nairobi, Kenya

KCB Bank Tanzania Limited
Harambee Plaza
Ali Hassan Mwinyi Road/Kaunda
P.O. Box 804
Dar es Salaam, Tanzania

KCB Bank Uganda Limited
Commercial Plaza
7 Kampala Road
P.O. Box 7399
Kampala, Uganda

KCB Bank Burundi Limited
Boulevard Patrice Lumumba
P.O. Box 6119
Bujumbura, Burundi

KCB Bank Kenya (Ethiopia Representative Office)
Morning Star Mall 4th floor
Bole Medhanialem
Addis Ababa, Ethiopia.

Trust Merchant Bank SA
P.O. Box 72866 -0200
Avenue Lumumba
Lubumbashi, Democratic Republic of Congo

Principal lawyers

Iseme Kamau & Maema Advocates
P.O. Box 11866-00400
Nairobi, Kenya

Oraro & Company Advocates
P.O. Box 51236-00100
Nairobi, Kenya

MMC Asafo LLP
P.O. Box 75362-00200
Nairobi, Kenya

TripleOKLaw Advocates
P.O. Box 11866-00400
Nairobi, Kenya

The full list of the Group lawyers is available at Kencom House, the principal place of business of the Group.

KCB Group Plc
Report of the Directors
For the Year Ended 31 December 2023

Principal activities

The company is licensed as a non-operating holding company under the Banking Act (Cap 488). The principal activities of its main subsidiaries are provision of corporate, investment, and retail banking services.

Results

The results of the Group and the Company are set out on pages 135 to 137.

Dividend

No interim dividend was paid during the year (2022: Ksh. 3,213 million). The Directors do not recommend the payment of a final dividend (2022: Ksh. 3,213 million).

Directors

The Directors who served during the year and up to the date of this report are set out in page 120. All the Directors are non-executive other than the Group Chief Executive Officer and the Group Finance Director.

Business review and financial performance

The Group consolidation includes the results of the entities owned by KCB Group Plc. The entities operate in Kenya, Tanzania, South Sudan, Rwanda, Uganda, Burundi, and the Democratic Republic of Congo mainly undertaking retail and corporate banking business in the domicile countries. Our subsidiaries, KCB Bank Kenya and Trust Merchant Bank have representative offices in Ethiopia and Brussels respectively.

Interest income recorded a 37.5% increase from Ksh. 132 billion to Ksh. 181.6 billion. This is mainly due to the growth in interest income from government securities and interest income on loans and advances. This resulted from an increase in government securities from Ksh. 295 billion to Ksh. 397 billion and an increase in loans and advances to customers from Ksh. 863 billion to Ksh. 1,096 billion, respectively.

The net fees and commission income increased by 117.6% from Ksh. 12.4 billion to Ksh. 27.1 billion, due to increased customer transactions and the impact of the extraction strategy.

The Group's credit impairment losses increased by 166.2% to Ksh. 27.4 billion (2022: Ksh. 10.3 billion) mainly impacted by increased exposure on the foreign currency denominated assets and downgraded loan facilities. The profit for the year recorded an 8.3% decrease from Ksh. 40.8 billion to Ksh. 37.5 billion mainly driven by an increase in costs and additional impairment charge.

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk, market risks and operational risks. The Group's overall risk management framework focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group.

This is entrenched in the Group's governance structure. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Board of Directors of the Group has established various committees including Audit and Risk, Human Resources and Governance, Nomination, Strategy and Information Technology and Oversight committees, which are tasked with developing and continuously monitoring the Group risk management policies in their specified areas. The detailed description and analysis of the key risks is set out on Note 4 of the financial statements.

Employees' welfare

Our leadership believes in creating an environment where high performing individuals care about each other and work towards achieving the success of the organisation. Our leaders passionately drive clarity and direction allowing our employees to connect to each other as they are bound by a common mission and vision.

The Group's management focuses on building the right culture as a strategic human resource priority by ensuring that the Group's culture is embedded across all levels and the same is driven across the entire workforce.

Having the right culture is an essential element for the Group's future development as we transform towards creating the digital era banking. Amongst the key components in this development is ensuring that our leaders are charged with the major roles of fostering strong leadership capabilities, talent management, enhancing employee relationships, and development.

Environmental footprint

At KCB Group, we believe that taking care of our ecological environment is a solemn responsibility for every human being. As a corporate citizen we have embraced a culture of responsible living, with the ultimate intention of building a sustainable work environment that has minimal or nil adverse effects on the environment.

Statement as to disclosure to the Group and Company's auditor

The directors confirm that with respect to each director, at the time of approval of this report:

(a) there was, as far as each director is aware, no relevant audit information of which the company's auditor is unaware; and
(b) each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

KCB Group Plc
Report of the Directors
For the Year Ended 31 December 2023

Terms of appointment of the auditor

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

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

Events after the reporting period

There has been no event after the reporting date that requires adjustment or disclosure to these financial statements.

By Order of the Board

Bonnie Okumu
Company Secretary
Nairobi
20 March 2024

KCB Group Plc
Directors' Remuneration Report
For the Year Ended 31 December 2023

Information not Subject to Audit

The KCB Group Plc. approach towards reward and recognition is to ensure that individuals are adequately compensated and recognised for their role towards the overall success of the Group's business.

KCB Group Plc. presents the Directors' Remuneration report for the year ended 31 December 2023 in line with The Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, which provides guidelines on Director's remuneration and in line with the provisions of The Companies Act, 2015.

During the year ended 31 December 2023, the Board of Directors consisted of:

(a) Two Executive Directors:
  - (i) Paul Russo – Group Chief Executive Officer
  - (ii) Lawrence Kimathi – Group Finance Director

(b) Maximum of nine independent Non-Executive Directors:
  - (i) Joseph Kinyua (Chairman) (Appointed 24 March 2023)
  - (ii) Cabinet Secretary - National Treasury (Alternate: Geoffrey Malombe)
  - (iii) Andrew Kairu (Retired 26 May 2023)
  - (iv) Anne Eriksson (Resigned 20 March 2023)
  - (v) Lawrence Njiru
  - (vi) Ahmed Mahmoud
  - (vii) Dr. Obuya Bagaka (Retired 25 May 2023)
  - (viii) Alice Kirenge
  - (ix) Anuja Pandit

1. Directors Emoluments

For the financial year ended 31 December, 2023, the total Non-executive Directors remuneration was Ksh. 103 million (2022 - Ksh. 126 million).

The total amount of emoluments paid to Directors for services rendered during the Year 2023 is disclosed on page 125.

Neither at the end of the financial year, nor at any time during the year, did there exist any arrangement to which the Company is a party, under which Directors acquired benefits by means of acquisition of the Company's shares.

2. Non-Executive Directors Remuneration and privileges policy

The Group has put in place a policy that adequately defines the remuneration and related privileges received by the Non-Executive Directors of the Company.

All the remuneration and privileges accorded to the Non-executive Directors and enumerated under the policy are competitive and reviewed according to the prevailing market trends for companies of a similar size and complexity of the Company.

The Board has in place a formal process of reviewing its performance and that of its committees and individual directors. Evaluation of the board is externally facilitated after every two years. Each director completes a detailed questionnaire designed to obtain feedback on the board's performance on the following areas:

- Strategic objectives.
- Risk governance.
- Board composition and skills.
- Board meetings and preparation.
- Board interaction and support.
- Performance of governance functions.
- Performance of Chairman, respective committees, and individual directors.

Each Non-Executive Director serves for a total non-renewable period of 8 years from the date of appointment. However, in accordance with the Articles of Association of the Company, one-third of the Non-executive Directors are required to resign and may offer themselves for reappointment to continue serving on the Board. No Director is entitled to any compensation upon the termination, or end of their tenure as a member of the board.

The details of the tenure of the current Non-executive Directors is as follows:

Name	Appointment Date	Retirement Date
Dr. Joseph Kinyua (Chairman)	24 March 2023	24 March 2028
C. S. National Treasury (Alternate: Geoffrey Malombe)	27 September 2022*	-
Mr. Lawrence Njiru	7 August 2018	6 August 2026
Mr. Ahmed Mahmoud	16 July 2020	15 July 2028
Mrs. Alice Kirenge	10 November 2021	31 August 2025
Ms. Anuja Pandit	16 August 2022	15 August 2030

*Appointment date of alternate. The C. S National Treasury is an institutional director.

KCB Group Plc
Directors' Remuneration Report
For the Year Ended 31 December 2023

The Human Resources and Governance Committee of the Board is responsible for setting and administering the Non-executive Directors remuneration policy.

The Human Resources and Governance Committee continuously reviews the entitlements under the policy to ensure that these are aligned to the market.

The following components are provided to the Non-executive Directors:

Monthly fees

These are paid to the Non-Executive Directors, taking into account their responsibility as a Director of the Company. These are paid monthly.

Sitting allowance

A sitting allowance is paid to each Non-Executive Directors for attending a duly convened and constituted meeting of the Board or of any of the Committees.

Duty day allowance

An allowance paid to a Non-Executive Director for any day away from their regular station in order to attend to duties of the Company.

Telephone allowance

Non-Executive Directors are entitled to a telephone allowance paid monthly.

Club membership

Non-Executive Directors are entitled to paid membership to a social or fitness club.

Medical insurance cover

Provided to all Non-Executive Directors for their individual medical requirements covering both outpatient and in-patient requirements.

Professional Indemnity Cover

This is provided in line with best market practice to protect the Non-Executive Directors in undertaking their duties in such capacity.

3. Executive Directors Remuneration

The remuneration for Executive Directors is as per the negotiated employment contracts. Each Executive Director is employed on a fixed term basis. The fixed term contracts run for a period not exceeding five years. The contracts are renewable.

Executive Directors performance is measured based on a Balanced Score Card. Annual business performance targets are derived from the KCB Group 'Beyond Banking' (2020 - 2023) strategic plan. The key initiatives under the strategic plan include:

- Building a customer centric organisation.
- Exponential growth in digital financial services.
- Excellence in operational efficiency.
- Business growth.
- Effective talent management.
- Driving shareholder value.

Key performance measures under the Balances Score Card cover areas around:

- Financial performance.
- Customer and stakeholder satisfaction.
- Human capital, culture, learning and growth.
- Efficiency in internal business processes.

Executive Directors are entitled to the following remuneration:

Consolidated Basic Pay

This is the consolidated base salary paid to the Executive Director that includes an element of housing.

Bonus

Executive Directors are entitled to a performance-based bonus pay. Part of the bonus is deferred for payment in the future.

Allowances

Allowances paid include a house allowance, a car allowance, a telephone allowance, and an allowance related to loan benefit adjustment.

Gratuity

This is paid to Executive Directors at the rate of 30% of the annual consolidated basic salary.

Club Membership

Executive Directors are entitled to paid membership to a social or fitness club.

The details of the contracts for the Executive Directors are as follows:

Name	Commencement Date	Duration	Unexpired term*	Termination Notice
Mr. Paul Russo	25 May 2022	5 years	3 years 5 months	3 months
Mr. Lawrence Kimathi	21 December 2022	5 years	4 years	3 months

* As at 31 December 2023

Medical Insurance Cover

As provided to all employees, Executive Directors are entitled to medical insurance cover for their individual and family medical requirements covering both outpatient and in-patient requirements.

Professional Indemnity Cover

This is provided in line with best market practice to provide protection for the Executive Directors in undertaking their duties in such capacity.

AUDITABLE PORTION

i. Non-Executive Directors' Fees, Allowances and Other Benefits for the Year Ended 31 December 2023

	Directors' fees	Sitting allowance	Other allowances [1]	Non-cash benefit [2]	Total
Director's Name	Ksh. '000'	Ksh. '000'	Ksh. '000'	Ksh. '000'	Ksh. '000'
Dr. Joseph Kinyua [3]	5,632	3,769	847	208	**10,456**
Mr. Andrew Kairu [4]	3,598	2,400	2,890	208	**9,096**
C.S. National Treasury	3,200	-	-	-	**3,200**
Mr. Geoffrey Malombe	480	9,624	537	208	**10,849**
Eng. Stanley Kamau [5]	126	223	16	208	**573**
Mr. Lawrence Njiru	7,914	8,808	444	208	**17,374**
Mrs. Anne Eriksson [6]	731	2,540	86	208	**3,565**
Mr. Ahmed Mahmoud	5,225	7,209	651	208	**13,293**
Mr. Obuya Bagaka [7]	3,729	7,625	740	242	**12,336**
Mrs. Alice Kirenge	5,465	6,959	264	307	**12,995**
Ms. Anuja Pandit	3,065	5,355	360	731	**9,511**
GRAND TOTAL [8]					**103,248**

Notes:

(1) Other allowances include the telephone allowance, a meal allowance, and the duty day allowance.
(2) Non-cash benefits include medical insurance cover cost and entitlement, club membership and professional indemnity cover cost.
(3) Appointed 24 March 2023.
(4) Retired 26 May 2023.
(5) Retired 16 January 2023.
(6) Resigned 20 March 2023.
(7) Retired 26 May 2023.
(8) The amount includes fees, allowances, and other benefits in respect of KCB Bank Kenya Limited, National Bank of Kenya Limited, KCB Bank Tanzania Limited, KCB Bank South Sudan Limited, KCB Bank Uganda Limited, BPR Bank Rwanda PLC, KCB Bank Burundi Limited, KCB Investment Bank Limited, KCB Bancassurance Intermediary Limited and KCB Foundation. The Group Board nominates at least one member to sit on each subsidiary board.

KCB Group Plc
Directors' Remuneration Report
For the Year Ended 31 December 2023

ii. Non-Executive Directors Fees, Allowances and Other Benefits for the Year Ended 31 December 2022

	Directors' fees	Sitting allowance	Other allowances [1]	Non-cash benefit [2]	Total
Director's Name	Ksh. '000'	Ksh. '000'	Ksh. '000'	Ksh. '000'	Ksh. '000'
Mr. Andrew Wambari Kairu	8,923	4,800	6,857	307	**20,887**
C. S. National Treasury	2,880	-	-	-	**2,880**
Eng. Stanley Kamau	-	11,550	386	208	**12,144**
Ms. Georgina Malombe [3]	3,317	2,279	963	208	**6,767**
Mr. John Nyerere [4]	2,484	1,940	288	208	**4,920**
Mr. Lawrence Njiru	7,914	5,938	1,097	208	**15,157**
Mrs. Anne Eriksson	4,640	10,793	1,806	208	**17,447**
Mr. Ahmed Mahmoud	3,781	5,794	1,367	208	**11,150**
Dr. Obuya Bagaka	6,110	7,990	1,859	242	**16,201**
Mrs. Alice Kirenge	5,210	6,487	2,986	268	**14,951**
Ms. Anuja Pandit [5]	852	2,039	496	208	**3,595**
GRAND TOTAL [6]					**126,099**

Notes:

(1) Other allowances include the telephone allowance, a meal allowance, and the duty day allowance.
(2) Non-cash benefits include medical insurance cover cost and entitlement, club membership and professional indemnity cover cost.
(3) Retired 16 June 2022.
(4) Retired 13 June 2022.
(5) Appointed 16 August 2022.
(6) The amount includes fees, allowances, and other benefits in respect of KCB Bank Kenya Limited, National Bank of Kenya Limited, KCB Bank Tanzania Limited, KCB Bank South Sudan Limited, KCB Bank Uganda Limited, BPR Bank Rwanda, KCB Bank Burundi Limited, KCB Capital Limited, KCB Insurance Agency Limited and KCB Foundation. The Group Board nominates at least one of its members to sit on each subsidiary board.

KCB Group Plc
Directors' Remuneration Report
For the Year Ended 31 December 2023

iii. Executive Directors' Remuneration for the Year Ended 31 December 2023

		Bonus					
Director's Name	Salary Ksh.'000	Cash Ksh.'000	Deferred Ksh.'000	Allowances Ksh.'000	Gratuity Ksh.'000	Noncash benefit (1) Ksh.'000	Total Ksh.'000
Mr. Paul Russo	75,048	51,783	17,261	9,600	22,514	1,445	**177,651**
Mr. Lawrence Kimathi	48,593	25,147	8,382	-	14,578	1,439	**98,139**

Note:

(1) Non-cash benefits include medical insurance cover, club membership and professional indemnity cover.

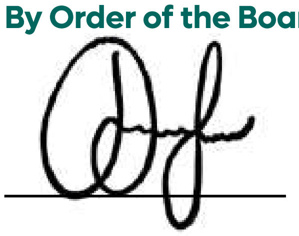
iv. Executive Directors' Remuneration for the Year Ended 31 December 2022

		Bonus					
Director's Name	Salary Ksh.'000	Cash Ksh.'000	Deferred Ksh.'000	Allowances Ksh.'000	Gratuity Ksh.'000	Noncash benefit (1) Ksh.'000	Total Ksh.'000
Mr. Paul Russo	72,700	99,357	24,839	5,800	12,800	2,000	**217,496**
Mr. Lawrence Kimathi	50,800	42,084	12,378	-	13,800	1,500	**120,562**
Mr. Joshua Oigara	80,000	-	-	6,600	15,600	1,600	**103,800**

Note:

(1) Non-cash benefits include medical insurance cover, club membership and professional indemnity cover.

By Order of the Board



Alice Kirenge

Chairman, Human Resources & Governance Committee

Date: 20 March 2024

KCB Group Plc
Statement of Directors' Responsibilities
For the Year Ended 31 December 2023

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

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

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

(ii) selecting suitable accounting policies and then apply them consistently; and

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

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

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

Approved by the board of directors on 20 March 2024 and signed on its behalf by:

FCS Dr. Joseph Kinyua, EGH
Chairman

Paul Russo, EBS
Chief Executive Officer

Lawrence Njiru
Director

Bonnie Okumu
Secretary

Report of the independent auditor to the shareholders of KCB Group Plc
Report on the financial statements

Opinion

We have audited the accompanying financial statements of KCB Group Plc (the Company) and its subsidiaries (together, the Group) set out on pages 135 to 245, which comprise the consolidated statement of financial position at 31 December 2023 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 December 2023, and the Company statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and the notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2023 and of their financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act, 2015.

Basis for opinion

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

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

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

Key audit matters

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

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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu B Ngunjiri R Njoroge S O Nobert's B Okundi K Saiti

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Credit risk assessment and determination of expected credit losses on loans and advances at amortised cost As explained in Note 2 (j) and 4 (a) of the financial statements, determining expected credit losses on loans and advances is complex, judgmental and involves significant estimation uncertainty. IFRS 9, Financial Instruments, requires the directors to measure expected credit losses on a forward-looking basis reflecting a range of future economic conditions. The standard adopts a 3-stage model approach where the loans and advances are categorised in stage 1, 2 and 3 depending on whether the facilities are performing, have experienced significant increase in credit risk or are in default. Changes to the assumptions and estimates used by management could generate significant fluctuations in the Group's financial results and materially impact the valuation of the portfolio of loans and advances. The calculation of the expected credit losses involves complex mathematical models that are prone to data integrity or configuration errors, or mathematical formulaic errors. This is an area of focus because of significant impact on the calculation of the expected credit losses: • the judgements made to determine the categorisation (staging) of individual loans and advances accounts in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used; • the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) for the various segments of loans and advances, including any adjustments in relation to COVID-19 overlays; and • the appropriateness of forward-looking information used in the models; and • the mathematical logic, appropriateness and accuracy of the expected credit losses models used by the entities in the Group.	We evaluated the Group's methodology for determining expected credit losses, including enhancements in the year, against the requirements of IFRS 9. Tested how the individual entities applied the system extracts of 'days past due (DPD)' report in categorising the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model and agreed these to the DPD reports from the IT systems and the respective customer files. Reviewed judgements applied in the staging of loans and advances. Tested the completeness of restructured loans listing and, on a sample basis, assessed the rationale for the restructures and the appropriateness of their subsequent measurement in accordance with IFRS 9 requirements. Obtained an understanding of the basis used to determine the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD), including the cure rates and post write-off recovery rates for unsecured facilities. Tested the completeness and accuracy of the historical data used in derivation of PDs, LGDs and EADs, and re-calculated the outcomes on a sample basis. For LGD, we tested the assumptions on the timing of the cash flows based on historical empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuers' reports. On a sample basis, we recomputed the EADs for both on and off-balance sheet exposures to check their reasonableness, including applying cash conversion factors. We also reviewed judgements applied in the staging of loans and advances. Corroborated the assumptions used for determination of forward-looking information (FLI) in the models using publicly available information. Assessed the adequacy of the disclosures in the financial statements on the key judgements and assumptions in accordance with the requirement of IFRS 9.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Reliance on Information & Communications Technology (ICT) systems and applications for financial control and reporting The Group's financial control, accounting and reporting processes are heavily dependent on complex information & communications technology systems and applications. Specifically, the calculation, recording and financial reporting of financial transactions and balances are significantly dependent on automated processes. Weaknesses in the design and operating effectiveness of the automated accounting procedures and related IT dependent manual controls could result in material errors in the financial information, which makes this an area of focus. Our audit focus on information & communications technology systems and applications and controls over financial reporting included the following areas: • management of logical access to critical systems including privileged access and developer access to production environment. • controls over changes of programs and systems developments. • automated application controls relating to processing of transactions, accounting and financial reporting; and • interfaces between the core financial reporting systems to banking systems and applications, including any manual adjustments to the financial information.	Assessed and tested the design and operating effectiveness of the controls over the integrity of information technology (IT) systems and applications that are relevant for financial accounting and reporting. Tested controls over programs development and changes, access to programs and data and IT operations including compensating controls where necessary. We also tested certain aspects of the security of the IT systems including logical access management and segregation of duties. Where, either design or operating effectiveness control deficiencies were identified, we altered our audit approach to test the compensating controls or increased the level of our tests of detail. These additional procedures mitigated the deficiencies or provided the additional audit comfort. Validated any manual adjustments to information generated by the IT systems and applications and assessed the appropriateness of the adjustments. Reperformed automated controls and calculations by the core banking systems and other significant applications to ensure that the applications are working accurately and as designed. This included recomputation of interest income, interest expense, fees and commission income and trading income. Reperformed automated controls and calculations by the core banking systems and other significant applications to ensure that the applications are working accurately and as designed. This included recomputation of interest income, interest expense, fees and commission income and trading income.

Report of the independent auditor to the shareholders of KCB Group Plc (continued)

Report on the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Provision for contingent liabilities As disclosed in Note 47 of the financial statements, the group entities had several unresolved tax claims and legal matters arising in the ordinary course of business. The directors use the best available information to assess the likely outcome of the unresolved matters for purposes of estimating any potential liabilities to be recorded or determining the level of disclosures in the financial statements. The future outcome of these claims and legal proceedings could be materially different for the directors' judgements at the year end.	Our audit focused on assessing the reasonableness of the directors' judgements in relation to the unresolved tax claims and legal proceedings. Our procedures included: - obtaining legal confirmations from the individual entities' lawyers to assess the completeness and accuracy of management's register of unresolved tax claims and legal proceedings - detailed understanding of the significant unresolved tax claims and legal matters through discussions with the internal legal counsel and other senior management. - challenging management analysis of the matters and the potential financial exposures; and - where applicable, review of the independent external legal opinions obtained by the directors. We assessed the reasonableness of the estimates and judgements by the directors for financial reporting at the year end based on the best information available to them. We evaluated whether the disclosures in the financial statements appropriately reflect the significant uncertainties involved in the unresolved matters.

Other information

The other information comprises Corporate Information, Report of the directors, Directors' remuneration report, Statement of directors' responsibilities which we obtained prior to the date of this auditor's report, and the rest of the other information in the 2023 Integrated Report and Financial Statements which are expected to be made available to us after that date but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not and will not express any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the 2023 Integrated Report and Financial Statements and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

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

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

Report of the independent auditor to the shareholders of KCB Group Plc (continued)
Report on the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Report of the independent auditor to the shareholders of KCB Group Plc (continued)
Report on the financial statements (continued)

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

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

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

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

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

Report on other matters prescribed by the Companies Act, 2015

Report of the directors

In our opinion the information given in the report of the directors on pages 121 and 122 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 125 to 127 has been properly prepared in accordance with the Companies Act, 2015

FCPA Michael Mugasa, Practicing Certificate Number 1478
Engagement partner responsible for the audit
For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi
20 March 2024

KCB Group Plc
Financial Statements
For the Year Ended 31 December 2023

Consolidated statement of profit or loss

	Note	2023 Ksh. million	2022 Ksh. million
Interest income	8	181,553	132,003
Interest expense	8	(60,841)	(31,098)
Net interest income		**120,712**	**100,905**
Fees and commission income	9	31,928	15,258
Fees and commission expense	9	(4,862)	(2,819)
Net fees and commission income		**27,066**	**12,439**
Net foreign exchange gain	10	6,969	11,079
Other operating income	11	4,598	3,789
Total income		**159,345**	**128,212**
Impairment losses on financial assets	12	(27,415)	(10,300)
Net loss from financial assets at fair value through profit or loss	13	(472)	(1,531)
		(27,887)	**(11,831)**
Net operating income		**131,458**	**116,381**
Employee benefits	14	(38,469)	(30,422)
Depreciation and amortisation	15	(9,329)	(6,615)
Other operating expenses	16	(35,351)	(22,329)
Gain on monetary position	18	-	271
		48,309	**57,286**
Share of net profit from associates accounted for using equity method	24	**144**	**45**
Profit before income tax		**48,453**	**57,331**
Income tax expense	19	(10,991)	(16,494)
Profit for the year		**37,462**	**40,837**
Profit is attributable to :			
Equity holders of KCB Group Plc		36,176	40,613
Non-controlling interest		1,286	224
		37,462	**40,837**
Earnings per share (Ksh.)			
Basic earnings per share	20	11.66	12.71
Diluted earnings per share	20	11.66	12.71

KCB Group Plc
Financial Statements
For the Year Ended 31 December 2023

Consolidated statement of comprehensive income

	Note	2023 Ksh. million	2022 Ksh. million
Profit for the year		**37,462**	**40,837**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of post employment obligation	48	84	(218)
Income tax expense thereon	34	(25)	65
		59	**(153)**
Items that may be reclassified subsequently to profit or loss			
Hyperinflation translation		-	171
Currency translation differences on foreign operations		1,957	616
Financial assets at fair value through other comprehensive income			
Loss from fair value re-measurement		(9,974)	(4,218)
Income tax expense thereon	34	2,992	1,266
		(5,025)	**(2,165)**
Other comprehensive income for the year net of income tax		**(4,966)**	**(2,318)**
Total comprehensive income for the year		**32,496**	**38,519**
Total comprehensive income for the year is attributable to			
Owners of KCB Group Plc		30,534	38,295
Non-controlling interest		1,962	224
Total comprehensive income for the year		**32,496**	**38,519**

KCB Group Plc
Financial Statements
For the Year Ended 31 December 2023

Company statement of profit or loss and other comprehensive income

	Note	2023 Ksh. million	2022 Ksh. million
Dividend income	11	1,091	32,824
Interest income	8	252	19
Net foreign exchange gain	10	31	14
Other operating income	11	1,329	1,412
Total income		**2,703**	**34,269**
Interest expense	8	(218)	-
Employee benefits	14	(907)	(1,210)
Depreciation and amortisation	15	(20)	(18)
Other operating expenses	16	(756)	(919)
Profit before income tax		**802**	**32,122**
Income tax expense	19	(34)	82
Profit for the year		**768**	**32,204**
Total comprehensive income for the year		**768**	**32,204**
Earnings per share (Ksh.)			
Basic		0.24	10.02
Diluted		0.24	10.02

KCB Group Plc
Financial Statements
At 31 December 2023

Consolidated statement of financial position

ASSETS	Note	2023 Ksh. million	2022 Ksh. million
Cash and balances with Central Bank	21	136,111	91,131
Loans and advances to banks	22	370,399	163,632
Financial assets at fair value through other comprehensive income	23	200,275	113,498
Financial assets at fair value through profit or loss	28	69	17,403
Investment accounted for using equity method	24	1,580	1,077
Loans and advances to customers at amortised cost	26	1,094,289	860,680
Loans and advances at fair value through profit and loss	26	1,655	2,588
Other assets and prepayments	25	65,653	49,738
Current income tax	19	-	336
Financial assets at amortized cost	27	196,859	164,522
Property and equipment	29	23,910	26,618
Investment property	30	19,191	12,601
Right-of-use assets	31	3,095	3,233
Intangible assets	32	19,324	21,215
Deferred income tax	34	38,464	25,758
TOTAL ASSETS		**2,170,874**	**1,554,030**
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks	35	87,809	92,787
Deposits from customers	36	1,690,908	1,135,417
Payables and accrued expenses	37	54,414	44,989
Lease liabilities	38	5,797	5,873
Deferred income tax	34	3,459	4,492
Current income tax	19	3,668	-
Retirement benefit obligation	48	601	585
Borrowings	40	88,658	63,610
Total liabilities		**1,935,314**	**1,347,753**
Equity			
Share capital	41	3,213	3,213
Share premium		27,690	27,690
Statutory credit risk reserve	42	17,152	26,707
Other reserves	42	(16,684)	(11,042)
Retained earnings		196,151	153,633
Total equity attributable to equity holders of KCB Group Plc		**227,522**	**200,201**
Non-controlling interest		8,038	6,076
Total equity		**235,560**	**206,277**
TOTAL LIABILITIES AND EQUITY		**2,170,874**	**1,554,030**

The financial statements set out on pages 135 to 245 were approved and authorised for issue by the Board of Directors on 20 March 2024 and were signed on its behalf by:

FCS Dr. Joseph Kinyua, EGH
Chairman

Paul Russo, EBS
Chief Executive Officer

Lawrence Njiru
Director

Bonnie Okumu
Secretary

KCB Group Plc
Financial Statements
At 31 December 2023

Company statement of financial position

	Note	2023 Ksh. million	2022 Ksh. million
ASSETS			
Cash and bank balances	21	927	712
Other assets and prepayments	25	89	62
Investment in subsidiary undertakings	33	114,280	114,270
Due from related parties	39	5,969	-
Current income tax	19	114	90
Property and equipment	29	841	828
Intangible assets	32	1	3
Deferred income tax	34	78	110
TOTAL ASSETS		**122,299**	**116,075**
LIABILITIES AND EQUITY			
Liabilities			
Payables and accrued expenses	37	625	766
Due to related parties	39	11,170	2,360
Total liabilities		**11,795**	**3,126**
Equity			
Share capital	41	3,213	3,213
Share premium		27,690	27,690
Retained earnings		79,601	82,046
Total equity		**110,504**	**112,949**
TOTAL LIABILITIES AND EQUITY		**122,299**	**116,075**

The financial statements set out on pages 135 to 245 were approved and authorised for issue by the Board of Directors on 20 March 2024 and were signed on its behalf by:

Dr. Joseph Kinyua
Chairman

Paul Russo
Chief Executive Officer

Lawrence Njiru
Director

Bonnie Okumu
Secretary

KCB Group Plc
Financial Statements
For the Year Ended 31 December 2023

Consolidated statement of changes in equity

	Share capital Ksh. million	Share premium Ksh. million	Statutory credit risk reserve Ksh. million	Other reserves Ksh. million	Retained earnings Ksh. million	Total Ksh. million	Non-controlling interest Ksh. million	Total equity Ksh. million
At 1 January 2023	**3,213**	**27,690**	**26,707**	**(11,042)**	**153,633**	**200,201**	**6,076**	**206,277**
Profit for the year	-	-	-	-	36,176	36,176	1,286	37,462
Other comprehensive income (net of taxes)								
Foreign currency translation differences for foreign operations	-	-	-	1,281	-	1,281	676	1,957
Net gain on fair value of financial assets at fair value through other comprehensive income(net of tax)	-	-	-	(6,982)	-	(6,982)	-	(6,982)
Transfer from statutory credit risk reserve	-	-	(9,555)	-	9,555	-	-	-
Re-measurement of post-employment benefit obligation(net of taxes)	-	-	-	59	-	59	-	59
Total comprehensive income	**-**	**-**	**(9,555)**	**(5,642)**	**9,555**	**(5,642)**	**676**	**(4,966)**
Transactions with owners recorded directly in equity								
Final dividend - 2022	-	-	-	-	(3,213)	(3,213)	-	(3,213)
Total contributions and distributions	**-**	**-**	**-**	**-**	**(3,213)**	**(3,213)**	**-**	**(3,213)**
At 31 December 2023	**3,213**	**27,690**	**17,152**	**(16,684)**	**196,151**	**227,522**	**8,038**	**235,560**

KCB Group Plc
Financial Statements
For the Year Ended 31 December 2023

Consolidated statement of changes in equity

	Share capital Ksh. million	Share premium Ksh. million	Statutory credit risk reserve Ksh. million	Other reserves Ksh. million	Retained earnings Ksh. million	Total Ksh. million	Non-controlling interest Ksh. million	Total equity Ksh. million
At 1 January 2022	**3,213**	**27,690**	**7,959**	**(8,385)**	**141,236**	**171,713**	**1,794**	**173,507**
Profit for the year	-	-	-	-	40,613	40,613	224	40,837
Other comprehensive income (net of taxes)								
Foreign currency translation differences for foreign operations	-	-	-	448	-	448	168	616
Net gain on fair value of financial assets at fair value through other comprehensive income(net of tax)	-	-	-	(2,952)	-	(2,952)	-	(2,952)
Transfer from statutory credit risk reserve	-	-	18,748	-	(18,748)	-	-	-
Hyperinflationary impact	-	-	-	-	171	171	-	171
Re-measurement of post-employment benefit obligation(net of taxes)	-	-	-	(153)	-	(153)	-	(153)
Total comprehensive income	**-**	**-**	**18,748**	**(2,657)**	**(18,577)**	**(2,486)**	**168**	**(2,318)**
Transactions with owners recorded directly in equity								
Final dividend- 2021	-	-	-	-	(6,426)	(6,426)	-	(6,426)
Interim dividend- 2022	-	-	-	-	(3,213)	(3,213)	-	(3,213)
Non-controlling interest on acquisitions	-	-	-	-	-	-	3,890	3,890
Total contributions and distributions	**-**	**-**	**-**	**-**	**(9,639)**	**(9,639)**	**3,890**	**(5,749)**
At 31 December 2022	**3,213**	**27,690**	**26,707**	**(11,042)**	**153,633**	**200,201**	**6,076**	**206,277**

KCB Group Plc
Financial Statements
For the Year Ended 31 December 2023

Company statement of changes in equity

	Share capital Ksh. million	Share premium Ksh. million	Retained earnings Ksh. million	Total Ksh. million
At 1 January 2023	**3,213**	**27,690**	**82,046**	**112,949**
Profit for the year	-	-	768	768
Other comprehensive income (net of taxes)				
Net gain on fair value of financial assets at fair value through other comprehensive income(net of tax)	-	-	-	-
Total comprehensive income	**3,213**	**27,690**	**82,814**	**113,717**
Transactions with owners recorded directly in equity				
Dividend paid in 2023	-	-	(3,213)	(3,213)
Total contributions and distributions	**-**	**-**	**(3,213)**	**(3,213)**
At 31 December 2023	**3,213**	**27,690**	**79,601**	**110,504**

KCB Group Plc
Financial Statements
For the Year Ended 31 December 2023

Company statement of changes in equity

	Share capital Ksh. million	Share premium Ksh. million	Retained earnings Ksh. million	Total Ksh. million
At 1 January 2022	**3,213**	**27,690**	**59,481**	**90,384**
Profit for the year	-	-	32,204	32,204
Other comprehensive income (net of taxes)				
Net gain on fair value of financial assets at fair value through other comprehensive income(net of tax)	-	-	-	-
Total comprehensive income	**-**	**-**	**32,204**	**32,204**
Transactions with owners recorded directly in equity				
Dividend paid in 2022	-	-	(9,639)	(9,639)
Total contributions and distributions	**-**	**-**	**(9,639)**	**(9,639)**
At 31 December 2022	**3,213**	**27,690**	**82,046**	**112,949**

KCB Group Plc
Financial Statements
For the Year Ended 31 December 2023

Consolidated statement of cashflows

	Note	2023 Ksh. million	2022 Ksh. million
Net cash flows from operating activities	**44**	**243,736**	**180,395**
Investing activities			
Proceeds from disposal of property and equipment		35	7
Purchase of intangible assets	32	(2,400)	(3,780)
Purchase of property and equipment	29	(1,726)	(4,013)
Acquisition of subsidiary	33	-	(25,111)
Net cash flows from investing activities		**(4,091)**	**(32,897)**
Financing activities			
Proceeds from borrowings	40	17,043	20,535
Payment of principal portion of borrowings	40	(6,629)	(2,638)
Payment of principal portion of lease liabilities		(497)	(497)
Dividends paid		(3,213)	(9,639)
Net cash flows from financing activities		**6,704**	**7,761**
Increase in cash and cash equivalents		246,349	155,259
Cash and cash equivalents at start year		213,288	58,029
Cash and cash equivalents at end of year	**44**	**459,637**	**213,288**

KCB Group Plc
Financial Statements
For the Year Ended 31 December 2023

Company statement of cashflows

	Note	2023 Ksh. million	2022 Ksh. million
Net cash flows from operating activities	**44**	**3,428**	**36,368**
Investing activities			
Proceeds from disposal of property and equipment		-	(228)
Investment in subsidiaries		-	(25,111)
Payment for acquisition of subsidiary, net cash acquired	33	-	(1,195)
Net cash flows from investing activities		**-**	**(26,534)**
Financing activities			
Dividends paid		(3,213)	(9,639)
Net cash flows from financing activities		**(3,213)**	**(9,639)**
Increase in cash and cash equivalents		215	195
Cash and cash equivalents at start of year		712	517
Cash and cash equivalents at end of year	**44**	**927**	**712**

KCB Group Plc
Financial Statements
For the Year Ended 31 December 2023

Notes

1. Reporting entity

KCB Group Plc is incorporated in Kenya under the Kenyan Companies Act, 2015 and has subsidiaries in Kenya, South Sudan, Tanzania, Uganda, Rwanda, Burundi and Democratic Republic of Congo. The consolidated financial statements of the Company as at and for the year ended 31 December 2023 comprise the Group and its subsidiaries (together referred to as the "Group" and individually referred to as the "Company") and the Group's interest in associates. The address of its registered office is as follows:

Kencom House
Moi Avenue
PO Box 48400 - 00100
Nairobi, Kenya

The Company has a 100% ownership in KCB Bank Kenya Limited, Kenya Commercial Finance Company Limited, Savings & Loan Kenya Limited, Kenya Commercial Bank Nominees Limited, Kencom House Limited, KCB Bank Tanzania Limited, KCB Bank South Sudan Limited, KCB Bank Uganda Limited, KCB Bank Burundi Limited, KCB Insurance Agency Limited, KCB Capital Limited, National Bank of Kenya,87.6% ownership in BPR Rwanda,85% ownership in Trust Merchant Bank SA (TMB), 20% ownership in Kenya Mortgage Refinance Company (KMRC) and a 45% ownership in United Finance Limited.

The shares of the Company are listed on the Nairobi Securities Exchange, Uganda Securities Exchange, Dar-es-Salaam Stock Exchange and Rwanda Stock Exchange.

2. Summary of material accounting policies

(a) Compliance with IFRS Accounting Standards

The financial statements of the Group have been prepared in accordance with IFRS Accounting Standards and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS Accounting Standards. The financial statements comply with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

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

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for the following:

- Financial assets at fair value through profit or loss are measured at fair value.
- Financial assets at fair value through other comprehensive income are measured at fair value.
- Investment property is measured at fair value; and,
- The liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognised actuarial gains less unrecognised past service cost and unrecognised actuarial losses.

(c) Changes in accounting policies and disclosures

The accounting policies set out below have been applied consistently to all years presented on these financial statements and have been applied consistently by the Group.

(i) New standards, amendments and interpretations effective and adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023. These standards and amendments did not have a material impact on the financial statements.

Notes (continued)
2. Summary of material accounting policies (continued)
(c) Changes in accounting policies and disclosures (continued)
(i) New standards, amendments and interpretations effective and adopted by the Group (continued)

Title	Effective date	Key requirements
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 (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 contracts, 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.
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. (Published February 2021)	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.
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. (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.
Amendments to IAS 12 International Tax Reform—Pillar Two Model Rules	The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. (Published May 2023)	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

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Notes (continued)
2. Summary of material accounting policies (continued)
(c) Changes in accounting policies and disclosures (continued)

(ii) New standards, amendments and interpretations issued not yet effective

The below new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group.

Title	Effective date	Key requirements
Amendments to IAS 1 - Non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
Amendment to IFRS 16 – Leases on sale and leaseback	Annual periods beginning on or after 1 January 2024 (Published September 2022)	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
Amendments to Supplier Finance Arrangements (IAS 7 and IFRS 7)	Annual periods beginning on or after 1 January 2024 (Published May 2023)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.
Amendments to IAS 21 Lack of Exchangeability (Amendments to IAS 21)	Annual periods beginning on or after 1 January 2025 (Published August 2023)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	Annual periods beginning on or after 1 January 2024 (Published June 2023)	IFRS S1 provides guidance on identifying sustainability-related risks and opportunities, and the relevant disclosures to be made in respect of those sustainability-related risks and opportunities.
IFRS S2 Amendments to Climate-related Disclosures	Annual periods beginning on or after 1 January 2024 (Published June 2023)	IFRS S2 requires an entity to identify and disclose climate-related risks and opportunities that could affect the entity's prospects over the short, medium and long term. It also requires entities to consider specified industry metrics when disclosing qualitative and quantitative components on how the entity uses metrics and targets to measure, monitor and manage the identified material climate-related risks and opportunities.

These standards are not expected to have a material impact on the Group in the current or future reporting periods andon foreseeable future transactions.

Notes (continued)

2. Summary of material accounting policies (continued)

(d) Basis of consolidation

(i) Business Combinations

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

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

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

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The subsidiaries are shown in Note 33.

(iii) Non-controlling interest (NCI)

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

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

(iv) Loss of control

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

(v) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

(vi) Transactions eliminated on consolidation

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

(e) Presentation currency

(i) Presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which each subsidiary company operates ('the functional currency'). The functional currency for the Company is Kenyan Shillings. The financial statements are presented in Kenyan Shillings (Ksh.), which is the Group's presentation currency.

Notes (continued)

2. Summary of material accounting policies (continued)

(ii) 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 year-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.

(f) Use of estimates and judgement

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

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

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(g) Foreign currency translation

(i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except for differences arising on translation of non-monetary financial assets carried at fair value through other comprehensive income, which are recognised in other comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance income or costs". All other foreign exchange gains and losses are presented in the statement of profit or loss for the year within "other gains/losses-net".

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive income.

(iii) Group Companies

The results and financial position of all the group entities (one of which has the currency of a hyper-inflationary economy as at 31 December 2023) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities of foreign subsidiaries are translated into Kenya Shillings at the rate of exchange ruling at the reporting date;

(ii) income and expenses for each statement of comprehensive income are translated at the weighted average exchange rates for the period; and

(iii) exchange differences arising on translation are recognised in other comprehensive income and accumulated in equity in the translation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

Notes (continued)

2. Summary of material accounting policies (continued)

(h) Recognition of income and expenses

(i) Interest income and expenses

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

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

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate.

Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

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

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

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

The effective interest rate is revised because of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

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

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

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at fair value through other comprehensive income.

Interest expense presented in the statement of profit or loss and other comprehensive income includes financial liabilities measured at amortised cost.

Interest income and expense on other financial assets and financial liabilities at fair value through profit or loss (FVTPL) are presented in net income from other financial instruments at FVTPL.

(ii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(iii) Risk premium

Risk premium fees are charged on unsecured loans issued to customers and members of staff and is meant to mitigate against risk of default arising from permanent death or disability. The net fees, minus any claims or other costs incurred, are recognised upfront as a liability and are armotised into the profit or loss over the tenure of the loan.

Notes (continued)

2. Summary of material accounting policies (continued)

(h) Recognition of income and expenses (continued)

(iv) Fees and commission income and expenses

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

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

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(v) Rental income

Rental income in respect of operating leases is accounted for on a straight-line basis over the lease terms on ongoing leases.

(vi) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes, interest and foreign exchange differences.

(i) Income Tax

(i) Current income Tax

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

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years. The amount of tax payable or recoverable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

(ii) Deferred Income Tax

Deferred income tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination, and which affects neither accounting nor taxable profit. It is also not recognised for temporary differences related to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future and the investor is able to control the timing of the reversal of the temporary difference.

Deferred income tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

Notes (continued)

2. Summary of material accounting policies (continued)

(j) Financial assets and liabilities

(i) Recognition and measurement

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e., day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e., day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

(ii) Classification and subsequent measurement of financial instruments

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL.

Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss. For all financial assets, the amount presented on the statement of financial position represent all amounts receivable including interest accruals.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

IFRS 9 specifically requires:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at Fair Value Through Other Comprehensive Income (FVTOCI);

However, the Group may make the following irrevocable election / designation at initial recognition of a financial asset on an asset- by-asset basis:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income; and
- the Group may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Debt instruments at amortised cost or at FVTOCI

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

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal

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Notes (continued)
2. Summary of material accounting policies (continued)
(j) Financial assets and liabilities (continued)
(ii) *Classification and subsequent measurement of financial instruments (continued)*
Debt instruments at amortised cost or at FVTOCI (continued)

amount may change over the life of the financial asset (e.g., if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset.

The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument; therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group has more than one business model for managing its financial instruments which reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Group does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios.

The Group considers all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g., whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassesses its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Group has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Non-recourse loans

Non-recourse loan is a type of loan secured by collateral, which is usually property. If the borrower defaults, the Group can seize the collateral but cannot seek out the borrower for any further compensation, even if the collateral does not cover the full value of the defaulted amount.

In some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The Group applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Group typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Group's risk of loss on the asset relative to a

Notes (continued)
2. Summary of material accounting policies (continued)
(j) Financial assets and liabilities (continued)
(ii) *Classification and subsequent measurement of financial instruments (continued)*
Non-recourse loans (continued)

full-recourse loan;

- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Group will benefit from any upside from the underlying assets.

The guidelines/procedures on dealing with non-recourse loans as detailed in the Non-Performing Debts Management manual which summarily states that:

(a) It is not the Group's policy to "nurse" or warehouse properties until the market picks up but to dispose them into the market quickly and at the best price. Disposal methods should be reviewed continuously to ensure the most effective method is being used.

(b) While assets are awaiting disposal, the Group should make sure that proper administration is undertaken on these assets to protect their value.

(c) Asset disposal should start immediately when the asset becomes ready for sale. This is specifically defined as the time when:

  (i) The client surrenders voluntarily the asset or has agreed for the Group to sell the property.

  (ii) The Group is awarded possession of the property by legal or other means. As the case may be, titles and ownership documents have been transferred to the Group's name and registered with the appropriate Land Registry.

Repossessed Collateral

The Group makes arrangement to dispose repossessed collateral to the market quickly and at the best price. Disposal processes commence immediately when the asset becomes ready for sale. While assets are not being disposed of, the Group endeavours to keep costs relative to the upkeep and maintenance of the assets to a minimum. Possessed moveable assets are stored at reputable storage yards approved by the Group or within Group premises.

Converting/liquidating the assets in the Group's possession now is still better than holding the assets for a projected upturn in market price in the future which often do not materialise.

The Group is not in asset and property trading/ management, and thus does not take positions on the market trends.

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

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/ losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in Note 5- Fair value of financial instruments.

Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

Impairment of financial assets

The Group recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- loans and advances to banks;
- loans and advances to customers;
- debt investment securities;
- lease receivables;
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

Except for Purchased Originated Credit Impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance

Notes (continued)

2. Summary of material accounting policies (continued)

(j) Financial assets and liabilities (continued)

(ii) Classification and subsequent measurement of financial instruments (continued)

Reclassifications (continued)

at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).
- a loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in Note 3.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and
- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

More information on measurement of ECLs is provided in Note 4, including details on how instruments are ranked when they are assessed on a collective basis.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit-impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a back- stop if amounts are overdue for 90 days or more.

Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Group recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change for such assets creates an impairment gain.

Notes (continued)
2. Summary of material accounting policies (continued)
(j) Financial assets and liabilities (continued)
(ii) Classification and subsequent measurement of financial instruments (continued)

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see Note 3).

The Group considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

This definition of default is used by the Group for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending.

Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

More details are provided in Note 3. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit-impaired. Therefore, credit impaired assets will include defaulted assets, but will also include other non-defaulted assets given the definition of credit-impaired is broader than the definition of default.

Significant increase in credit risk

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the 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 Group will measure the loss allowance based on lifetime rather than 12-month ECL. The Group's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information. See Note 3 for more details about forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Group's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail, lending forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour.

The Group allocates its counterparties to a relevant internal

Notes (continued)
2. Summary of material accounting policies (continued)
(j) Financial assets and liabilities (continued)
(ii) Classification and subsequent measurement of financial instruments (continued)
Significant increase in credit risk (continued)

credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward-looking and the Group uses the same methodologies and data used to measure the loss allowance for ECL (please refer to Note 4).

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Group still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending the Group considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, divorce or death.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when an asset becomes 30 days past due, the Group considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL. In addition, loans that are individually assessed and are included on a watch list are in stage 2 of the impairment model. As noted, if there is evidence of credit-impairment the assets are at stage 3 of the impairment model.

More information about significant increase in credit risk is provided in Note 4.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Group has an established forbearance policy which applies for corporate and retail lending.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity.

If these do not clearly indicate a substantial modification, then a quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Group deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification

Notes (continued)
2. Summary of material accounting policies (continued)
(j) Financial assets and liabilities (continued)
(ii) Classification and subsequent measurement of financial instruments (continued)
Modification and derecognition of financial assets(continued)

or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Group considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition.

The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated- credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par-amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

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

For financial assets modified as part of the Group's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL.

If a forborne loan is credit impaired due to the existence of evidence of credit impairment (see above), the Group performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit impaired. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Group calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses for financial assets are included in the profit or loss account in 'Losses on modification of financial assets'. Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group

Notes (continued)

2. Summary of material accounting policies (continued)

(j) Financial assets and liabilities (continued)

(ii) Classification and subsequent measurement of financial instruments (continued)

Modification and derecognition of financial assets(continued)

allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss.

A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Write-off

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investment's revaluation reserve;
- for loan commitments and financial guarantee contracts: as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Financial liabilities

Fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. For all financial liabilities, the amount presented on the statement of financial position represent all amounts payable including interest accruals. Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of

Notes (continued)
2. Summary of material accounting policies (continued)
(j) Financial assets and liabilities (continued)
(ii) Classification and subsequent measurement of financial instruments (continued)
Financial liabilities (continued)

financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the ranking is provided internally on that basis; or

- it forms part of a hybrid (combined) contract, containing one or more embedded derivatives that significantly modifies the cash flows of the contract, or it is clear with little or no analysis that separation of the embedded derivative is not prohibited.

Financial liabilities at fair value through profit and loss (FVTPL) are stated at fair value, with any gains/losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at FVTPL' line item in the profit or loss account.

However, for non-derivative financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss.

Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

For issued loan commitments and financial guarantee contracts that are designated as at FVTPL all gains, and losses are recognised in profit or loss.

Fair value is determined in the manner described in Note 5.

Other financial liabilities

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR see the "interest income and expenses section" above.

Modification and derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. To determine if the modified terms of a liability are substantially different to the original terms a similar process with modification of financial assets is followed. The modification is assessed at first on a qualitative basis, factors such as a change in currency or the introduction of a non-closely related embedded derivative that significantly modifies the cash flows are regarded as substantially different. If it is not clear from the qualitative assessment that a modification has resulted in a substantial change in a financial liability, a quantitative assessment is applied. It is assumed that the terms of the financial liability 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 rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification is not substantial, the Group recalculates the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate. The Group recognises any adjustment to the amortised cost of the financial liability in profit or loss as income or expense at the date of the modification. The financial liability modification gain/loss is not significant for the Group. Modification gains are presented in 'other income' and modification losses are presented in 'other expenses' in the profit or loss account.

Notes (continued)

2. Summary of material accounting policies (continued)

(j) Financial assets and liabilities (continued)

(ii) Classification and subsequent measurement of financial instruments (continued)

Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(k) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Costs include expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Right of use assets are recognised at the commencement of the lease contract and is measured at cost less accumulated depreciation and accumulated impairment.

Property and equipment are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or at the expiration of a lease contract for right of use assets. Gains and losses arising on disposal of an item of property and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the item and are recognised net within 'other operating income' in profit or loss.

(ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each class of property and equipment. The annual depreciation rates in use are:

Freehold land	Nil
Leasehold improvements	Rates based on the shorter of the lease term or estimated useful lives
Motor vehicles	25%
Furniture and fittings	10%
Office equipment	20%
Computers	20%

The residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date. Changes in the expected useful life, residual values or methods of depreciation are accounted for as changes in accounting estimates.

(iii) Subsequent costs

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

(l) 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 amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year 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 amortisation 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 amortisation method are accounted for as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised 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 programme are recognised as an expense as incurred. However, expenditure that enhances or extends the benefits of computer software programme beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortized using the straight-line method over a period of five years.

There are no intangible assets with indefinite useful lives.

Notes (continued)

2. Summary of material accounting policies (continued)

(m) Leases

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

The Group leases several retail network premises (branches) and vehicles. The branch leases typically run for a period of six years, with an option to renew the lease after that date. Lease payments are renegotiated after the expiry of the lease to reflect market rental values. Some leases provide for additional rent payments that are based on changes in local price indices. Leases for the vehicles typically run for a period of two years with no renewal options.

(i) Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Practical expedients applied

In applying IFRS 16, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- accounting for operating leases with a remaining lease term of less than 12 months as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

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

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its

Notes (continued)
2. Summary of material accounting policies (continued)
(m) Leases (continued)
(ii) Group as a lessee (continued)
Practical expedients applied (continued)

assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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

Short-term leases and leases of low-value assets

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

(ii) Group as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

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

The Group applies the derecognition and impairment requirements in IFRS 16 to the net investment in the lease (see Note 31). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

(n) Impairment of non-financial assets

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

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

(o) Employee benefits

The Group operates both a defined contribution plan and defined benefit plan.

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as staff costs in profit or loss in the periods during which related services are rendered. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group also contributes to the statutory defined contribution in the various countries in which it operates. The Group's contribution to these schemes is charged to the income statement.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of the economic benefits available in the form of any refunds from the plan or deductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which

Notes (continued)
2. Summary of material accounting policies (continued)
(n) Employee benefits (continued)
(i) Defined benefit plans (continued)

compromise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in other comprehensive income.

The Group determines the net interest (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during a period as a result of contributions and benefit payments.

Net interest expense and other expenses related to the defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that employees have earned in return for their service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on settlement of a defined benefit plan when the settlement occurs.

(iii) Other post–employment obligations

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the periods in which they arise.

(iv) Short-term benefits

Short-term benefits consist of salaries, bonuses and any non-monetary benefits such as medical aid contributions and free services. They exclude equity-based benefits and termination benefits.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(p) Fiduciary assets

When the Group acts in a fiduciary capacity such as a nominee or agent, assets and income arising thereon with related undertakings to return such assets to customers are excluded from these financial statements.

(q) Contingent liabilities and loan commitments

Letters of credit, acceptances, guarantees and performance bonds are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities are made by management based on the information available up to the date that the financial statements are approved for issue by the Directors.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

(r) Earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. Refer to Note 20.

(s) Dividends

Dividends are recognised as a liability in the period in which they are declared and approved.

(t) Sale and repurchase agreements

Securities sold under sale and repurchase agreements (Repos) are retained in the financial statements with the counterparty liability included in amounts due to banking institutions. Securities purchased from the Central Bank of Kenya under agreement to resell (reverse Repos), are disclosed as treasury bills as they are held to maturity after which they are repurchased and are not negotiable or discounted during the tenure.

The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

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Notes (continued)

2. Summary of material accounting policies (continued)

(u) Related parties

This relates to transactions entered into between groups entities at arms-length.

(v) Segment Reporting

An operating segment is a component of the Group 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 Group's other components, whose operating results are reviewed regularly by the Group's Management 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.

(w) Share capital and reserves

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.

(x) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(y) Fair value measurements

IFRS 13, Fair Value Measurement, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). That definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement.

When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk.

As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value. The standard explains that a fair value measurement requires an entity to determine the following:

- the particular asset or liability being measured;
- for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis;
- the market in which an orderly transaction would take place for the asset or liability; and
- the appropriate valuation technique(s) to use when measuring fair value. The valuation technique(s) used should maximise the use of relevant observable inputs and minimise unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

(z) Cash and cash equivalents

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

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

(aa) Investment property

Investment property relate to collateral (mainly properties) transferred to the bank to extinguish outstanding loan balances which are in default. The Group holds these properties for a considerable period of time in expectation of capital appreciation

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. The gain or loss on disposal of investment property is recognised in profit or loss.

The fair value of investment property is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

Notes (continued)

2. Summary of material accounting policies (continued)

(ab) Investment in associates

Associates are all entities over which the Group has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. This is generally the case where the Group holds between 20% and less than 50% of the voting rights of the entity. In assessing existence of significant influence, the Group considers among other parameters whether there is:

- Representation on the board of directors or equivalent governing body of the investee;
- Participation in the policy-making process and material transactions between the investor and the investee;
- Interchange of managerial personnel between the investor and the investee; and
- Provision of essential technical information by the investor to the investee

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividend received or receivable from associates are recognised as a reduction in the carrying amount of the investment. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

In certain instances, the requirement that significant influence arises from a 20% or more in investments can be invalidated where an entity can demonstrate that it does not have significant influence, or there is demonstrable presence of significant influence in an investment of less than 20% based on the above assessment criteria.

Investments in associates are accounted for using the equity method of accounting. The initial investment is recognised at cost of acquisition and any share of profit or loss from the investment is reflected as changes in the value of the investment.

Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

(ac) Comparatives

Except otherwise required, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Notes (continued)

3. Critical accounting estimates and judgements

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

Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Critical judgements in applying the Group's accounting policies

(a) Judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Business model assessment:

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets and liabilities sections of Note 1). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk:

As explained in Note 1, ECL is measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to Note 4(a) for more details.

Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are ranked on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used:

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See Note 1 and Note 4 for more details on ECL and Note 7 for more details on fair value measurement.

Internal governance and controls were put in place in order to monitor the post-model adjustments based on the economic performance in the midst of the pandemic.

(b) Assumptions and estimation uncertainties

The information relating to assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment in the financial statements are set out below.

(i) Impairment losses on loans and advances

The estimation of potential credit losses is inherently uncertain and depends upon many factors, including general economic conditions, changes in individual customers' circumstances, structural changes within industries that alter competitive positions and other external factors such as legal and regulatory requirements.

Notes (continued)
3. Critical accounting estimates and judgements (continued)
(b) Assumptions and estimation uncertainties(continued)
(i) Impairment losses on loans and advances(continued)

Impairment is measured for all accounts that are identified as non-performing. All relevant considerations that have a bearing on the expected future cash flows are taken into account which include but not limited to future business prospects for the customer, realizable value of securities, the Group's position relative to other claimants and the existence of any court injunctions placed by the borrower. Subjective judgements are made in this process of cash flow determination both in value and timing and may vary from one person to another and team to team. Judgements may also change with time as new information becomes available.

The Group reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recognised in profit or loss. In particular, judgment by the Directors is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on the assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

The Group also makes a collective impairment measurement for exposures which, although not specifically identified as non-performing, have an inherent risk of default. The portfolio constitutes a large number of loan and advances accounts cutting across various industries. Assets with similar risk characteristics are ranked together for the purpose of determining the collective impairment in the Group.

The following are key estimations that the directors have used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

(a) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario.

(b) When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 3 for more details, including analysis of the sensitivity of the reported ECL to changes in estimated forward-looking information.

(c) Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. See Note 3 for more details, including analysis of the sensitivity of the reported ECL.

(d) Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. See Note 3 for more details, including analysis of the sensitivity of the reported ECL to changes in LGD resulting from changes in economic drivers.

(e) Fair value measurement and valuation process: In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available the Group uses valuation models to determine the fair value of its financial instruments. Refer to Note 5 for more details on fair value measurement.

(ii) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date.

All financial instruments are initially recognised at fair value, which is normally the transaction price. Subsequent to initial recognition, some of the Group's financial instruments are carried at fair value. The fair values of quoted financial instruments in active markets are based on current prices with no subjective judgements. If the market for a financial instrument does not exist or is not active including for unlisted securities, the Group establishes fair value by using valuation techniques.

These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Where representative prices are unreliable because of illiquid markets, the determination of fair value may require estimation of certain parameters, which are calibrated against industry standards and observable market data, or the use of valuation models that are based on observable market data.

The fair value for the majority of the Group's financial instruments is based on observable market prices or derived from observable market parameters. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Notes (continued)
3. Critical accounting estimates and judgements (continued)
(b) Assumptions and estimation uncertainties(continued)

(iii) Retirement benefits

The cost of the defined benefit pension plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty and a change in any of the assumptions will alter the carrying amount of pension obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations.

In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. Refer to Note 47 for more information.

(iv) Property and equipment

Property and equipment are depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account which involves extensive subjective judgment. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

(v) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax balances and deferred tax provisions in the period in which such determination is made. The group has applied the exemption not to recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

(vi) Leases

The right of use is depreciated over the lease term considering the renewal option.

The Group will renew the lease when it is reasonably certain that the lease location is still economically viable to conduct business.

The Group will bear restoration costs upon relocation or end of lease where such is stipulated in the lease agreement.

Notes (continued)

4. Financial risk management

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk, market risks and operational risks. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors of the Group has established the Credit, Audit, Risk, Human Resources and Procurement and Information Technology committees, which are responsible for developing and monitoring the Group risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group, 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.

The Risk Committee is responsible for monitoring compliance with the Group's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Committee is assisted in these functions by a Risk and Compliance department which undertake reviews of risk management controls and procedures, the results of which are reported to the Risk Committee.

(a) Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group'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 an asset position. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure.

The Board of Directors has delegated responsibility for the management of credit risk to the Executive Credit Committee, which is responsible for oversight of the Group'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 the Management Credit Committee or the Board Credit Committee as appropriate.
- Reviewing and assessing credit risk. The Credit department 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 advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining the Group's risk gradings in order to categorise 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 eight 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 the Board Credit Committee.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the credit department 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 Group in the management of credit risk

Significant increase in credit risk

The Group 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 Group will measure the loss allowance based on lifetime rather than 12-month ECL.

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Notes (continued)
4. Financial risk management(continued)
(a) Credit risk (continued)

Internal credit risk ratings

In order to minimise credit risk, the Group has tasked its credit management committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The Group'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 Group'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 Bank bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a mapping of the Group's internal credit risk grades.

Group's credit risk grades	Description	IFRS 9 Classification
10	Normal risk	Stage 1
20	Watch risk	Stage 2
30	Substandard risk	
40	Doubtful risk	
50	Loss	Stage 3

The Group 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 Group 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 Group then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

The Group 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 table below summarizes per type of asset the range above which an increase in lifetime PD is determined to be significant, as well as some indicative qualitative indicators assessed.

Corporate exposures	Retail exposures	All exposures
• Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes. • Data from credit reference agencies, press articles, changes in external credit ratings. • Quoted bond and credit default swap (CDS) prices for the borrower where available. • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.	• Internally collected data on customer behaviour – e.g. utilisation of credit card facilities. • Affordability metrics. • External data from credit reference agencies, including industry-standard credit scores.	• Payment record – this includes overdue status as well as a range of variables about payment ratios. • Utilisation of the granted limit. • Requests for and granting of forbearance. • Existing and forecast changes in business, financial and economic conditions.

Notes (continued)
4. Financial risk management(continued)
(a) Credit risk (continued)
Internal credit risk ratings (continued)

The table below provides an indicative mapping of how the Group's internal credit risk grades relate to PD and, for the wholesale portfolio, to external credit ratings of Moody's and S&P. The risk ratings are composed of a combination of the risk factors below. Each Risk factor has parameters which are assessed and the total score in each is mapped onto a rating

Risk Factor	Description	Weight
Financial Risk	Is the assessment of entity's assets & liabilities structure (i.e. the mix of long- and short-term debt, maturity structure, interest rates, collateralization and other elements), cash flows and P&L in the light of current financing conditions.	50%
Company	Is the assessment of the size and scope of the rated entity, which often drives its diversification in terms of products, customers and geography	10%
Management	Is the assessment of the quality and experience of the management team as well as its strategic objectives in light of the sector specifics.	10%
Banking Relationship	Is the assessment of the current and historical behaviour of the entity's with bank products	20%
Industry	Is the assessment of entity's future market, regulatory environment and industry environment with insights into competition, entry barriers and trends .	10%

Corporate

The corporate portfolio of the Group is comprised of loans and advances to banks, public sector entities, sovereigns, corporates and other businesses.

Staging	12-month weighted-average PD	Internal risk rating	Days past due
Grade 10	0.05%	AAA to A	0 - 30 days
Grade 20	12.611%	B- to C	31 – 89 days
Grade 30 – Grade 50	100%	Default	90 days and above

Retail & mortgage

The retail portfolios are comprised of mortgage lending, personal loans and credit cards.

Staging	12-month weighted-average PD Personal loans	12-month weighted-average PD Mortgage loans
Grade 10	5%	9%
Grade 20	57%	43%
Grade 30 – Grade 50	100%	100%

Loan commitments are assessed along with the category of loan the Group is committed to provide, i.e. commitments to provide mortgages are assessed using similar criteria to mortgage loans, while commitments to provide a corporate loan are assessed using similar criteria to corporate loans.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group 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 Group 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.

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Notes (continued)
4. Financial risk management(continued)
(a) Credit risk (continued)
Retail & mortgage (continued)

Relationship between the Group's internal credit ratings and external ratings

The Group's rating method comprises 2 rating levels for instruments not in default (Stage 1 & 2) and one default class (stage 3). The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of observed default trends. The Group's quantitative credit quality grading as compared to Central Bank of Kenya's prudential guidelines grading is summarised in the table below;

Staging	CBK grading	Days past due	Credit quality
Stage 1	Normal	Up to date within contractual terms or has less than 30 days arrears	Performing
Stage 2	Watch	31 to 90 days	Performing-SICR
	Substandard	91 to 180 days	
	Doubtful	181 to 360 days	
Stage 3	Loss	above 360 days	In Default

In addition to the standard credit ratings above, the Group also utilises other qualitative information relating to counterparties to determine their internal credit grading.

Incorporation of forward-looking information

The Group 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 Group 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 Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group 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 Group has not made changes in the estimation techniques or significant assumptions made during the reporting period.

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2023 for the years 2023 to 2027, for Kenya, Tanzania, Uganda, Rwanda, South Sudan, DRC Congo and Burundi which are the countries where the Group operates and therefore is the country that has a material impact in ECLs.

Kenya

Corporate

Macro-economic factor	2023	2024	2025	2026	2027
Consumer price index inflation, 2010=100, EOP	222.456	233.802	247.362	260.472	277.403
Lending rate, %, AVE	10	10.36	10.36	10	9.64
Nominal GDP per capita, USD	2028.173	2135.784	2284.177	2453.174	2702.763

Retail

Macro-economic factor	2023	2024	2025	2026	2027
Total debt service per capita, USD	71.68	87.15	95.60	95.73	107.63
Nominal GDP per capita, *LCU	236,890.59	258,323.02	280,954.71	305,260.16	333,862.84

Notes (continued)
4. Financial risk management(continued)
(a) Credit risk (continued)
Incorporation of forward-looking information(continued)

Private final consumption per capita, USD	1,589.28	1,674.41	1,798.50	1,938.75	2,140.56

Mortgage

Macro-economic factor	2023	2024	2025	2026	2027
Consumer price index inflation, 2010=100, *AVE	226.87	239.57	253.23	267.15	283.18
Goods and services imports, *LCU millions	2,884,493	3,106,964	3,362,216	3,639,469	3,910,355
Lending rate, %, *EOP	10.36	10.36	10.36	9.64	9.64

The following are probability weightings applied in the forward - looking scenario analysis

Upside	Median/Central	Downside
10%	80%	10%

Regional Subsidiaries

South Sudan Macro-economic factor	2023	2024	2025	2026	2027
Goods and services exports, LCU	3,621.46	3,405.59	3,538.90	3,635.50	3,923.62
Balance of goods and services, LCU	644.09	200.71	89.03	-184.90	-343.70

Base	Upside	Downside
40.00%	20.00%	40.00%

Rwanda Macro-economic factor	2023	2024	2025	2026	2027
Goods and services exports, LCU	948,292.99	95,534.72	100,148.60	106,126.20	112,118.26
Balance of goods and services, LCU	172,333.00	172,071.98	17,678.64	185,348.03	193,484.70

Base	Upside	Downside
40.00%	20.00%	40.00%

Burundi Macro-economic factor	2023	2024	2025	2026	2027
Goods and services exports, LCU	12,641.26	15,774.80	18,421.47	20,924.80	23,473.25
Balance of goods and services, LCU	2,830.76	3,496.76	4,020.87	4,500.77	4,984.38

Base	Upside	Downside
50.00%	10.00%	40.00%

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Notes (continued)
4. Financial risk management(continued)
(a) Credit risk (continued)
Regional Subsidiaries (continued)

Uganda Macro-economic factor	2023	2024	2025	2026	2027
Goods and services exports, LCU	120,993.69	128,242.49	138,034.98	147,697.92	156,333.72
Balance of goods and services, LCU	5.12	5.46	5.96	6.48	6.94
Base	**Upside**	**Downside**			
40.00%	20.00%	40.00%			

Tanzania Macro-economic factor	2023	2024	2025	2026	2027
Goods and services exports, LCU	89,805.08	103,475.21	120,761.78	139,528.16	158,992.34
Balance of goods and services, LCU	31,918.47	35,801.21	40,277.11	45,443.58	50,232.43
Base	**Upside**	**Downside**			
70.00%	15.00%	15.00%			

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 10 years.

LCU – local currency unit

*AVE - Average

*EOP – End of Period

Measurement of ECL

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

- A financial instrument that is not credit-impaired on initial recognition is classified under Stage 1 and has its credit risk continuously monitored by the Group. If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired (POCI) financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the Group in computing expected loss in line with IFRS 9 are as follows:

(a) Significant increase in credit risk (SICR)

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- Significant dip in operating results of the borrowers
- Credit distress necessitated extension to the terms granted
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Significant change in collateral value which is expected to increase risk of default
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Notes (continued)
4. Financial risk management (continued)
(a) Credit risk (continued)

(b) Definition of default and credit impaired assets

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

Quantitative criteria:

The borrower is more than 90 days past due on the contractual payments.

Qualitative criteria:

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

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

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

An instrument is considered to no longer be in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months is aligned to Central Bank of Kenya's prudential guidelines.

(c) Measuring ECL – Inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime (Lifetime EAD). For a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur, using a determined credit conversion factor.
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment and multiplied together which effectively calculates an ECL.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. Where sufficient data is not available to estimate the 12-month PD transition into lifetime PDs, the Group interpolates its internal 12-month PD to external rating agencies long term proxies to estimate the lifetime PDs.

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

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

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

- For secured products, this is primarily based on expected recovery from collateral forced sale values, adjusted for time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically derived from past recoveries from past defaults of unsecured products or the residual unsecured portions of partly secured exposures.

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Notes (continued)
4. Financial risk management (continued)
(a) Credit risk (continued)

(d) Forward looking information factor

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact are adjusted to the ECL. The forward-looking economic variables have been adjusted by a management multiplier.

Sensitivity analysis

The most significant assumption affecting the ECL allowance is interest rates given its impact on borrowers' ability to meet their contractual repayments. Other forward-looking consideration not otherwise incorporated within the calculation of ECL, such as inflation, GDP and exchange rates, have been considered but do not have a material impact therefore no adjustment has been to ECL for such factors. This is reviewed and monitored periodically.

Set out below are the changes to the ECL as at 31 December 2023 that would result from reasonably possible changes in this parameter from actual assumptions used in the Group's economic variable assumptions;

	Interest rates			
	2023		2022	
	-5% Ksh. million	5% Ksh. million	-5% Ksh. million	5% Ksh. million
Corporate portfolio	(54)	54	65	(65)
Retail portfolio	(3)	3	145	(145)

(e) Impaired financial assets

Impaired financial assets are those which the Group determines 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 classified under stage 3 in the Group's internal credit risk grading system and graded as grade 3 to 5 as required by the regulator. According to the Central Bank of Kenya prudential guidelines, loans and advances overdue by over 90 days are considered non-performing.

(f) Past due but not impaired financial assets

Financial assets where contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group. Loans under this category are no more than 90 days overdue.

(g) Loans and advances that are neither past due nor impaired

The Group classifies loans and advances under this category for those exposures that are up to date and in line with contractual agreements. Such loans would have demonstrated financial conditions, risk factors and capacity to repay that are acceptable. These exposures will normally be maintained largely within approved product programs and with no signs of impairment or distress.

Rankings based on shared risks characteristics

When ECL are measured on a collective basis, the financial instruments are ranked on the basis of shared risk characteristics, such as:

- instrument type;
- credit risk grade;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- the value of collateral relative to the financial asset if it has an impact on the probability of a default occurring (loan-to-value (LTV) ratios).

The rankings are reviewed on a regular basis to ensure that each Group is comprised of homogenous exposures.

The Group uses external benchmark information for portfolios with limited historical data. The table below depicts the portfolios for which external benchmark information represents a significant input into measurement of ECL. No collateral is held for these exposures.

Notes (continued)
4. Financial risk management (continued)
(a) Credit risk (continued)

	Exposure (Ksh. million)	External benchmark PD	External benchmark LGD
Cash and bank balances	136,111	Sovereign	S& P ratings
Financial assets held through FVOCI	200,275	Sovereign	S& P ratings
Financial assets held through FVTPL	69	Sovereign	S& P ratings
Financial assets held at amortized costs	196,859	Sovereign	S& P ratings
Loans and advances to banks	370,399	Corporate	S& P ratings
Other assets and prepayments	65,653	Corporate	S& P ratings
Off balance sheet	534,621	Corporate	S& P ratings

* Financial guarantees only

Credit quality

The Group monitors credit risk per class of financial instrument. The table below outlines the classes identified, as well as the financial statement line item and the note that provides an analysis of the items included in the financial statement line for each class of financial instrument.

Class of financial instrument	Financial statement line	Note
Loans and advances to banks at amortised cost	Loans and advances to other banks	Note 22
Loans and advances to customers at amortised cost	Loans and advances to customers	Note 26
Debt investment securities at amortised cost	Financial assets at amortised costs	Note 27
Debt investment securities at FVTOCI	Financial assets at FVOCI	Note 23
Loan commitments and financial guarantee contracts	None	Note 4
Other financial assets	Other financial assets	Note 4

An analysis of the Group's credit risk concentrations per class of financial asset is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Loans and advances at amortised cost	Kenya Ksh. million	Tanzania Ksh. million	Uganda Ksh. million	Rwanda Ksh. million	South Sudan Ksh. million	Burundi Ksh. million	DR Congo Ksh. million	Total Ksh. million
31-Dec-23	914,091	56,901	32,929	77,767	9,726	7,116	104,361	1,202,891
31-Dec-22	743,532	35,745	20,610	56,655	4,516	5,562	65,545	932,165

An analysis of the Group's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

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Notes (continued)
4. Financial risk management (continued)
(a) Credit risk (continued)

The table below analyses the movement of the gross loans during the year.

Gross loans

2023 Loans and advances to customers	Corporate Ksh. million	Mortgages Ksh. million	Retail Ksh. million	Total Ksh. million
Gross loans and advances to customers	**629,782**	**169,611**	**403,498**	**1,202,891**
Of which stage 1 and 2	477,664	148,836	368,093	994,593
Of which stage 3	152,118	20,775	35,405	208,298
Expected credit loss provisions	**82,650**	**3,836**	**22,116**	**108,602**
Of which stage 1 and 2	670	741	3,335	4,746
Of which stage 3	81,980	3,095	18,781	103,856
Net loans and advances to customers	**547,132**	**165,775**	**381,382**	**1,094,289**
Of which stage 1 and 2	476, 994	148,095	364,758	989, 847
Of which stage 3	70,138	17,680	16,624	104, 442
2022 Loans and advances to customers				
Gross loans and advances to customers	**475,886**	**105,737**	**350,542**	**932,165**
Of which stage 1 and 2	346,589	91,505	332,867	770,961
Of which stage 3	129,297	14,232	17,675	161,204
Expected credit loss provisions	**50,116**	**3,263**	**18,106**	**71,485**
Of which stage 1 and 2	3,806	1,511	7,475	12,792
Of which stage 3	46,310	1,752	10,631	58,693
Net loans and advances to customers	**425,770**	**102,474**	**332,436**	**860,680**
Of which stage 1 and 2	342,783	89,994	325,392	758,169
Of which stage 3	82,987	12,480	7,044	102,511

Total Group	Stage 1 12-month ECL Ksh. million	Stage 2 Lifetime ECL Ksh. million	Stage 3 Lifetime ECL Ksh. million	Total Ksh. million
Loans and advances as at 1 January 2023	**609,768**	**161,193**	**161,204**	**932,165**
Changes in the loss allowance				
– Transfer to stage 1	62,445	(59,779)	(2,666)	-
– Transfer to stage 2	(39,403)	39,639	(236)	-
– Transfer to stage 3	(5,503)	(49,990)	55,493	-
Net remeasurement of loss allowance	(26,863)	12,924	8,476	(5,463)
New financial assets originated or purchased	398,093	94,774	34,932	527,799
Financial assets that have been derecognised	(165,316)	(37,389)	(48,905)	(251,610)
Loans and advances as at 31 December 2023	**833,221**	**161,372**	**208,298**	**1,202,891**
Loans and advances as at 1 January 2022	**519,536**	**100,369**	**121,660**	**741,565**
Changes in the loss allowance				
– Transfer to stage 1	4,965	(5,216)	251	-
– Transfer to stage 2	(32,759)	35,092	(2,333)	-
– Transfer to stage 3	(6,780)	(12,133)	18,913	-
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	252,626	66,259	53,635	372,520
Financial assets that have been derecognised	(127,820)	(23,178)	(30,922)	(181,920)
Loans and advances as at 31 December 2022	**609,768**	**161,193**	**161,204**	**932,165**

Notes (continued)
4. Financial risk management (continued)
(a) Credit risk (continued)

The tables below analyse the movement of the gross loans during the year per class of assets in the year ended 31 December 2023:

Corporate - Mortgage	Stage 1 12-month ECL Ksh. million	Stage 2 Lifetime ECL Ksh. million	Stage 3 Lifetime ECL Ksh. million	Total Ksh. million
Loans and advances as at 1 January 2023	**29,115**	**955**	**8,257**	**38,327**
Changes in the loss allowance				
– Transfer to stage 1	1,757	(1,636)	(121)	-
– Transfer to stage 2	(4,980)	4,934	46	-
– Transfer to stage 3	(84)	(1,664)	1,748	-
Net remeasurement of loss allowance	897	3	263	1,163
New financial assets originated or purchased	34,992	2,950	3,402	41,344
Financial assets that have been derecognised	(1,978)	(1,421)	(234)	(3,633)
Loans and advances as at 31 December 2023	**59,719**	**4,121**	**13,361**	**77,201**
Corporate - Term Loans				
Loans and advances as at 1 January 2023	**265,618**	**143,897**	**38,077**	**447,592**
Changes in the loss allowance				
– Transfer to stage 1	32,580	(32,432)	(148)	-
– Transfer to stage 2	(17,962)	17,426	536	-
– Transfer to stage 3	(261)	(5,163)	5,424	-
Net remeasurement of loss allowance	1,620	17,496	3,325	22,441
New financial assets originated or purchased	29,523	38,133	71,970	139,626
Financial assets that have been derecognised	(24,207)	(32,881)	(5,721)	(62,809)
Loans and advances as at 31 December 2023	**286,911**	**146,476**	**113,463**	**546,850**
Corporate - Overdrafts				
Loans and advances as at 1 January 2023	**23,627**	**767**	**2,037**	**26,431**
Changes in the loss allowance				
– Transfer to stage 1	19,211	(19,211)	-	-
– Transfer to stage 2	(1,699)	1,699	-	-
– Transfer to stage 3	(120)	(37)	157	-
Net remeasurement of loss allowance	608	(223)	303	688
New financial assets originated or purchased	12,495	47,024	(15)	59,504
Financial assets that have been derecognised	(3,171)	(296)	(224)	(3,691)
Loans and advances as at 31 December 2023	**50,951**	**29,723**	**2,258**	**82,932**

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Notes (continued)
4. Financial risk management (continued)
(a) Credit risk (continued)

Retail - Mortgage	Stage 1 12-month ECL Ksh. million	Stage 2 Lifetime ECL Ksh. million	Stage 3 Lifetime ECL Ksh. million	Total Ksh. million
Loans and advances as at 1 January 2023	**54,328**	**5,492**	**5,401**	**65,221**
Changes in the loss allowance				
– Transfer to stage 1	1,697	(1,413)	(284)	-
– Transfer to stage 2	(2,746)	2,940	(194)	-
– Transfer to stage 3	(334)	(831)	1,165	-
Net remeasurement of loss allowance	(3,067)	(251)	102	(3,216)
New financial assets originated or purchased	31,076	3,600	1,790	36,466
Financial assets that have been derecognised	(4,797)	(698)	(566)	(6,061)
Loans and advances as at 31 December 2023	**76,157**	**8,839**	**7,414**	**92,410**

Retail -Overdrafts				
Loans and advances as at 1 January 2023	**12,857**	**1,730**	**5,150**	**19,737**
Changes in the loss allowance				
– Transfer to stage 1	322	(295)	(27)	-
– Transfer to stage 2	(628)	649	(21)	-
– Transfer to stage 3	(334)	(138)	472	-
Net remeasurement of loss allowance	450	(44)	(192)	214
New financial assets originated or purchased	6,051	977	574	7,602
Financial assets that have been derecognised	(8,150)	(278)	(476)	(8,904)
Loans and advances as at 31 December 2023	**10,568**	**2,601**	**5,480**	**18,649**

Retail -Term Loans	Stage 1 12-month ECL Ksh. million	Stage 2 Lifetime ECL Ksh. million	Stage 3 Lifetime ECL Ksh. million	Total Ksh. million
Loans and advances as at 1 January 2023	**323,811**	**7,600**	**3,446**	**334,857**
Changes in the loss allowance				
– Transfer to stage 1	7,124	(4,983)	(2,141)	-
– Transfer to stage 2	(11,531)	12,161	(630)	-
– Transfer to stage 3	(6,513)	(2,426)	8,939	-
Net remeasurement of loss allowance	(30,129)	(4,016)	4,750	(29,395)
New financial assets originated or purchased	131,310	8,085	18,359	157,754
Financial assets that have been derecognised	(73,757)	(1,812)	(2,798)	(78,367)
Loans and advances as at 31 December 2023	**340,315**	**14,609**	**29,925**	**384,849**

Notes (continued)
4. Financial risk management (continued)
(a) Credit risk (continued)

Corporate - Mortgage	Stage 1 12-month ECL Ksh. million	Stage 2 Lifetime ECL Ksh. million	Stage 3 Lifetime ECL Ksh. million	Total Ksh. million
Loans and advances as at 1 January 2022	**20,245**	**369**	**6,746**	**27,360**
Changes in the loss allowance				
– Transfer to stage 1	1,098	(944)	(154)	-
– Transfer to stage 2	(2,516)	2,051	465	-
– Transfer to stage 3	(391)	(872)	1,263	-
New financial assets originated or purchased	14,002	379	58	14,439
Financial assets that have been derecognised	(3,323)	(28)	(121)	(3,472)
Loans and advances as at 31 December 2022	**29,115**	**955**	**8,257**	**38,327**

Corporate -Overdratfs				
Loans and advances as at 1 January 2022	**9,965**	**2,160**	**761**	**12,886**
Changes in the loss allowance				
– Transfer to stage 1	584	(580)	(4)	-
– Transfer to stage 2	(939)	938	1	-
– Transfer to stage 3	(25)	(1,143)	1,168	-
New financial assets originated or purchased	15,069	348	541	15,958
Financial assets that have been derecognised	(1,027)	(956)	(430)	(2,413)
Loans and advances as at 31 December 2022	**23,627**	**767**	**2,037**	**26,431**

Corporate -Term Loans				
Loans and advances as at 1 January 2022	**173,707**	**88,823**	**104,310**	**366,840**
Changes in the loss allowance				
– Transfer to stage 1	3,297	(3,199)	(98)	-
– Transfer to stage 2	(22,233)	25,000	(2,767)	-
– Transfer to stage 3	(2,063)	(7,844)	9,907	-
New financial assets originated or purchased	83,249	61,150	12,300	156,699
Financial assets that have been derecognised	(33,281)	(20,033)	(22,633)	(75,947)
Loans and advances as at 31 December 2022	**265,618**	**143,897**	**38,077**	**447,592**

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Notes (continued)
4. Financial risk management (continued)
(a) Credit risk (continued)

Retail -Mortgage	Stage 1 12-month ECL Ksh. million	Stage 2 Lifetime ECL Ksh. million	Stage 3 Lifetime ECL Ksh. million	Total Ksh. million
Loans and advances as at 1 January 2022	**49,023**	**2,124**	**4,937**	**56,084**
Changes in the loss allowance				
– Transfer to stage 1	944	(706)	(238)	-
– Transfer to stage 2	(2,335)	2,361	(26)	-
– Transfer to stage 3	(708)	(485)	1,193	-
New financial assets originated or purchased	13,599	2,914	963	17,476
Financial assets that have been derecognised	(6,195)	(716)	(1,428)	(8,339)
Loans and advances as at 31 December 2022	**54,328**	**5,492**	**5,401**	**65,221**
Retail - Overdrafts				
Loans and advances as at 1 January 2022	**11,796**	**876**	**4,890**	**17,562**
Changes in the loss allowance				
– Transfer to stage 1	318	(309)	(9)	-
– Transfer to stage 2	(640)	696	(56)	-
– Transfer to stage 3	(270)	(79)	349	-
New financial assets originated or purchased	3,934	769	1,989	6,692
Financial assets that have been derecognised	(2,281)	(223)	(2,013)	(4,517)
Loans and advances as at 31 December 2022	**12,857**	**1,730**	**5,150**	**19,737**

Retail - Term Loans	Stage 1 12-month ECL Ksh. million	Stage 2 Lifetime ECL Ksh. million	Stage 3 Lifetime ECL Ksh. million	Total Ksh. million
Loans and advances as at 1 January 2022	**254,800**	**6,017**	**16**	**260,833**
Changes in the loss allowance				
– Transfer to stage 1	2,802	(2,051)	(751)	-
– Transfer to stage 2	(4,284)	4,313	(29)	-
– Transfer to stage 3	(3,751)	(1,350)	5,101	-
New financial assets originated or purchased	176,678	2,823	2,060	181,561
Financial assets that have been derecognised	(102,434)	(2,152)	(2,951)	(107,537)
Loans and advances as at 31 December 2022	**323,811**	**7,600**	**3,446**	**334,857**

Notes (continued)
4. Financial risk management (continued)
(a) Credit risk (continued)

The tables below analyses the movement of the loss allowance during the year.

Total Group	Stage 1 12-month ECL Ksh. million	Stage 2 Lifetime ECL Ksh. million	Stage 3 Lifetime ECL Ksh. million	Total Ksh. million
Loans and advances as at 1 January 2023	**18,650**	**6,411**	**46,424**	**71,485**
Changes in the loss allowance				-
– Transfer to stage 1	2,129	(1,326)	(803)	-
– Transfer to stage 2	(494)	1,074	(580)	-
– Transfer to stage 3	(271)	(3,395)	3,666	-
Net remeasurement of loss allowance	(1,243)	2,182	6,624	7,563
New financial assets originated or purchased	932	3,480	40,058	44,470
Financial assets that have been derecognised	(8,463)	(1,666)	(4,787)	(14,916)
Loans and advances as at 31 December 2023	**11,240**	**6,760**	**90,602**	**108,602**
Loss allowance as at 1 January 2022	**11,279**	**5,311**	**53,156**	**69,746**
Changes in the loss allowance				
– Transfer to stage 1	331	(333)	2	-
– Transfer to stage 2	(294)	1,238	(944)	-
– Transfer to stage 3	(137)	(161)	298	-
Net remeasurement of loss allowance	(1,933)	611	1,322	-
New financial assets originated or purchased	14,643	1,327	3,440	19,410
Financial assets that have been derecognised	(5,239)	(1,582)	(10,850)	(17,671)
Loss allowance as at 31 December 2022	**18,650**	**6,411**	**46,424**	**71,485**

The tables below analyses the movement of the loss allowance during the year per class of assets.

CORPORATE-MORTGAGE	Stage 1 12-month ECL Ksh. million	Stage 2 Lifetime ECL Ksh. million	Stage 3 Lifetime ECL Ksh. million	Total Ksh. million
Loans and advances as at 1 January 2023	**439**	**647**	**761**	**1,847**
Changes in the loss allowance				
– Transfer to stage 1	5	(5)	-	-
– Transfer to stage 2	(33)	(183)	216	-
– Transfer to stage 3	(3)	(61)	64	-
Net remeasurement of loss allowance	(80)	(8)	88	-
New financial assets originated or purchased	3,021	444	1,032	4,497
Financial assets that have been derecognised	(202)	(125)	(224)	(551)
Loans and advances as at 31 December 2023	**3,147**	**709**	**1,937**	**5,793**

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Notes (continued)
4. Financial risk management (continued)
(a) Credit risk (continued)

CORPORATE-OVERDRAFTS	Stage 1 12-month ECL Ksh. million	Stage 2 Lifetime ECL Ksh. million	Stage 3 Lifetime ECL Ksh. million	Total Ksh. million
Loss allowance as at 1 January 2023	**890**	**95**	**-**	**985**
Changes in the loss allowance				
– Transfer to stage 1	611	(611)	-	-
– Transfer to stage 2	(57)	57	-	-
– Transfer to stage 3	(1)	(320)	321	-
Net remeasurement of loss allowance	51	79	351	481
New financial assets originated or purchased	107	913	4,303	5,323
Financial assets that have been derecognised	(2,256)	(41)	(28)	(2,325)
Loss allowance as at 31 December 2023	**(655)**	**172**	**4,947**	**4,464**
CORPORATE-TERM LOANS				
Loans and advances as at 1 January 2023	**11,835**	**4,305**	**33,946**	**50,086**
Changes in the loss allowance				
– Transfer to stage 1	505	(508)	3	-
– Transfer to stage 2	(47)	431	(384)	-
– Transfer to stage 3	(5)	(3,327)	3,332	-
Net remeasurement of loss allowance	414	2,473	(1,315)	1,572
New financial assets originated or purchased	4,972	758	34,850	40,580
Financial assets that have been derecognised	(107)	(21,921)	(1,820)	(23,848)
Loans and advances as at 31 December 2023	**17,567**	**(17,789)**	**68,612**	**68,390**
RETAIL-MORTGAGE				
Loss allowance as at 1 January 2023	**420**	**142**	**930**	**1,492**
Changes in the loss allowance				
– Transfer to stage 1	2	(12)	10	-
– Transfer to stage 2	(16)	29	(13)	-
– Transfer to stage 3	(16)	(17)	33	-
Net remeasurement of loss allowance	(41)	(33)	91	17
New financial assets originated or purchased	(1)	28	261	288
Financial assets that have been derecognised	(128)	(44)	(153)	(325)
Loss allowance as at 31 December 2023	**220**	**93**	**1,159**	**1,472**

Notes (continued)
4. Financial risk management (continued)
(a) Credit risk (continued)

RETAIL-OVERDRAFTS	Stage 1 12-month ECL Ksh. million	Stage 2 Lifetime ECL Ksh. million	Stage 3 Lifetime ECL Ksh. million	Total Ksh. million
Loans and advances as at 1 January 2023	**951**	**948**	**800**	**2,699**
Changes in the loss allowance				
– Transfer to stage 1	31	(34)	3	-
– Transfer to stage 2	(37)	51	(14)	-
– Transfer to stage 3	(12)	(28)	40	-
Net remeasurement of loss allowance	(41)	8	25	(8)
New financial assets originated or purchased	169	163	702	1,034
Financial assets that have been derecognised	(322)	(463)	(1,103)	(1,888)
Loans and advances as at 31 December 2023	**739**	**645**	**453**	**1,837**

RETAIL-TERM LOANS				
Loss allowance as at 1 January 2023	**4,407**	**840**	**9,129**	**14,376**
Changes in the loss allowance				
– Transfer to stage 1	974	(155)	(819)	-
– Transfer to stage 2	(304)	689	(385)	-
– Transfer to stage 3	(246)	(157)	403	-
Net remeasurement of loss allowance	282	4,054	3,874	8,210
New financial assets originated or purchased	3,887	909	2,738	7,534
Financial assets that have been derecognised	(1,812)	(203)	(1,459)	(3,474)
Loss allowance as at 31 December 2023	**7,188**	**5,977**	**13,481**	**26,646**

CORPORATE-MORTGAGE				
Loans and advances as at 1 January 2022	**303**	**610**	**1,145**	**2,058**
Changes in the loss allowance				
– Transfer to stage 1	12	(4)	(8)	-
– Transfer to stage 2	(3)	8	(5)	-
– Transfer to stage 3	(3)	(5)	8	-
Net remeasurement of loss allowance	23	21	89	133
New financial assets originated or purchased	109	21	39	169
Financial assets that have been derecognised	(2)	(4)	(507)	(513)
Loans and advances as at 31 December 2022	**439**	**647**	**761**	**1,847**

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Notes (continued)
4. Financial risk management (continued)
(a) Credit risk (continued)

CORPORATE-OVERDRAFTS	Stage 1 12-month ECL Ksh. million	Stage 2 Lifetime ECL Ksh. million	Stage 3 Lifetime ECL Ksh. million	Total Ksh. million
Loss allowance as at 1 January 2022	**7**	**-**	**51**	**58**
Changes in the loss allowance				
– Transfer to stage 1	-	-	-	-
– Transfer to stage 2	-	-	-	-
– Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance	144	41	(6)	179
New financial assets originated or purchased	740	54	8	802
Financial assets that have been derecognised	(1)	-	(53)	(54)
Loss allowance as at 31 December 2022	**890**	**95**	**-**	**985**
CORPORATE-TERM LOANS				
Loans and advances as at 1 January 2022	**3,508**	**2,999**	**41,135**	**47,642**
Changes in the loss allowance				
– Transfer to stage 1	26	(26)	-	-
– Transfer to stage 2	(23)	909	(886)	-
– Transfer to stage 3	(4)	(26)	30	-
Net remeasurement of loss allowance	(363)	1,289	(769)	157
New financial assets originated or purchased	11,721	526	941	13,188
Financial assets that have been derecognised	(3,030)	(1,366)	(6,505)	(10,901)
Loans and advances as at 31 December 2022	**11,835**	**4,305**	**33,946**	**50,086**
RETAIL-MORTGAGE				
Loss allowance as at 1 January 2022	**408**	**87**	**932**	**1,427**
Changes in the loss allowance				
– Transfer to stage 1	(21)	2	19	-
– Transfer to stage 2	(4)	(7)	11	-
– Transfer to stage 3	(1)	(2)	3	-
Net remeasurement of loss allowance	23	45	104	172
New financial assets originated or purchased	22	19	48	89
Financial assets that have been derecognised	(7)	(2)	(187)	(196)
Loss allowance as at 31 December 2022	**420**	**142**	**930**	**1,492**

Notes (continued)
4. Financial risk management (continued)
(a) Credit risk (continued)

RETAIL-OVERDRAFTS	Stage 1 12-month ECL Ksh. million	Stage 2 Lifetime ECL Ksh. million	Stage 3 Lifetime ECL Ksh. million	Total Ksh. million
Loans and advances as at 1 January 2022	**1,555**	**707**	**1,893**	**4,155**
Changes in the loss allowance				
– Transfer to stage 1	163	(160)	(3)	-
– Transfer to stage 2	(147)	191	(44)	-
– Transfer to stage 3	(34)	(31)	65	-
Net remeasurement of loss allowance	(518)	140	180	(198)
New financial assets originated or purchased	191	225	77	493
Financial assets that have been derecognised	(259)	(124)	(1,368)	(1,751)
Loans and advances as at 31 December 2022	**951**	**948**	**800**	**2,699**

RETAIL-TERM LOANS				
Loss allowance as at 1 January 2022	**5,498**	**921**	**8,000**	**14,419**
Changes in the loss allowance				
– Transfer to stage 1	149	(144)	(5)	-
– Transfer to stage 2	(116)	136	(20)	-
– Transfer to stage 3	(95)	(98)	193	-
Net remeasurement of loss allowance	(1,241)	(113)	1,642	288
New financial assets originated or purchased	1,683	229	1,545	3,457
Financial assets that have been derecognised	(1,471)	(91)	(2,226)	(3,788)
Loss allowance as at 31 December 2022	**4,407**	**840**	**9,129**	**14,376**

Other Financial Assets	Cash & Central Bank Balances Ksh. million	Loans to Banks Ksh. million	Financial assets FVTOCI Ksh. million	Financial assets FVTPL Ksh. million	Financial assets Armotized cost Ksh. million	Total Ksh. million
Gross carrying amount as at 1 January 2023	**100,400**	**163,632**	**113,498**	**17,403**	**164,522**	**559,455**
Changes in the loss allowance						-
– Transfer to stage 1	-	-	-	-	-	-
– Transfer to stage 2	-	-	-	-	-	-
– Transfer to stage 3	-	-	-	-	-	-
– Write-offs	-	-	-	-	-	-
New financial assets originated or purchased	27,552	239,646	161,051	1,332	34,111	463,692
Financial assets that have been derecognised	(22,832)	(1,888)	(74,274)	(18,667)	(1,775)	(119,436)
Gross carrying amount as at 31 December 2023	**105,120**	**401,390**	**200,275**	**68**	**196,858**	**903,711**

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Notes (continued)
4. Financial risk management (continued)
(a) Credit risk (continued)

Other Financial Assets	Cash & Central Bank Balances Ksh. million	Loans to Banks Ksh. million	Financial assets FVTOCI Ksh. million	Financial assets FVTPL Ksh. million	Financial assets Amotized cost Ksh. million	Total Ksh. million
Gross carrying amount as at 1 January 2022	**71,612**	**26,642**	**139,704**	**5,462**	**131,127**	**374,547**
Changes in the loss allowance						-
– Transfer to stage 1	-	-	-	-	-	-
– Transfer to stage 2	-	-	-	-	-	-
– Transfer to stage 3	-	-	-	-	-	-
– Write-offs	-	-	-	-	-	-
New financial assets originated or purchased	33,307	143,493	-	16,566	38,545	231,911
Financial assets that have been derecognised	(4,519)	(6,503)	(26,206)	(4,625)	(5,150)	(47,003)
Gross carrying amount as at 31 December 2022	**100,400**	**163,632**	**113,498**	**17,403**	**164,522**	**559,455**

No loss allowance is recognised in the statement of financial position for debt instruments measured at FVTOCI as the carrying amount is at fair value (see Note 1 Presentation of allowance for ECL).

The Group does not hold any lease receivables.

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity is Ksh. 10,997million at 31 December 2023 (2022: Ksh. 10,997 million). As discussed above in the significant increase in credit risk section, under the Group'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. This is the case mainly for loans and advances to customers and more specifically for retail lending exposures because for corporate lending and other exposures there is more borrower specific information available which is used to identify significant increase in credit risk. 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	Year ended 2023		Year ended 2022	
	Gross carrying amount Ksh. million	Loss allowance Ksh. million	Gross carrying amount Ksh. million	Loss allowance Ksh. million
0-29 days	830,209	15,747	519,031	10,900
30-59 days	-	-	109,222	694
60-89 days	130,909	2,253	142,708	1,198
90-180 days	20,925	22,608	25,854	3,648
More than 181 days	220,848	67,994	135,350	55,045
Total	**1,202,891**	**108,602**	**932,165**	**71,485**

Modified financial assets

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

Notes (continued)
4. Financial risk management (continued)
(a) Credit risk (continued)

Financial assets (with loss allowance based on lifetime ECL) modified during the period	Year ended 2023 Ksh. million	Year ended 2022 Ksh. million
Gross carrying amount before modification	22,389	69,783
Loss allowance before modification	(1,878)	(4,547)
Net amortised cost before modification	20,511	65,236
Net modification gain/(loss)	784	-
Net amortised cost after modification	**21,295**	**65,236**
Financial assets modified since initial recognition at a time when loss allowance was based on lifetime ECL	Year ended 2023 Ksh. million	Year ended 2022 Ksh. million
Gross carrying amount of financial assets for which loss allowance has changed in the period from lifetime to 12-month ECL basis after modification	-	-

Collateral held as security and other credit enhancements

The Group holds collateral or other credit enhancements to mitigate credit risk associated with financial assets. The collateral presented relates to instruments that are measured at FVTOCI, amortised cost and at FVTPL.

The Group also holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

The Group did not hold any financial instrument for which no loss allowance is recognised because of collateral at 31 December 2023. There was no change in the Group's collateral policy during the year.

Derivatives and loans and advances to banks (reverse sale and repurchase agreements and securities borrowing)

The Group does not hold any derivatives.

Mortgage lending

The Group holds residential properties as collateral for the mortgage loans it grants to its customers. The Group monitors its exposure to retail mortgage lending using the LTV ratio, which is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is typically based on the collateral value at origination updated based on changes in house price indices. For credit-impaired loans the value of collateral is based on the most recent appraisals. The tables below show the exposures from mortgage loans by ranges of LTV.

	Year ended 2023		Year ended 2022	
Mortgage lending LTV ratio	Gross carrying amount Ksh. million	Loss allowance Ksh. million	Gross carrying Ksh. million	Loss allowance Ksh. million
Less than 50%	41,364	419	36,362	703
51-70%	18,642	122	15,878	107
71-90%	24,449	868	23,514	226
91-100%	6,084	351	5,295	236
More than 100%	19,012	1,642	14,683	1,070
Total	**109,551**	**3,402**	**95,732**	**2,342**

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Notes (continued)
4. Financial risk management (continued)
(a) Credit risk (continued)

Credit impaired – mortgage lending LTV ratio	Year ended 2023 Gross carrying amount Ksh. million	Year ended 2023 Loss allowance Ksh. million	Year ended 2022 Gross carrying amount Ksh. million	Year ended 2022 Loss allowance Ksh. million
Less than 50%	2,206	362	2,561	111
51-70%	2,615	93	2,391	109
71-90%	4,370	822	1,650	150
91-100%	2,199	299	1,347	183
More than 100%	7,418	1,437	5,899	804
Total	**18,808**	**3,013**	**13,848**	**1,357**

Personal lending

The Group's personal lending portfolio consists of unsecured loans and credit cards.

Corporate lending

The Group requests collateral and guarantees for corporate lending. The most relevant indicator of corporate customers' creditworthiness is an analysis of their financial performance and their liquidity, leverage, management effectiveness and growth ratios. For this reason the valuation of collateral held against corporate lending is not routinely updated. The valuation of such collateral is updated if the loan is put on "watch-list" and is therefore monitored more closely.

For credit-impaired loans the Group obtains appraisals of collateral to inform its credit risk management actions. At 31 December 2023 the net carrying amount of loans and advances to corporate customers was Ksh. 547 million (2022 – Ksh. 423 million) and the value of the respective collateral was Ksh. 2,201million (2022 – Ksh. 2,201million).

Investment securities

The Group holds investment securities measured at amortised cost with a carrying amount of Ksh. 197 million (2022: 165 million) and at FVTOCI with a carrying amount of Ksh. 200 million (2022: 113million). The investment securities held by the Group are sovereign bonds and corporate bonds, which are not collateralised, as well as asset backed securities, which are secured by financial assets.

Lease receivables

The Group does not have any lease receivables.

Assets obtained by taking possession of collateral

The Group obtained financial assets during the year by taking possession of collateral held as security against loans and advances. The Group's policy is to realise collateral on a timely basis. The Group does not use non-cash collateral for its operations.

(i) Past due but not impaired loans and advances

Past due but not impaired loans and advances are those for which contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of stage of collection of amounts owed to the Group. As at 31 December, the ageing analysis of past due but not impaired loans and advances was as follows:

	GROUP 2023 Ksh. million	GROUP 2022 Ksh. million	COMPANY 2023 Ksh. million	COMPANY 2022 Ksh. million
Less than 60 days	204,211	133,550	-	-
Between 60 and 120 days	17,762	23,152	-	-
Greater than 120 days	12,497	21,045	-	-
	234,470	**177,747**	**-**	**-**

Notes (continued)
4. Financial risk management (continued)
(a) Credit risk (continued)

Credit related commitment risk

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

(ii) Write-off policy

The Group writes off a loan balance as and when the Credit Committee determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure.

(iii) Collateral on loans and advances

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property and other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is individually assessed as impaired.

(iv) Concentration of credit risk

The Group focuses on the diversification of its lending portfolio by setting industry sector limits based on forecasts spanning a one-year horizon to ensure that its performance is not negatively impacted by a large sectoral exposure default. Additionally, regular stress tests are performed on the portfolio to ensure that the Group holds sufficient capital to withstand any loss arising from significant exposure to a sector, single customer and group of closely related customers.

Overall, it is the policy of the Group to limit credit risk exposures and concentrations within the constraints of its capital base. An analysis of concentrations of credit risk at the reporting date is shown below:

	GROUP		COMPANY	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Personal/household	381,488	367,249	-	-
Real Estate	150,372	134,742	-	-
Manufacturing	184,398	120,185	-	-
Building and construction	100,177	67,157	-	-
Trade	123,630	90,467	-	-
Financial services	20,499	11,610	-	-
Transport and communication	78,358	54,500	-	-
Tourism, restaurants and hotels	42,606	35,647	-	-
Energy and water	44,456	23,516	-	-
Agriculture	44,220	25,875	-	-
Mining and quarrying	32,687	1,217	-	-
	1,202,891	**932,165**	**-**	**-**

Fair value of collateral held

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

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

Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse purchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held as at 31 December 2023 and 31 December 2022. An estimate of fair values of collaterals held against loans and advances to customers at the end of the year was as follows:

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Notes (continued)
4. Financial risk management (continued)
(a) Credit risk (continued)

	GROUP		COMPANY	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Impaired loans	77,616	163,000	-	-
Performing loans	2,781,348	2,897,449	-	-
	2,858,964	**3,060,449**	**-**	**-**

(b) Liquidity risk

Liquidity risk is the risk that the Group, though solvent either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due or can secure them only at excessive costs.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's treasury maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers.

To address any liquidity risk negative gaps, the group has an Assets & Liabilities Committee that directs mobilization of deposits and where needed supports big tickets through aggressive pricing, halts or significantly curtails asset growth. The Group uses the interbank borrowing or disposes government securities to address short -term negative gaps.

Details of the reported Group's ratio of net liquid assets to deposits from customers at the reporting date and during the reporting year were as follows:

	2023	2022
At close of the year	39.3%	40.9%
Average for the year	39.5%	38.8%
Maximum for the year	41.3%	40.9%
Minimum for the year	37.3%	36.9%

The liquidity position across the group subsidiaries as at the reporting date were as follows:

	KCBK	NBK	KCBU	KCBB	KCBSS	BPR	KCBT	TMB
Liquidity Ratio	46.2%	43.5%	27.0%	64.3%	57.5%	27.8%	25.0%	135.8%
Statutory Minimum	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	100.0%
Excess	**26.2%**	**23.5%**	**7.0%**	**44.3%**	**37.5%**	**7.8%**	**5.0%**	**35.8%**

Notes (continued)
4. Financial risk management (continued)
(b) Liquidity risk (continued)

The tables below summarize the Group' and Company's liquidity risk as at 31 December 2023 and 31 December 2022, categorized into relevant maturity groupings based on the remaining contractual maturities.

Group At 31 December 2023	Up to 1 month Ksh. million	1 - 3 months Ksh. million	3 - 12 months Ksh. million	1 - 5 years Ksh. million	Over 5 years Ksh. million	Total Ksh. million
Cash and balances with Central Banks	112,280	13,922	2,627	3,843	4,719	137,391
Loans and advances to Banks	364,190	4,409	149	271	100	369,119
Financial assets at FVTPL	-	-	-	-	69	69
Financial Assets at amortised cost	1,198	5,712	11,292	26,546	152,110	196,858
Financial Assets at fair value through OCI	10,691	36,690	6,304	32,197	114,574	200,456
Loans and advances to customers	172,265	106,144	149,086	353,291	1,060,164	1,840,950
Investment in equity	-	-	-	-	1,580	1,580
Investment property	-	-	-	-	12,766	12,766
Other assets	11,414	48,125	206	881	5,126	65,752
Total financial assets	**672,038**	**215,002**	**169,664**	**417,029**	**1,351,208**	**2,824,941**
Deposits from banks	71,663	8,445	11,069	1,318	-	92,495
Deposits from customers	1,080,511	338,515	136,919	102,898	732,066	2,390,909
Retirement benefits obligation	-	-	-	-	-	-
Borrowings	-	3,274	7,147	55,007	23,230	88,658
Lease liabilities	169	59	840	2,173	12,556	15,797
Other liabilities	14,546	32,743	92	2,735	4,570	54,686
Total financial liabilities	**1,166,889**	**383,036**	**156,067**	**164,131**	**772,422**	**2,642,545**
Net statement of financial exposure	**(494,851)**	**(168,034)**	**13,597**	**252,898**	**578,786**	**182,396**

Company At 31 December 2023	Up to 1 month Ksh. million	1 - 3 months Ksh. million	3 - 12 months Ksh. million	1 - 5 years Ksh. million	Over 5 years Ksh. million	Total Ksh. million
Cash and balances with Central Banks	**5,613**	**-**	**-**	**-**	**-**	**5,613**
Loans and advances to Banks	-	-	-	-	-	-
Balances due from related companies	-	-	-	-	-	-
Financial assets at FVTPL	-	-	-	-	-	-
Financial Assets at amortised cost	-	-	-	-	-	-
Financial Assets at fair value through OCI	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Investment in equity	-	-	-	-	-	-
Investment property	-	-	-	-	-	-
Other assets	89	-	-	-	-	89
Total financial assets	**5,702**	**-**	**-**	**-**	**-**	**5,702**
Deposits from banks	-	-	4,686	-	-	4,686
Deposits from customers	-	-	-	-	-	-
Retirement benefits obligation	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-
Other liabilities	630	-	-	-	-	630
Total financial liabilities	**630**	**-**	**4,686**	**-**	**-**	**5,316**
Net statement of financial exposure	**5,072**	**-**	**(4,686)**	**-**	**-**	**386**

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Notes (continued)
4. Financial risk management (continued)
(b) Liquidity risk (continued)

Group At 31 December 2022	Up to 1 month Ksh. million	1 - 3 months Ksh. million	3 - 12 months Ksh. million	1 - 5 years Ksh. million	Over 5 years Ksh. million	Total Ksh. million
Cash and balances with Central Banks	**80,177**	**4,651**	**1,626**	**1,710**	**2,967**	**91,131**
Loans and advances to Banks	159,190	2,200	-	-	1,344	162,734
Financial assets at FVTPL	419	4,708	4,526	3,520	4,231	17,404
Financial Assets at amortised cost	2,748	1,660	3,933	24,102	132,079	164,522
Financial Assets at fair value through OCI	113,672	10,662	47,130	73,920	95,459	340,843
Loans and advances to customers	397,829	71,160	165,899	526,184	498,213	1,659,285
Investment in equity	54	-	28	27	1,077	1,186
Investment property	-	-	-	-	12,601	12,601
Other assets	26,862	20,146	3,757	-	-	50,765
Total financial assets	**780,951**	**115,187**	**226,899**	**629,463**	**747,971**	**2,500,471**
Deposits from banks	86,746	4,624	545	873	-	92,788
Deposits from customers	1,297,396	136,168	227,708	105,775	631,602	2,398,649
Retirement benefits obligation	-	-	-	-	1,007	1,007
Borrowings	-	3,119	3,111	20,655	36,725	63,610
Lease liabilities	696	923	2,918	7,181	5,837	17,555
Other liabilities	34,152	380	9,714	-	1,164	45,410
Total financial liabilities	**1,418,990**	**145,214**	**243,996**	**134,484**	**676,335**	**2,619,019**
Net statement of financial exposure	**(638,039)**	**(30,027)**	**(17,097)**	**494,979**	**71,636**	**(118,548)**

The amounts in the tables above have been compiled based on undiscounted cash flows, which include estimated interest payments.

Company At 31 December 2022	Up to 1 month Ksh. million	1 - 3 months Ksh. million	3 - 12 months Ksh. million	1 - 5 years Ksh. million	Over 5 years Ksh. million	Total Ksh. million
Cash and balances with Central Banks	**712**	**-**	**-**	**-**	**-**	**712**
Loans and advances to Banks	-	-	-	-	-	-
Balances due from related companies	-	-	-	-	-	-
Financial assets at FVTPL	-	-	-	-	-	-
Financial Assets at amortised cost	-	-	-	-	-	-
Financial Assets at fair value through OCI	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Investment in equity	-	-	-	-	-	-
Investment property	-	-	-	-	-	-
Other assets	62	-	-	-	-	62
Total financial assets	**774**	**-**	**-**	**-**	**-**	**774**
Deposits from banks	-	-	-	-	-	-
Deposits from customers	-	-	-	-	-	-
Balances due from related companies	2,360					2,360
Retirement benefits obligation	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-
Other liabilities	766	-	-	-	-	766
Due to related parties	-	-	-	-	-	-
Total financial liabilities	**3,126**	**-**	**-**	**-**	**-**	**3,126**
Net statement of financial exposure	**(2,352)**	**-**	**-**	**-**	**-**	**(2,352)**

Notes (continued)
4. Financial risk management (continued)

(c) Market risk

(i) Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions which are monitored daily, and hedging strategies used to ensure that positions are maintained within the established limits. Foreign exchange risk arises from our non-trading asset and liability positions, denominated in currencies other than the functional currency of the respective entity.

Transactions in foreign currency are recorded at the rate in effect at the date of the transaction. The Group translates monetary assets and liabilities denominated in foreign currencies at the rate of exchange in effect at the reporting date. The Group records all gains or losses on changes in currency exchange rates in profit or loss.

The table below summarizes the foreign currency exposure as at 31 December 2023 and 31 December 2023:

	GROUP		COMPANY	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Monetary assets i foreign currencies	824,499	269,825	-	-
Monetary liabilities in foreign currencies	(806,120)	(279,705)	-	-
Net foreign currency exposure at the end of the year	**18,379**	**(9,880)**	**-**	**-**

31 December 2023:	USD Ksh. million	GBP Ksh. million	EURO Ksh. million	OTHER Ksh. million	Total Ksh. million
ASSETS					
Cash and bank balances	45,378	1,071	5,388	770	52,607
Loans and advances to customers	588,137	4	5,007	347	593,495
Placements with Banks	139,150	361	2,282	169	141,962
Other assets	36,017	8	335	75	36,435
At 31 December 2023	**808,682**	**1,444**	**13,012**	**1,361**	**824,499**
LIABILITIES					
Deposits from banks	12,544	16	769	24	13,353
Deposits from customers	669,025	1,254	13,452	910	684,641
Other liabilities	106,481	42	1,434	169	108,126
At 31 December 2023	**788,050**	**1,312**	**15,655**	**1,103**	**806,120**
Net statement of financial position exposure	**20,632**	**132**	**(2,643)**	**258**	**18,379**

31 December 2022:	USD Ksh. million	GBP Ksh. million	EURO Ksh. million	OTHER Ksh. million	Total Ksh. million
ASSETS					
Cash and bank balances	41,910	495	2,690	2,083	47,178
Loans and advances to customers	7,254	182	1,437	186	9,059
Placements with banks	185,175	53	1,465	664	187,357
Other assets	23,785	7	348	14	24,154
At 31 December 2022	**258,124**	**737**	**5,940**	**2,947**	**267,748**
LIABILITIES					
Deposits from banks	8,474	6	52	1,060	9,592
Deposits from customers	180,329	699	5,236	10,336	196,600
Other liabilities	63,610	-	-	-	63,610
At 31 December 2022	**252,413**	**705**	**5,288**	**11,396**	**269,802**
Net statement of financial position exposure	**5,711**	**32**	**652**	**- 8,449**	**(2,054)**

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Notes (continued)
4. Financial risk management (continued)
(c) Market risk (continued)
(i) Current risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in the below mentioned exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

The group manages the currency risk through cross currency swaps, deposit mobilization and also long-term borrowings and onward lending to customers to mitigate any gaps. The Group also uses the interbank borrowings or lending to manage the currency gap position.

	At 31 December 2023			At 31 December 2022		
Ksh. 'Million'	**Currency Carrying Amount**	**10% Depreciation**	**10% Appreciation**	**Currency Carrying Amount**	**10% Depreciation**	**10% Appreciation**
Assets						
USD	808,681	(80,868)	80,868	258,124	(25,812)	25,812
GBP	1,444	(144)	144	737	(74)	74
Euro	13,013	(1,301)	1,301	5,940	(594)	594
Other	1,361	(136)	136	2,947	(295)	295
		(82,449)	**82,449**		**(26,775)**	**26,775**
Liabilities						
USD	788,051	78,805	(78,805)	257,801	25,780	(25,780)
GBP	1,312	131	(131)	727	73	(73)
Euro	15,655	1,566	(1,566)	5,486	549	(549)
Others	1,103	110	(110)	13,565	1,356	(1,356)
		80,612	**(80,612)**		**27,758**	**(27,758)**
Increase/(decrease)		(1,837)	1,837		983	(983)
Tax charge at 30%		(551)	551		295	(295)
Effect on net profit		(1,286)	1,286		688	(688)
As a percentage of net profit		**-3.43%**	**3.43%**		**1.68%**	**-1.68%**

At 31 December 2023 if the shilling had weakened/strengthened by 10% against the major trading currencies, with all other variables held constant, net profit would have been Ksh. 1,286 million (2022: Ksh. 688 million) lower/higher.

(ii) Interest rate risk

Interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in the market interest rates. Interest margin may decrease because of such changes but may increase losses in the event that unexpected movement arises.

The Group closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of assets and liabilities carried on the statement of financial position. Assets and Liabilities Committee monitors compliance with the set interest rate gaps.

To manage interest rate risk the group has a robust Assets and Liabilities Committee which reviews daily cash management, monitors daily liquidity limits of loan to deposit ratio and interbank borrowing. The Group also performs stress testing of liquid assets and has a contingency funding plan to ensure severe liquidity gaps are adequately managed. The table below shows interest rate sensitivity position of the Group at 31 December based on the earlier of maturity or re-pricing dates. Items not recognised on the statement of financial position do not pose any significant interest rate risk to the Group.

Notes (continued)
4. Financial risk management (continued)
(c) Market risk (continued)
(ii) Interest rate risk (continued)

Group At 31 December 2023:	rates	Up to 1 month Ksh. million	1 - 3 months Ksh. million	3 - 12 months Ksh. million	1 - 5 years Ksh. million	Over 5 years Ksh. million	Non-interest bearing Ksh. million	Total Ksh. million
Cash and balances with Central Banks	0.00%	-	10,535	-	1,514	-	124,062	136,111
Loans and advances to banks	1.70%	239,747	4,738	-	-	-	125,914	370,399
Financial assets at FVOCI	11.30%	11,563	36,455	6,281	30,941	112,824	2,211	200,275
Financial assets at FVTPL	11.30%	-	-	-	-	64	5	69
Investment in equity	0.00%	-	-	-	-	-	1,580	1,580
Other assets and prepayments	0.00%	8,442	-	-	-	-	57,301	65,743
Loans and advances to customers	10.50%	148,623	182,407	143,187	309,452	307,997	4,278	1,095,944
Investment property	0.00%	-	-	-	-	19,025	166	19,191
Financial assets at armotised cost	11.30%	2,465	7,841	11,263	26,221	146,631	2,438	196,859
Total assets		**410,840**	**241,976**	**160,731**	**368,128**	**586,541**	**317,955**	**2,086,171**
Deposits from banks	4.70%	73,092	350	6,172	-	7,222	973	87,809
Deposits from customers	2.60%	897,736	310,866	143,688	115,159	32,287	191,172	1,690,908
Lease liability	0.00%	-	25	744	1,129	2,352	1,547	5,797
Payables and accrued expenses	0.00%	1,507	32,134	-	639	-	20,134	54,414
Borrowings	3.90%	785	3,261	7,147	62,557	14,078	830	88,658
Total liabilities and equity		**973,120**	**346,636**	**157,751**	**179,484**	**55,939**	**214,656**	**1,927,586**
Interest rate sensitivity gap		**(562,280)**	**(104,660)**	**2,980**	**188,644**	**530,602**	**103,299**	**158,585**

Group At 31 December 2022:	Weighted interest rates	Up to 1 month Ksh. million	1 - 3 months Ksh. million	3 - 12 months Ksh. million	1 - 5 years Ksh. million	Over 5 years Ksh. million	Non-interest bearing Ksh. million	Total Ksh. million
Cash and balances with Central Banks	0.00%	-	-	-	-	-	91,131	91,131
Loans and advances to banks	1.70%	32,533	2,109	-	-	1,344	126,918	162,904
Financial assets at FVOCI	11.30%	64	805	4,670	28,273	78,591	1,096	113,499
Financial assets at FVTPL	11.30%	400	4,494	4,347	3,386	4,039	739	17,405
Investment in equity	0.00%	630	-	-	-	-	447	1,077
Other assets and prepayments	0.00%	6,453	19,127	3,725	-	-	21,358	50,663
Loans and advances to customers	10.50%	81,554	99,359	61,491	237,332	319,821	63,711	863,268
Financial assets at armotised cost	11.30%	1,940	1,611	3,933	24,035	132,079	924	164,522
Total assets		**123,574**	**127,505**	**78,166**	**293,026**	**535,874**	**306,324**	**1,464,469**
Deposits from banks	4.70%	78,942	2,239	2,729	833	13,246	(5,202)	92,787
Deposits from customers	2.60%	606,543	59,902	75,931	4,858	114,317	273,866	1,135,417
Lease liability	0.00%	45	34	240	803	3,581	1,170	5,873
Payables and accrued expenses	0.00%	14,617	199	9,714	-	-	12,965	37,495
Borrowings	3.90%	4	96	1,166	16,229	45,739	375	63,609
Total liabilities and equity		**700,151**	**62,470**	**89,780**	**22,723**	**176,883**	**283,174**	**1,335,181**
Interest rate sensitivity gap		**(576,577)**	**65,035**	**(11,614)**	**270,303**	**358,991**	**23,150**	**129,288**

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Notes (continued)
4. Financial risk management (continued)
(c) Market risk (continued)
(ii) Interest rate risk (continued)

Company At 31 December 2023:	Weighted interest rates	Up to 1 month Ksh. million	1 - 3 months Ksh. million	3 - 12 months Ksh. million	1 - 5 years Ksh. million	Over 5 years Ksh. million	Non-interest bearing Ksh. million	Total Ksh. million
Cash and balances with Central Banks	0.00%	-	-	-	-	-	5,613	5,613
Loans and advances to banks	0.00%	-	-	-	-	-	-	-
Financial assets at FVOCI	0.00%	-	-	-	-	-	-	-
Amounts due from related companies	0.00%	-	-	-	-	-	-	-
Other assets and prepayments	0.00%	-	-	-	-	-	89	89
Total assets		**-**	**-**	**-**	**-**	**-**	**5,702**	**5,702**
Deposits from banks	0.00%	-	-	4,686	-	-	-	4,686
Deposits from customers	0.00%	-	-	-	-	-	-	-
Payables to related parties	0.00%	-	-	-	-	-	-	-
Payables and accrued expenses	0.00%	-	-	-	-	-	630	630
Borrowings	0.00%	-	-	-	-	-	-	-
Total liabilities and equity		**-**	**-**	**4,686**	**-**	**-**	**630**	**5,316**
Interest rate sensitivity gap		**-**	**-**	**(4,686)**	**-**	**-**	**5,072**	**386**

Company At 31 December 2022:	Weighted interest rates	Up to 1 month Ksh. million	1 - 3 months Ksh. million	3 - 12 months Ksh. million	1 - 5 years Ksh. million	Over 5 years Ksh. million	Non-interest bearing Ksh. million	Total Ksh. million
Cash and balances with Central Banks	0.00%	-	-	-	-	-	712	712
Loans and advances to banks	0.00%	-	-	-	-	-	-	-
Financial assets at FVOCI	0.00%	-	-	-	-	-	-	-
Amounts due from related companies	0.00%	-	-	-	-	-	-	-
Other assets and prepayments	0.00%	-	-	-	-	-	62	62
Total assets		**-**	**-**	**-**	**-**	**-**	**774**	**774**
Deposits from banks	0.00%	-	-	-	-	-	-	-
Deposits from customers	0.00%	-	-	-	-	-	-	-
Payables to related parties	0.00%	-	-	-	-	-	2,270	2,270
Payables and accrued expenses	0.00%	-	-	-	-	-	766	766
Borrowings	0.00%	-	-	-	-	-	-	-
Total liabilities and equity		**-**	**-**	**-**	**-**	**-**	**3,036**	**3,036**
Interest rate sensitivity gap		**-**	**-**	**-**	**-**	**-**	**(2,262)**	**(2,262)**

Notes (continued)
4. Financial risk management (continued)
(c) Market risk (continued)
(ii) Interest rate risk (continued)

An analysis of the Group's sensitivity to an increase or decrease in market interest rates assuming no asymmetrical movement in yield curves and a constant financial position is as follows on profit or loss (balances in Ksh. million):

	2023 Carrying amount	1% Increase	1% Decrease	2022 Carrying amount	1% Increase	1% Decrease
Cash and balances with Central Banks	105,120	1,051	(1,051)	91,131	911	(911)
Loans and advances to banks	401,391	4,014	(4,014)	163,632	1,636	(1,636)
Financial assets at FVTPL	69	1	(1)	-	-	-
Financial assets at FVOCI	200,275	2,003	(2,003)	113,498	1,135	(1,135)
Investment property	12,766	128	(128)	12,601	126	(126)
Other assets and prepayments	65,654	657	(657)	39,142	391	(391)
Loans and advances to customers (Net)	1,090,950	10,910	(10,910)	863,626	8,636	(8,636)
Financial assets at armotised cost	196,859	1,969	(1,969)	164,522	1,645	(1,645)
	2,073,084	**20,733**	**(20,733)**	**1,448,152**	**14,480**	**(14,480)**
LIABILITIES & EQUITY						
Deposits from banks	87,809	(878)	878	92,787	(928)	928
Deposits from customers	1,690,908	(16,909)	16,909	1,135,444	(11,354)	11,354
Retirement benefits obligations	-	-	-	1,007	(10)	10
Other liabilities and accrued expenses	52,466	(525)	525	44,989	(450)	450
Borrowings	88,658	(887)	887	63,610	(636)	636
	1,919,841	**(19,199)**	**19,199**	**1,337,837**	**(13,378)**	**13,378**
Net interest income Increase/(decrease)		1,534	(1,534)		1,102	(1,102)
Tax Charge @ 30%		(460)	460		(331)	331
Impact on profit after tax		**1,074**	**(1,074)**		**771**	**(771)**

Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The Bank Treasury is responsible for the development of detailed risk management policies and for day-to-day implementation of those policies.

(iii) Price risk

The Group is exposed to equity securities price risk because of investments in Kenya Mortgage Refinance Company shares. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity and debt securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Directors.

Value at risk

The Group applies a 'value at risk' (VAR) methodology to its trading and non-trading portfolios to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. Interest rate risk in the non-trading book is also measured using interest rate repricing gap analysis.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Group might lose, but only to a certain level of confidence (99%). There is therefore a specified statistical probability (1%) that actual loss could be greater than the VAR estimate.

The VAR model assumes a certain 'holding period' until positions can be closed (10 days). It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over 10-day periods in the past. The Group's assessment of past movements is based on data for the past five years. The Group applies these historical changes in rates, prices, indices, etc. directly to its current positions – a method known as historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VAR calculation.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements. The VaR is calculated as per the below standard parameters:

- Confidence level - 99%
- Holding Period – 10 Day
- Historical Data – 5 years

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Notes (continued)
4. Financial risk management (continued)
(c) Market risk (continued)
(iii) Price risk (continued)

The VaR is reported to the Board as part of the ICAAP process. The VAR limits will be established for all trading portfolio operations and allocated to Business Units. Average daily VAR for the KCB Kenya was Ksh. 1,365 million (2022: Ksh. 1,225 million). The quality of the VAR model is continuously monitored by back testing the VAR results.

12 months to 31 Dec 2023

Stress VaR Ksh. million	Average	High	Low
Interest rate risk	1,355	1,506	1,195
Foreign exchange risk	43	176	5
Total VaR	**1,365**	**1,509**	**1,192**

12 months to 31 Dec 2022

Ksh. million	Average	High	Low
Interest rate risk	1,222	1,327	1,147
Foreign exchange risk	34	149	5
Total VaR	**1,225**	**1,326**	**1,166**

Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Treasury and Risk Functions include risk factor stress testing, where stress movements are applied to each risk category; emerging market stress testing, where emerging market portfolios are subject to stress movements; and ad hoc stress testing, which includes applying possible stress events to specific positions or regions.

The results of the stress tests are reviewed by senior management in each business unit and by the Board of Directors. The stress testing is tailored to the business and typically uses scenario analysis.

(d) Off balance sheet items

(i) Loan commitments

The dates of the contractual amounts of the Group's off-balance sheet financial instruments that it commits to extend credit to customers and other facilities (Note 45) are summarised in the table below.

(ii) Off balance sheet financial instruments

Off balance sheet letters of credit and guarantees (Note 46) are also included in the table below, based on the earliest contractual maturity date.

(iii) Operating lease commitments

Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases.

(iv) Capital commitments

Capital commitments for the acquisition of buildings and equipment (Note 45) are summarised in the table below:

At 31 December 2023	No later than 1 year Ksh. million	1-5 years Ksh. million	Over 5 years Ksh. million	Total Ksh. million
Loan commitments	21,330	111,989	1,134	134,453
Off balance sheet financial instruments	505,052	7,707	89	512,848
Operating lease commitments	4,162	3,153	1,282	8,597
Capital commitments	869	-	-	869
Total	**531,413**	**122,849**	**2,505**	**656,767**
At 31 December 2022				
Loan commitments	31,049	-	-	31,049
Off balance sheet financial instruments	72,798	21,614	606	95,018
Operating lease commitments	1,150	5,268	3,403	9,821
Capital commitments	2,682	-	-	2,682
Total	**107,679**	**26,882**	**4,009**	**138,570**

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Notes (continued)

5. Fair Value of Financial Instruments

(a) Accounting classification and fair values

The tables below show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				Fair value			
2023 Group	**FVOCI Ksh. million**	**FVTPL Ksh. million**	**At amortised cost Ksh. million**	**Total carrying amount Ksh. million**	**Level 1 Ksh. million**	**Level 2 Ksh. million**	**Level 3 Ksh. million**	**Total Ksh. million**
Assets								
Financial assets								
Cash and bank balances	-	-	136,111	136,111	93,538	42,573	-	136,111
Due from other banks	-	-	370,399	370,399	-	370,399	-	370,399
Financial assets at amortized cost	-	-	196,859	196,859	196,859	-	-	196,859
Due from related companies								
Financial assets at FVOCI	-	-	200,275	200,275	200,275	-	-	200,275
Loans and advances to customers at amortised cost	-	-	1,094,289	1,094,289	-	1,094,289	-	1,094,289
Loans and advances to customers at FVTPL			1,655	1,655	1,655	-	-	1,655
Other assets and prepayments	-	-	65,653	65,653	-	65,653	-	65,653
Total financial assets	**-**	**-**	**2,065,241**	**2,065,241**	**492,327**	**1,572,914**	**-**	**2,065,241**
Due to other banks	-	-	87,809	87,809	-	87,809	-	87,809
Deposits from customers	-	-	1,690,908	1,690,908	-	1,690,908	-	1,690,908
Payables and accrued expenses	-	-	54,414	54,414	-	54,414	-	54,414
Long term debt	-	-	88,658	88,658	-	88,658	-	88,658
Total financial liabilities			**1,921,789**	**1,921,789**	**-**	**1,921,789**	**-**	**1,921,789**

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Notes (continued)

5. Fair Value of Financial Instruments (continued)

(a) Accounting classification and fair values (continued)

	Carrying amount				Fair value			
2022 Group	**FVTOCI Ksh. million**	**FVTPL Ksh. million**	**At amortised cost Ksh. million**	**Total Ksh. million**	**Level 1 Ksh. million**	**Level 2 Ksh. million**	**Level 3 Ksh. million**	**Total Ksh. million**
Assets								
Financial assets								
Cash and balances with Central Banks	-	-	91,131	91,131	91,131	-	-	91,131
Due from other banks	-	-	163,632	163,632	-	163,632	-	163,632
Financial assets at amortized cost	-	-	164,522	164,522	164,522	-	-	164,522
Financial assets at FVOCI	113,498	-	-	113,498	113,498	-	-	113,498
Loans and advances to customers at amortised cost	-	-	860,680	860,680	-	860,680	-	860,680
Loans and advances to customers at FVTPL		1,482	-	1,482	1,482	-	-	1,482
Other assets and prepayments	-	-	49,738	49,738	-	49,738	-	49,738
Investment in equity	-	-	1,077	1,077	-	1,077	-	1,077
Total financial assets	**113,498**	**1,482**	**1,330,780**	**1,445,760**	**370,633**	**1,075,127**	**-**	**1,445,760**
Liabilities								
Due to other banks	-	-	92,787	92,787	-	92,787	-	92,787
Deposits from customers	-	-	1,135,417	1,135,417	-	1,135,417	-	1,135,417
Payables and accrued expenses	-	-	44,989	44,989	-	44,989	-	44,989
Long term debt	-	-	69,483	69,483	-	69,483	-	69,483
Total financial liabilities	**-**	**-**	**1,342,676**	**1,342,676**	**-**	**1,342,676**	**-**	**1,342,676**

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

When applicable, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

Investment securities with observable market prices including equity securities are fair valued using that information. Investment securities that do not have observable market data are fair valued either using discounted cash flow method or quoted market prices for securities with similar yield characteristics. The table above includes Ksh. 295 million (2022: Ksh. 295 million) of securities in both carrying amount and fair value columns that were measured at cost and for which disclosure at fair value was not provided because their fair value

Notes (continued)
5. Fair Value of Financial Instruments (continued)
(a) Accounting classification and fair values (continued)

was not considered to be reliably measurable.

Loans and advances to customers are net of allowance for impairment. The estimated fair value of loans and advances represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. A substantial proportion of loans and advances are on floating rates and re-price within 12 months, hence their fair value approximates their carrying amounts.

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. Estimated fair value of fixed interest-bearing deposits without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with a similar maturities and interest rates. A substantial proportion of deposits mature within 12 months and hence the fair value approximates their carrying amounts.

Cash and bank balances are measured at amortised cost and their fair value approximates their carrying amount.

(b) Valuation hierarchy

The table below presents the Group's assets that are measured at fair value the end of the year.

Financial Assets Financial assets	Fair value as at		Fair value hierarchy	Valuation technique (s) and key inputs	Significant unobservable inputs
	31 December 2023 Ksh. million	31 December 2022 Ksh. million			
At FVTPL	69	5,462	Level 1	Quoted bid prices in an active market	N/A
AT FVOCI	200,275	139,704	Level 1	Quoted bid prices in an active market	N/A
Loans and advances at FVPL	1,655	3,662	Level 2	Valuation based on future operations of an entity	Discounted cashflows
Total assets	**201,999**	**148,828**			

The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

6. Management of capital

Regulatory capital – Kenya

The Central Bank of Kenya sets and monitors capital requirements for all banks.

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

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

In implementing current capital requirements, the Central Bank of Kenya requires banks to maintain a prescribed ratio of total capital to total risk-weighted assets. Banks are expected to assess the Credit risk, Market risk and the Operational risk of the risk weighted assets to derive the ratios. The Capital adequacy and use of regulatory capital are monitored regularly by management employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Central Bank of Kenya for supervisory purposes.

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

- hold the minimum level of regulatory capital of Ksh. 1 billion.
- total risk weighted assets, plus risk weighted off- balance sheet assets at above the required minimum of 10.5%.
- Maintain a ratio of total regulatory capital; to
  - a core capital of not less than 8% of its total deposit liabilities
  - a total capital of not less than 14.5% of its total risk weighted assets, plus risk weighted off-balance sheet items.
  - The Group's regulatory capital is analysed into two tiers:
- Tier 1 capital. This includes ordinary share capital, share premium, retained earnings and after deduction of investment in subsidiaries, goodwill, other intangible assets and other regulatory adjustments relating to items that are included in equity which are treated differently for capital adequacy purposes.
- Tier 2 capital. This includes 25% of revaluation reserves of property, subordinated debt not exceeding 50% of core capital, collective impairment allowances and any other approved reserves.

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Notes (continued)
6. Management of capital (continued)

The regulatory capital position for the Group's banking subsidiaries was as follows:

Regulatory capital - KCB Bank Kenya Limited

Core Capital (Tier 1):	2023 Ksh. million	2022 Ksh. million
Ordinary share capital	53,986	53,986
Retained earnings	77,019	42,463
Deferred tax	(16,673)	(10,485)
Total Core Capital	**114,332**	**85,964**
Supplementary Capital (Tier 2):	39,256	34,786
Total regulatory capital	**153,588**	**120,750**
Risk weighted assets	971,784	792,142
Capital ratios:		
Total regulatory capital expressed as a percentage of total risk-weighted assets	**15.8%**	**15.2%**
Total tier 1 capital expressed as a percentage of total risk-weighted assets	**11.8%**	**10.9%**
The minimum capital ratios, as per the Central Bank of Kenya regulations, are as follows:		
Total core capital expressed as a percentage of total risk-weighted assets	**14.5%**	**14.5%**
Total tier 1 capital expressed as a percentage of total risk-weighted assets	**10.5%**	**10.5%**

Notes (continued)
6. Management of capital (continued)

	2023	2022
Regulatory capital – Tanzania		
KCB Bank Tanzania had the following capital adequacy ratios:-		
Core capital (Tier 1)		
Tier I (Minimum required 10%)	16.3%	15.9%
Tier I + Tier II (Minimum required 12%)	17.1%	17.2%
Regulatory capital –Trust Merchant Bank		
TMB DRCongo had the following capital adequacy ratios:-		
Core capital (Tier 1)		
Tier I (Minimum required 7.5%)	19.0%	9.6%
Tier I + Tier II (Minimum required 10%)	11.5%	12.1%
Regulatory capital – South Sudan		
KCB Bank South Sudan had the following capital adequacy ratios:-		
Core capital (Tier 1)		
Tier I (Minimum required 8%)	19.0%	32.0%
Tier I + Tier II (Minimum required 12%)	21.0%	38.0%
Regulatory capital – Burundi		
KCB Bank Burundi had the following capital adequacy ratios:-		
Core capital (Tier 1)		
Tier I (Minimum required 10%)	22.4%	26.3%
Tier I + Tier II (Minimum required 12%)	30.9%	35.0%
Regulatory capital – Uganda		
KCB Bank Uganda had the following capital adequacy ratios:-		
Core capital (Tier 1)		
Tier I (Minimum required 10%)	18.1%	18.2%
Tier I + Tier II (Minimum required 12%)	18.9%	18.9%
Regulatory capital –BPR Bank Rwanda PLC		
BPR Bank Rwanda had the following capital adequacy ratios:-		
Core capital (Tier 1)		
Tier I (Minimum required 10%)	20.1%	19.3%
Tier I + Tier II (Minimum required 12%)	20.1%	19.4%
Regulatory capital –National Bank of Kenya Limited		
National Bank of Kenya had the following capital adequacy ratios:-		
Core capital (Tier 1)		
Tier I (Minimum required 10.5%)	7.5%	12.2%
Tier I + Tier II (Minimum required 14.5%)	12.5%	13.5%

KCB Group Plc will ensure that the capital adequacy of its subsidiaries meet the requirements of home and host regulators as required by Cap 488 of the Banking Act.

The Group was in compliance with all statutory capital requirements as at end of the year with the exception of National Bank of Kenya Limited which was in breach of both Tier I and Tier II capital requirements. In addition, the Group has an Internal Capital Adequacy Assessment Process (ICAAP) policy to guide in determining its capital planning and formulating its risk appetite process. Overall, the purpose of the ICAAP document is to provide an informative description of the methodology and procedures that the Group uses to assess and mitigate its risks and

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Notes (continued)
6. Management of capital (continued)

to make sure that adequate capital is kept to support its risks beyond the core minimum requirements.

It delineates the process through which the Group assesses the extent to which it holds sufficient capital in order to duly support its business activities. Specifically, through the ICAAP, the Group assesses its forecast capital supply and demand relative to its regulatory and internal capital targets, under various scenarios. The Group's capital plan is defined every year during the budgeting and strategic planning exercise while financial year risk appetite limits are set by the Board. Exposures are monitored on a quarterly basis against those limits and reported to the Board Credit and Risk Committees. Stress testing is a risk management exercise that forms an integral part of the ICAAP. As part of the Group's ICAAP, forecasts are made over a five-year horizon, taking into account the Basel Pillar I and II stresses.

The ICAAP provides for an assessment of the Pillar I risk types (i.e., credit, operational, market risks) and Pillar II risk types (i.e. concentration of risk, liquidity risk, interest rate risk, strategic risks). These assessments are conducted with a view to understanding the sensitivity of the key assumptions of the capital plan to the realisation of possible stress scenarios and in order to evaluate how the Group can continue to maintain adequate capital under such scenarios. The overriding aim of the stress testing framework for the Group is to ensure that risk management exercises are firmly embedded in the organisation's overall governance culture. This helps to bolster the observance of regulatory requirements with regard to risk management, while contributing to the competitive positioning of the Group.

Notes (continued)

7. Operating segments

An operating segment is a section of the Group that focus on distinct business activities and is regularly reviewed by the management in terms of performance and resource allocation. The Group's management identifies the specific segments based on the internal reporting periodically to the executive committee which is the chief operating decision maker (CODM). The segmentation is dependent on the customer's turnover and thus the current segments include corporate, retail, Treasury, and mortgages. The focus of these segments is as detailed below: -

Retail banking – incorporating banking services such as customer current accounts, savings, and fixed deposits to individuals. Retail lending are mainly consumer loans and mortgages-based lending.

Corporate banking – incorporating banking services such as current accounts, fixed deposits, overdrafts, loans, and other credit facilities both in local and foreign currencies for corporate customers.

Treasury – operates the Group's funds management activities.

Other Group operations comprise of trade finance and forex business. The Group also participates in investments in Treasury Bills and Bonds from the Central Banks.

The Group does not have any one major customer contributing to more than 10% in revenue, loans, or deposits. There have been no changes in the reportable segments in the year, nor any intersegment transfers.

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

Profit or Loss For the year ended 31 December 2023	Corporate banking Ksh. million	Retail banking Ksh. million	Treasury Ksh. million	Mortgages Ksh. million	Other Ksh. million	Total Ksh. million
Interest income	46,998	72,381	52,045	8,436	1,693	181,553
Interest expense	(27,458)	(13,220)	(8,176)	(1,063)	(10,924)	(60,841)
Net interest income	19,540	59,161	43,869	7,373	(9,231)	120,712
Net fees and commission income	6,376	9,801	1,152	492	9,245	27,066
Other income	211	2,158	4,258	-	5,084	11,711
Depreciation and amortisation	(345)	(1,549)	(5)	-	(7,430)	(9,329)
Impairment	(16,358)	(7,975)	(722)	(101)	(2,731)	(27,887)
Operating expenses	(8,091)	(27,411)	(1,612)	-	(36,706)	(73,820)
Profit before monetary items	1,333	34,185	46,940	7,764	(41,769)	48,453
Loss on monetary items	-	-	-	-	-	-
Profit before tax	1,333	34,185	46,940	7,764	(41,769)	48,453
Tax expense	(302)	(7,754)	(10,648)	(1,761)	9,474	(10,991)
Profit after tax	**1,031**	**26,431**	**36,292**	**6,003**	**(32,295)**	**37,462**
Financial position 31 December 2023						
Short term funds	7,491	59,548	629,280	-	207,394	903,713
Loans and advances	479,870	421,300	8,417	88,627	96,075	1,094,289
Other assets and prepayments	-	1,605	21,052	1,957	148,258	172,872
Total assets	**487,361**	**482,453**	**658,749**	**90,584**	**451,727**	**2,170,874**
Customer deposits	880,521	488,304	8,127	33,721	280,235	1,690,908
Borrowed funds					88,658	88,658
Payables and accrued expenses	1,324	-	87,809	-	66,615	155,748
Shareholders' funds	-	-	-	-	235,560	235,560
Total liabilities and shareholders' funds	**881,845**	**488,304**	**95,936**	**33,721**	**671,068**	**2,170,874**

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Notes (continued)

7. Operating segments (continued)

Profit or Loss For the year ended 31 December 2022	Corporate banking Ksh. million	Retail banking Ksh. million	Treasury Ksh. million	Mortgages Ksh. million	Other Ksh. million	Total Ksh. million
Interest income	46,384	50,042	35,577	-	-	132,003
Interest expense	(12,413)	(12,800)	(2,597)	-	(3,288)	(31,098)
Net interest income	33,971	37,242	32,980	-	(3,288)	100,905
Net fees and commission income	4,592	7,847	-	-	-	12,439
Other income	-	3,806	11,062	-	45	14,913
Depreciation and amortisation	-	-	-	-	(6,615)	(6,615)
Impairment	(7,690)	(4,141)	-	-	-	(11,831)
Operating expenses	(5,733)	(26,016)	(286)	-	(20,716)	(52,751)
Profit before monetary items	25,140	18,738	43,756	-	(30,574)	57,060
Loss on monetary items	-	-	-	-	271	271
Profit before tax	25,140	18,738	43,756	-	(30,303)	57,331
Tax expense	(7,233)	(5,391)	(12,589)	-	8,719	(16,494)
Profit after tax	**17,907**	**13,347**	**31,167**	**-**	**(21,584)**	**40,837**
Financial position 31 December 2022						
Short term funds	-	29,290	458,327	-	62,569	550,186
Loans and advances	406,823	456,445	-	-	-	863,268
Other assets and prepayments	-	-	-	-	140,576	140,576
Total assets	**406,823**	**485,735**	**458,327**	**-**	**203,145**	**1,554,030**
Customer deposits	558,988	576,429	-	-	-	1,135,417
Borrowed funds	-	-	-	-	63,610	63,610
Payables and accrued expenses	-	-	-	-	148,726	148,726
Shareholders' funds	-	-	-	-	206,277	206,277
Total liabilities and shareholders' funds	**558,988**	**576,429**	**-**	**-**	**418,613**	**1,554,030**

Major Customers

The Group does not have major customers contributing to 10% or more of the Group's income.

Geographical information

Six of the Group companies, KCB Bank Tanzania Limited, KCB South Sudan Limited, KCB Bank Uganda Limited, BPR Bank Rwanda Plc, KCB Bank Burundi Limited and Trust Merchant Bank, DRC operate outside the domestic financial market. The following table analyses the regional segments in which the Group operates.

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For the Year Ended 31 December 2023

Notes (continued)
7. Operating segments (continued)
Geographical information (continued)

Income Statement

For the year ended 31 December 2023	Kenya Ksh. million	Tanzania Ksh. million	South Sudan Ksh. million	Uganda Ksh. million	Rwanda Ksh. million	Burundi Ksh. million	DRC Ksh. million	Elimination Ksh. million	Total Ksh. million
Interest income	138,265	7,195	1,074	4,835	10,788	1,144	18,252	-	181,553
Interest expense	(50,532)	(2,725)	(229)	(1,640)	(2,951)	(110)	(2,654)	-	(60,841)
Net interest income	87,733	4,470	845	3,195	7,837	1,034	15,598		120,712
Net fees and commission income	14,560	973	1,058	583	1,277	656	7,959		27,066
Other income	6,907	655	769	619	572	(25)	2,214		11,711
Impairment	(24,952)	(335)	5	(690)	56	(9)	(1,962)		(27,887)
Fair value gain									-
Depreciation and amortisation	(4,028)	(318)	(69)	(315)	(1,258)	(95)	(3,246)		(9,329)
Operating expenses	(49,705)	(2,401)	(938)	(2,078)	(4,361)	(636)	(13,701)		(73,820)
Profit before tax and monetary loss	30,515	3,044	1,670	1,314	4,123	925	6,862		48,453
Loss /(Gain)on monetary position	-	-	-	-	-	-	-		-
Profit before income tax	30,515	3,044	1,670	1,314	4,123	925	6,862		48,453
Tax	(7,265)	(866)	(500)	(173)	(1,312)	(286)	(589)		(10,991)
Profit after tax	**23,250**	**2,178**	**1,170**	**1,141**	**2,811**	**639**	**6,273**		**37,462**
For the year ended									
31 December 2022									
Interest income	111,563	4,977	371	2,713	9,269	877	2,233	-	132,003
Interest expense	(26,097)	(1,776)	(51)	(852)	(2,378)	(79)	135	-	(31,098)
Net interest income	85,466	3,201	320	1,861	6,891	798	2,368	-	100,905
Net fees and commission income	9,474	339	597	466	1,039	588	(64)	-	12,439
Other income	12,527	474	758	524	464	147	19	-	14,913
Impairment	(10,174)	(487)	(50)	(188)	(76)	14	(870)	-	(11,831)
Depreciation and amortisation	(4,595)	(275)	(50)	(260)	(1,321)	(101)	(13)	-	(6,615)
Operating expenses	(42,776)	(1,683)	(604)	(1,609)	(3,952)	(622)	(1,505)	-	(52,751)
Profit before tax and monetary loss	49,922	1,569	971	794	3,045	824	(65)	-	57,060
Loss /(Gain)on monetary position	-	-	271	-	-	-	-	-	271
Profit before income tax	49,922	1,569	1,242	794	3,045	824	(65)	-	57,331
Tax	(14,485)	(482)	(304)	249	(1,022)	(224)	(226)	-	(16,494)
Profit after tax	**35,437**	**1,087**	**938**	**1,043**	**2,023**	**600**	**(291)**		**40,837**

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Notes (continued)
7. Operating segments (continued)
Geographical information (continued)

Statement of financial position

For the year ended 31 December 2023	Kenya Ksh. million	Tanzania Ksh. million	South Sudan Ksh. million	Uganda Ksh. million	Rwanda Ksh. million	Burundi Ksh. million	DRC Ksh. million	Elimination Ksh. million	Total Ksh. million
Cash and short term funds	624,612	29,817	13,708	17,071	29,345	10,142	179,018	-	903,713
Loans and advances	818,417	55,560	9,694	31,800	74,058	7,065	97,695	-	1,094,289
Other assets	162,505	3,218	811	2,638	1,031	623	2,046	-	172,872
Total assets	**1,605,534**	**88,595**	**24,213**	**51,509**	**104,434**	**17,830**	**278,759**	**-**	**2,170,874**
Customer deposits	1,238,760	52,902	15,605	40,704	75,500	12,719	254,718	-	1,690,908
Borrowed funds	76,063	4,795	-	129	7,671	-	-	-	88,658
Other liabilities	101,006	22,829	8,253	3,311	9,193	2,396	8,760	-	155,748
Shareholders' funds	189,705	8,069	355	7,365	12,070	2,715	15,281	-	235,560
Total liabilities and shareholders' funds	**1,605,534**	**88,595**	**24,213**	**51,509**	**104,434**	**17,830**	**278,759**	**-**	**2,170,874**

For the year ended 31 December 2022	Kenya Ksh. million	Tanzania Ksh. million	South Sudan Ksh. million	Uganda Ksh. million	Rwanda Ksh. million	Burundi Ksh. million	DRC Ksh. million	Elimination Ksh. million	Total Ksh. million
Cash and short term funds	332,613	22,002	12,195	13,685	28,743	10,289	138,132	(7,473)	550,186
Loans and advances	685,081	34,767	4,465	20,080	54,978	5,502	58,512	(117)	863,268
Other assets	211,712	1,658	(383)	1,514	8,801	419	13,581	(96,726)	140,576
Total assets	**1,229,406**	**58,427**	**16,277**	**35,279**	**92,522**	**16,210**	**210,225**	**(104,316)**	**1,554,030**
Customer deposits	805,131	36,093	11,975	27,286	55,573	12,296	187,179	(116)	1,135,417
Borrowed funds	55,191	1,120	-	310	6,989	-	-	-	63,610
Other liabilities	114,575	13,672	1,429	1,919	15,588	633	4,248	(3,338)	148,726
Shareholders' funds	254,509	7,542	2,873	5,764	14,372	3,281	18,798	(100,862)	206,277
Total liabilities and shareholders' funds	**1,229,406**	**58,427**	**16,277**	**35,279**	**92,522**	**16,210**	**210,225**	**(104,316)**	**1,554,030**

Notes (continued)

8. Interest income and interest expense

		Group		Company	
		2023 Ksh. million	2023 Ksh. million	2023 Ksh. million	2023 Ksh. million
(a)	**Interest income on financial assets using the effective interest rate method**				
	Interest on loans and advances	135,011	98,426	34	19
	Financial instruments at FVOCI	42,615	32,749	-	-
	Other investments at armotised cost	71	112	-	-
	Interest on placements and bank balances	3,856	716	218	-
		181,553	**132,003**	**252**	**19**
(b)	**Interest expense on financial liabilities using the effective interest rate method**				
	Interest on deposits	41,824	25,214	-	-
	Interest on borrowed funds	18,546	5,415	218	-
	Interest on lease liabilities	471	469	-	-
		60,841	**31,098**	**218**	**-**
	Net Interest Income	**120,712**	**100,905**	**34**	**19**

9. Fees and commission income/expense

		Group		Company	
		2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
(a)	**Fees and commission income**				
	Retail and corporate fee income	4,581	3,504	-	-
	Commission income	27,347	11,754	-	-
		31,928	**15,258**	**-**	**-**
(b)	Fees and commission expense	(4,862)	(2,819)	**-**	-
	Net Fees and Commission	**27,066**	**12,439**	**-**	**-**

The elements of retail and corporate fee income are recognised over time while the commission income is mostly recognised at a point in time.

10. Net foreign exchange gain

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Trading income	4,713	6,631	-	-
Revaluation (Loss)/ Gain	2,256	4,448	31	14
	6,969	**11,079**	**31**	**14**

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Notes (continued)

11. (a) Dividend income

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Dividend income	**-**	**-**	**1,091**	**32,824**

(b) Other operating income

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Rental income	342	344	7	12
Profit on disposal of property and equipment	35	(7)	-	-
Income on disposal of government securities	-	-	-	-
Miscellaneous income	4,221	3,452	1,322	1,400
	4,598	**3,789**	**1,329**	**1,412**

Miscellaneous income includes risk margin fees, gain or loss on sale of financial assets at fair value through other comprehensive income and other income.

The group leases out its investment properties to tenants under operating leases with rentals payable monthly or quarterly. The lease income is recognised on a straight line over the lease term.

12. Allowances for expected credit losses

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Losses on financial assets				
Non-performing loans and advances (Stage 3)	27,233	40,699	-	-
Performing loans and advances (Stage 1 and 2)	5,357	(2,095)	-	-
Bad debts recovered in the year	(5,175)	(28,304)	-	-
	27,415	**10,300**	**-**	**-**

13. Net losses on financial assets at fair value through profit or loss

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Fair value loss on loan notes	472	1,531	**-**	**-**

Notes (continued)

14. Staff costs

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Salaries and wages	29,357	24,738	795	1,194
Medical expenses	2,339	1,713	28	3
Pension costs – defined benefit scheme	562	443	-	-
Pension costs – defined contribution scheme	1,555	1,505	9	13
Other employee expenses*	4,656	2,023	75	-
	38,469	**30,422**	**907**	**1,210**

*Other employee costs relate to staff insurance, health and safety programs, recognition schemes, restructuring costs, recruitment, and other incidental costs.

The average number of employees of the Group during the year ended 31 December 2023 was 11,660 (2022: 9,818). The average number of employees of the Company during the year ended 31 December 2023 was 10 (2022: 10)

15. Depreciation and amortisation

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Depreciation of property and equipment (Note 29)	4,261	2,835	18	16
Amortisation of intangible assets (Note 32)	4,196	2,625	2	2
Amortisation of bank premises (Note 30)	872	1,155	-	-
	9,329	**6,615**	**20**	**18**

16. Other operating expenses

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Depositor's protection fund premiums	1,493	1,339	-	-
Marketing, events and sponsorship	2,876	2,594	83	36
Project expenses, Repairs & Maintenance, rent and utilities	1,761	1,720	24	19
Equipment costs, Maintenance, repairs and leases	3,497	2,294	29	26
Communication costs-Data line, Telephone	1,288	988	2	3
Professional and outsourced service costs	7,454	3,947	258	359
Software related costs	5,635	4,051	1	1
Other costs	11,347	5,396	359	475
	35,351	**22,329**	**756**	**919**

The Group also leases computer equipment and point of sale machines for between one and three years. These leases are short-term or low valued and the Group has elected not to recognise the right-of-use assets and liabilities as exempted by the standard. Other costs related to utilities payments, card services and corporate social responsibility.

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Notes (continued)

17. Profit before income tax

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Profit before tax is arrived at after charging/(crediting):				
Depreciation	4,261	2,842	-	16
Amortisation of intangible assets	4,196	2,530	12	2
Amortisation of right of use asset	872	1,155	-	-
Directors' emoluments –salary emoluments	345	568	54	514
Auditors remuneration	166	89	28	6
Profit/(loss) on disposal of property and equipment	35	(7)	-	-

18. Gain/ (loss) on monetary position

Gain / Loss in monetary position is as a result of the South Sudan economy being declared a hyperinflationary economy in 2016 and has historically prepared hyperinflationary accounts. In the current year, South Sudan has ceased to be hyperinflationary and hence no hyperinflationary accounting has been applied and thus there is no gain/ loss on monetary assets in the current year.

Monetary Items 2023	1 January 2023 Ksh. million	Net change in monetary items Ksh. million	31 December 2023 Ksh. million
Cash and balances with Bank of South Sudan	11,297	(11,297)	-
Investment in government securities	-	-	-
Placements and balances with other banking institutions	859	(859)	-
Amounts due from related companies	70	(70)	-
Loans and advances to customers	4,465	(4,465)	-
Other assets	1,251	(1,251)	-
Customer deposits	(11,975)	11,975	-
Balances due to other banks	-	-	-
Tax payable	48	(48)	-
Other liabilities	(3,433)	3,433	-
Amounts due to related companies	(324)	324	-
Net monetary assets	2,258	(2,258)	-
Expressed in purchasing power at 31 Dec 2022	(1,987)	1,987	-
Loss on net monetary position	**271**	**(271)**	**-**

Notes (continued)
18. Gain/ (loss) on monetary position (continued)

Monetary Items 2022	1 January 2022 Ksh. million	Net change in monetary items Ksh. million	31 December 2022 Ksh. million
Cash and balances with Bank of South Sudan	11,217	80	11,297
Investment in government securities	-	-	-
Placements and balances with other banking institutions	983	(124)	859
Amounts due from related companies	58	12	70
Loans and advances to customers	1,640	2,825	4,465
Other assets	27	1,224	1,251
Customer deposits	(8,079)	(3,896)	(11,975)
Balances due to other banks	(3)	3	-
Tax payable	(72)	120	48
Other liabilities	(622)	(2,811)	(3,433)
Amounts due to related companies	(2,592)	2,268	(324)
Net monetary assets	2,557	(299)	2,258
Expressed in purchasing power at 31 Dec 2021	(2,341)	354	(1,987)
Loss on net monetary position	**216**	**55**	**271**

19. Current Income Tax

Group	2023 Ksh. million	2022 Ksh. million
(a) Income tax expense:		
Charge to profit or loss for the year	19,310	19,057
Under-provision in prior years	162	(413)
	19,472	**18,644**
Deferred tax (credit) / charge:		
Deferred tax (credit)/charge (Note 34)	(8,014)	(2,570)
Over-provision in prior years	(467)	525
	(8,481)	**(2,045)**
Hyperinflation adjustment	-	(105)
	10,991	**16,494**
Reconciliation of effective tax:		
Accounting profit before tax	48,452	57,331
Tax calculated using applicable tax rates based on respective income tax laws	14,536	17,199
Effects of non-taxable income	(3,515)	(3,737)
Effects of non-allowable expenses	276	3,638
Effect of change in tax rate	-	(613)
Effect of hyperinflation adjustment	-	(105)
Prior year under provision in current tax	161	(413)
Prior year over provison in deferred tax	(467)	525
	10,991	**16,494**

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Notes (continued)
19. Current Income Tax (continued)

(b) Statement of financial position-Group

	2023 Ksh. million	2022 Ksh. million
At start of year	336	(5,644)
Current income tax expense	(15,151)	(19,057)
On acquisition of subsidiary	330	-
Prior year under/(over) provision	(1,600)	413
Total income taxes paid	12,747	23,968
Effects of hyperinflation adjustment	-	656
At end of year	**(3,668)**	**336**
Comprising:		
Tax recoverable	-	336
Tax payable	(3,668)	-
	(3,668)	**336**

Company	2023 Ksh. million	2022 Ksh. million
Income tax expense:		
Charge to profit or loss for the year	(4)	34
Prior year tax under provision	2	-
	(2)	**34**
Deferred income tax (credit) / charge:		
Deferred income tax (credit)/charge (Note 29)	36	(115)
Deferred income tax charge - Prior year overprovision	-	(3)
	36	**(118)**
	34	**(82)**
Reconciliation of effective tax:		
Accounting profit before income tax	**802**	**8,182**
Tax calculated using applicable tax rates based on respective income tax laws	241	2,455
Effects of non-taxable income	119	(2,665)
Effects of non-allowable expenses	(327)	128
Effects of change in tax rate	-	-
Prior year under provision in current tax	2	-
	35	**(82)**

Notes (continued)

19. Current Income Tax (continued)

(c) Statement of financial position - Company

Group	2023 Ksh. million	2022 Ksh. million
At start of year	90	93
Prior year under/(over) provision	-	-
Tax paid during the year	24	32
Tax charge for the year	4	(35)
At end of year	**114**	**90**
Comprising:		
Tax recoverable	-	-
Tax payable	(114)	(90)
	(114)	**(90)**

20. Earnings per share

Basic and diluted earnings per share is calculated on the profit attributable to ordinary shareholders of Ksh. 37,462 million (2022:40, 837 million) and on the weighted average number of ordinary shares during the year of 3,213 million (2022:3,213 million shares).

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Basic earnings per share	11.66	12.71	0.24	10.02
Diluted earnings per share	11.66	12.71	0.24	10.02

21. Cash and bank balances

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Cash on hand	66,143	29,290	927	712
Balances with Central Banks :				
Cash reserve ratio	53,783	45,156	-	-
Other current accounts	16,185	16,685	-	-
	136,111	**91,131**	**927**	**712**

Cash held with Central Banks represent cash ratio and other non-interest earning current accounts and is based on the value of deposits as adjusted for Central Banks' requirements. Mandatory cash reserve ratio is not available for use in the Group's day-to-day operations.

22. Loans and advances to other banks

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Balances in nostro accounts	157,876	27,930	-	-
Placements with other banks	212,523	135,702	-	-
	370,399	**163,632**	**-**	**-**

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Notes (continued)
22. Loans and advances to other banks (continued)

The Group participates in the inter-bank market for the generation of revenue. Regularly, the counterparties are assessed for creditworthiness in line with the Group credit policies. The weighted average effective interest rate on balances due from other banks at 31 December 2023 was 1.9% (2022 :5.3%).

23. Financial assets at fair value through other comprehensive income

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Quoted investments	24	-	-	-
Corporate bonds	2,116	2,120	-	-
Treasury bonds	198,135	111,378	-	-
	200,275	**113,498**	**-**	**-**

24. Investments accounted for using equity method

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
At start of year	1,077	402	-	-
Receivables from equity investment	359	630	-	-
Share of profit from associate	144	45	-	-
	1,580	**1,077**	**-**	**-**

The Bank has a 20% shareholding in Kenya Mortgage Finance Company. Summarised financial information for the associate have not been presented as the associate is immaterial to the Group. The additions include shares held by a subsidiary in SWIFT.

25. Other assets and prepayments

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Other receivables	48,354	34,068	-	60
Prepayments	10,941	11,623	89	2
Items in the course of collection	6,358	4,047	-	-
	65,653	**49,738**	**89**	**62**

Other receivables are current and non-interest bearing and are generally between 30 to 90 days terms.

The items in the course of collection consist of items in transit to/from other banks through the Central Banks of various countries' clearing system. These items generally clear by the end of the next business day.

Notes (continued)

26. Loans and advances to customers

The summary of loans and advances is as follows:

	2023 Ksh. million	2022 Ksh. million
Loans and advances at amortised cost	1,094,289	860,680
Loans and advances at fair value	1,655	2,588
	1,095,944	**863,268**

Loans and advances to customers at amortised cost

	2023			2022		
CORPORATE	Gross Ksh. million	Credit loss allowance Ksh. million	Carrying Amount Ksh. million	Gross Ksh. million	Credit loss allowance Ksh. million	Carrying Amount Ksh. million
Mortgage	77,201	(5,793)	71,408	38,327	(1,847)	36,480
Overdrafts	82,932	(4,464)	78,468	26,431	(985)	25,446
Term loans	546,850	(68,390)	478,460	447,592	(50,086)	397,506
	706,983	**(78,647)**	**628,336**	**512,350**	**(52,918)**	**459,432**
RETAIL						
Mortgage	92,410	(1,472)	90,938	65,221	(1,492)	63,729
Overdrafts	18,649	(1,837)	16,812	19,737	(2,699)	17,038
Term loans	384,849	(26,646)	358,203	334,857	(14,376)	320,481
	495,908	**(29,955)**	**465,953**	**419,815**	**(18,567)**	**401,248**
	1,202,891	**(108,602)**	**1,094,289**	**932,165**	**(71,485)**	**860,680**

2023 Credit loss allowance	Corporate Ksh. million	Mortgages Ksh. million	Retail Ksh. million	Total Ksh. million
Stage 3				
At start of year	53,927	712	4,054	58,693
Allowance made during the year (Note 12)	14,676	538	12,019	27,233
Allowance recovered/un required during the year (Note 12)	3,085	(6,059)	(2,202)	(5,176)
Write downs/write offs during the year	1,871	7,905	113	9,889
Effects of movements in exchange rates (Note 12)	-	-	(35)	(35)
At end of year	**73,559**	**3,096**	**13,949**	**90,604**
Stage 1 & 2				
At start of year	5,988	(671)	7,286	12,603
Allowance made during the year (Note 12)	3,125	1,419	813	5,357
Effects of movements in exchanges rates (Note 12)	(22)	(10)	70	38
At end of year	**9,091**	**738**	**8,169**	**17,998**
Total	**82,650**	**3,834**	**22,118**	**108,602**

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Notes (continued)
26. Loans and advances to customers (continued)

2022 Credit loss allowance	Corporate Ksh. million	Mortgages Ksh. million	Retail Ksh. million	Total Ksh. million
Stage 3				
At start of year	40,242	2,844	11,773	54,859
Allowance made during the year (Note 12)	32,028	781	7,890	40,699
Allowance recovered/un required during the year (Note 12)	(13,260)	(2,225)	(12,819)	(28,304)
Write downs/write offs during the year	(5083)	(688)	(2,790)	(8,561)
At end of year	**53,927**	**712**	**4,054**	**58,693**
Stage 1 & 2				
At start of year	7,458	641	6,788	14,887
Allowance made during the year (Note 12)	(1,470)	(1,312)	687	(2,095)
Effects of movements in exchanges rates (Note 12)	-	-	-	-
At end of year	**5,988**	**(671)**	**7,475**	**12,792**
Total	**59,915**	**41**	**11,529**	**71,485**

Maturity analysis of gross loans and advances to customers:	2023 Ksh. million	2022 Ksh. million
Maturing as follows:		
Within 1 month	202,472	81,736
After 1 month but within 3 months	67,370	31,495
After 3 months, but within 1 year	156,126	145,963
After 1 year, but within 5 years	363,305	239,670
After 5 years	413,618	433,301
	1,202,891	**932,165**
Sectorial analysis of gross loans and advances to customers:		
Private sector and individuals	1,158,690	824,930
Government and parastatals	44,201	107,235
	1,202,891	**932,165**

The weighted average effective interest rate on loans and advances as at 31 December 2023 was 11.2% (2022 – 10.7%).

Loan and advances at fair value through profit or loss

	2023 Ksh. million	2022 Ksh. million
Gross carrying value	3,137	5,400
Fair value loss provision	(1,482)	(2,812)
At end of year	**1,655**	**2,588**

Loans and advances at fair value relate to loan notes issued to a Special Purpose Entity (SPE) formed as part of a restructuring arrangement between lender banks and Kenya Airways Plc in 2016. Under the terms of the restructuring, the amounts owing to the banks were transferred to the SPE, which in exchange was allocated equity shares of Kenya Airways Plc. Principally, the banks will recover the amounts due through the sale of Kenya Airways shares. The banks receive a fixed interest income on the amounts due at a rate that is largely below the market rates.

Notes (continued)

27. Financial assets at amortised cost

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Maturing as follows:				
Within 1 month	1,198	2,018	-	-
After 1 month, but within 3 months	5,712	1,663	-	-
After 3 months, but within 6 months	8,559	1,416	-	-
After 6 months, but within 12 months	3,177	2,682	-	-
After 1 year, but within 5 years	26,243	24,127	-	-
After 5 years	151,970	132,616	-	-
	196,859	**164,522**	**-**	**-**

Treasury bonds are debt securities issued by the Government of the Republic of Kenya, Government of Uganda, Government of the Republic of Rwanda, United Republic of Tanzania, Government of the Republic of Burundi and Government of DRC. The bills and bonds are categorised as amounts held at amortized cost and carried at amortised cost. The weighted average effective interest rate on Government securities as at 31 December 2023 was 8.1% (31 December 2022: 8.1%).

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

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Government treasury bills and bonds	69	17,403	-	-
At end of year	**69**	**17,403**	**-**	**-**

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Notes (continued)

29. Property and equipment

(a) GROUP

	Freehold and Lease Premises Ksh. million	Leasehold Improvements Ksh. million	Motor Vehicle, Furniture and Equipment Ksh. million	Total Ksh. million
As at 31 December 2023:				
COST				
At 1 January 2023	18,163	4,183	42,646	64,992
Reclassification	(1,376)	210	623	(543)
Additions	1,381	191	154	1,726
Translation differences	(21)	-	(39)	(60)
Hyperinflationary charge	-	-	-	-
At end of year	**18,147**	**4,584**	**43,384**	**66,115**
DEPRECIATION				
At 1 January 2023	4,505	3,414	30,455	38,374
Charge for the year	808	228	3,225	4,261
Disposals	(54)	-	(744)	(798)
Reclassification	(58)	150	276	368
Translation differences				
At end of year	**5,201**	**3,792**	**33,212**	**42,205**
CARRYING AMOUNT	**12,946**	**792**	**10,172**	**23,910**
As at 31 December 2022:				
COST				
At 1 January 2022	7,453	4,412	33,278	45,143
Reclassification	728	-	268	996
Additions	82	60	3,871	4,013
Acquisitions	10,705	-	5,324	16,029
Disposals	(1,142)	(4)	(335)	(1,481)
Translation differences	337	(210)	285	412
Hyperinflationary charge	-	(75)	(45)	(120)
At end of year	**18,163**	**4,183**	**42,646**	**64,992**
DEPRECIATION				
At 1 January 2022	1,631	3,380	23,318	28,329
Charge for the year	79	107	2,649	2,835
Acquisitions	2,593	-	3,158	5,751
Disposals	(87)	-	(327)	(414)
Reclassification	170	-	1,618	1,788
Translation differences	119	(46)	43	116
Hyperinflationary charge	-	(27)	(4)	(31)
At end of year	**4,505**	**3,414**	**30,455**	**38,374**
CARRYING AMOUNT	**13,658**	**769**	**12,191**	**26,618**

Included in property and equipment are fully depreciated assets amounting to Ksh. 29,987 million (2022 : Ksh. 27,798 million) which would have a notional depreciation of Ksh. 5,407 million (2022 : Ksh. 4,955 million).

Notes (continued)
29. Property and equipment (continued)

(b) COMPANY

As at 31 December 2023: COST	Freehold and Lease Premises Ksh. million	Leasehold Improvements Ksh. million	Motor Vehicle, Furniture and Equipment Ksh. million	Total Ksh. million
At 1 January 2023	585	-	319	904
Additions	-	-	33	33
At end of year	**585**	**-**	**352**	**937**
DEPRECIATION				
At 1 January 2023	38	-	39	77
Charge for the year	3	-	16	19
At end of year	**41**	**-**	**55**	**96**
CARRYING AMOUNT	**544**	**-**	**297**	**841**
As at 31 December 2022:				
COST				
At 1 January 2022	585	-	90	675
Additions	-	-	229	229
At end of year	**585**	**-**	**319**	**904**
DEPRECIATION				
At 1 January 2022	35	-	27	62
Charge for the year	3	-	12	15
At end of year	**38**	**-**	**39**	**77**
CARRYING AMOUNT	**547**	**-**	**280**	**828**

Included in property and equipment are fully depreciated motor vehicle, furniture, and equipment amounting to 77.6 million (2022 : Ksh. 61.5 million) which would have a notional depreciation of Ksh. 8.8 million (2022 : Ksh. 5.3 million).

30. Investment property

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
At start of year	12,601	10,667	-	-
Additions in year	-	2,373	-	-
Disposals in the year	-	(439)	-	-
Reclassification	6,590	-	-	-
At end of year	**19,191**	**12,601**	**-**	**-**

Investment properties are classified under level 2 fair value hierarchy.

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Notes (continued)

31. Right-of-use assets

	2023			2022		
	Leasehold premises Ksh. million	Leased motor vehicles Ksh. million	Totals Ksh. million	Leasehold premises Ksh. million	Leased motor vehicles Ksh. million	Totals Ksh. million
COST						
At 1 January 2023	8,092	1,259	9,351	7,898	1,259	9,157
Acquisition of a subsidiary	-	-	-	-	-	-
Additions	1,110	-	1,110	150	-	150
Disposals	(331)	-	(331)	(970)	-	(970)
Reclassification/internal transfers	-	-	-	955	-	955
Hyperinflationary charge	-	-	-	(26)	-	(26)
Translation difference	317	-	317	86	-	86
At end of year	**9,188**	**1,259**	**10,447**	**8,093**	**1,259**	**9,352**
AMORTISATION						
At 1 January 2023	(5,312)	(806)	(6,118)	(3,866)	(774)	(4,640)
Disposals	282	-	282	402	-	402
Charge for the year	(647)	(225)	(872)	(1,123)	(32)	(1,155)
Acquisition of a subsidiary	-	-	-	-	-	-
Reclassification/internal transfers	-	-	-	(669)	-	(669)
Hyperinflationary charge	-	-	-	7	-	7
Translation difference	(644)	-	(644)	(64)	-	(64)
At end of year	**(6,321)**	**(1,031)**	**(7,352)**	**(5,313)**	**(806)**	**(6,119)**
CARRYING AMOUNT						
At end of year	**2,867**	**228**	**3,095**	**2,780**	**453**	**3,233**

Right-of-use assets relate to leased premises and motor vehicles.

Notes (continued)

32. Intangible assets

At 31 December 2023: Cost	Computer software	Brand Ksh. million	Customer relationships Ksh. million	Customer deposits Ksh. million	Goodwill Ksh. million	Total Ksh. million
At 1 January 2023	**26,393**	**1,322**	**2,150**	**8,120**	**3,070**	**41,055**
Additions	2,400	-	-	-	-	2,400
Disposal	(183)	-	-	-	-	(183)
Transfers	438	-	-	-	-	438
Translation differences	(170)	-	-	-	-	(170)
At end of year	**28,878**	**1,322**	**2,150**	**8,120**	**3,070**	**43,540**
Amortisation						
At 1 January 2023	19,188	101	63	488	-	19,840
Disposals	(152)	-	-	-	-	(152)
Charge for the year	1,877	265	430	1,624	-	4,196
Transfers	(117)	-	-	-	-	(117)
Translation differences	449	-	-	-	-	449
At end of year	**21,245**	**366**	**493**	**2,112**	**-**	**24,216**
Carrying amount	**7,633**	**956**	**1,657**	**6,008**	**3,070**	**19,324**

At 31 December 2022: Cost	Computer software	Brand Ksh. million	Customer relationships Ksh. million	Customer deposits Ksh. million	Goodwill Ksh. million	Total Ksh. million
At 1 January 2022	21,214	339	211	1,631	-	23,395
Additions	1,309	-	-	-	-	1,309
Disposal	(8)	-	-	-	-	(8)
Acquisition	2,752	983	1,939	6,489	3,070	15,233
Reclassifications	1,065	-	-	-	-	1,065
Translation differences	61	-	-	-	-	61
At end of year	**26,393**	**1,322**	**2,150**	**8,120**	**3,070**	**41,055**
Amortisation						-
At 1 January 2022	16,383	-	-	-	-	16,383
Acquisitions	779	-	-	-	-	779
Disposals	(8)	-	-	-	-	(8)
Charge for the year	1,973	101	63	488	-	2,625
Translation differences	61	-	-	-	-	61
At end of year	**19,188**	**101**	**63**	**488**	**-**	**19,840**
Carrying amount	**7,205**	**1,221**	**2,087**	**7,632**	**3,070**	**21,215**

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Notes (continued)
32. Intangible assets (continued)

	Company	
	2023	2022
	Ksh. million	Ksh. million
Cost		
At 1 January 2023	10	10
Additions	-	-
Disposal	-	-
Acquisition	-	-
Reclassification/internal transfers	-	-
Translation differences		
At end of year	**10**	**10**
Amortisation		
At 1 January 2023	7	5
Acquisitions		
Disposals		
Reclassification/internal transfers		
Amortisation for the year	2	2
Translation differences		
At end of year	**9**	**7**
CARRYING AMOUNT		
At 1 January 2023	**1**	**3**

Significant judgements in the estimation of intangible assets

Intangible assets arising from business combinations include brands, customer relationships, and core deposits The key considerations applied in the estimation of the fair value of these intangibles is as follows:

Brand

A brand is defined as a way in which a company or organisation is perceived by its customers. The fair value of the brand was determined using the relief-from-royalty (RFR) method. The RFR method values the intangible assets by reference to the amount the acquirer would pay in an arm's length transaction i.e., it estimates the value of an asset based on the cost savings realised through ownership compared to paying licensing fees. The royalty rate is applied to the estimated income stream attributable to the brand to determine the amount of royalty savings, which is then discounted at the applicable discount rate to arrive at the estimated fair value. The brand value will be amortised to the profit or loss account over a period of five years.

Customer Relationships

The value of a customer relationship is mainly derived from the expectation of repeat business from the customer as well as the opportunity to cross-sell various products and services to them. In the case of a bank, this value depends on the ability of the bank to provide banking products that meet customers' needs now and in the future. When determining if a customer relationship asset exists, the following elements are considered:

- Availability of factual information about the customers that is important and useful to the bank; and
- Expectations by the bank of repeat patronage from its customers based on the customers' banking activity. This expectation translates into the future revenue and cash flow to the bank.

The customer contracts were acquired as part of the business acquisition of TMB. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis based on the timing of the projected cash flows of the contracts over their estimated useful lives.

The fair value of customer relationships was valued using MEEM approach. The MEEM approach measures the excess after tax cashflows attributable to the intangible asset being valued after providing the appropriate returns on other identifiable assets. The customer relationship value will be amortised to the profit or loss over a period of five years.

Core Deposits

The premise underlying the core deposit intangible asset is that a rational buyer would be willing to pay a premium to obtain a group of core deposit accounts that are less expensive than the buyer's marginal cost of funds. It relates to a stable deposit base with no contractual maturity that provides a low-cost source of funding (versus the alternative interbank funding market).

A core deposit intangible asset arises on acquisition when the acquired bank has a stable deposit base composed of funds associated with long-term customer relationships. The stable deposit base provides a low-cost source of funding as banks can utilise the core deposit base as a low-cost source of finance. The alternative to replace these established, low-cost deposit accounts in a timely manner, would be to utilise higher cost funds at current market rates.

The fair value of the core deposit intangible was determined using the cost savings method. It's calculated as the after-tax present values of; (i) net cost of funding and (ii) net service fees earned on deposits. Net cost of funding is the difference between interest expense on acquired low cost savings and demand deposit and cost of alternative funding over the useful life of the deposit. Amortisation for this asset is for five years.

Notes (continued)
32. Intangible assets (continued)

Goodwill

Goodwill represents the excess of purchase consideration over the fair value of identifiable assets arising from the acquisition of Trust Merchant Bank Limited (the Cash Generating Unit) on 1 December 2023. The goodwill was tested for impairment at 31 December 2023 using the value-in-use approach. The key assumptions used in the determination of the recoverable amount are as follows:

(a) Future cash flows

The forecast periods adopted reflect a set of cash flows, based on management judgement and expected market conditions, that could be sustainably generated over such a period. An eight-year forecast period was used as a basis for future USD cash flows, extrapolated in perpetuity to reflect the long-term plans for the entity, using a nominal growth rate of 5%. These values are sensitive to the cash flow projections for the periods for which detailed forecasts are not available and to the assumptions regarding the long-term sustainability of the cash flows beyond the forecast period.

(b) Discount rate

The net cash flows were discounted using the country specific pre-tax weighted average cost of capital (WACC) of 27.3%. The weighted average cost of capital was calculated using the bond yield plus risk premium method.

Based on the above assumptions, the recoverable value of the goodwill exceeded the carrying value of the cash generating unit (CGU), inclusive of the goodwill on acquisition, at 31 December 2023. Therefore, the Group has not recognised an impairment charge on the goodwill.

Impact of possible changes in key assumptions

Assuming the discount rates increases/decreases by 1% the value of the goodwill decreases/increases by Ksh. 29.5Million respectively.

Assuming a change in the terminal growth rates by 1%, the recoverable value ofthe CGU would increase/decrease by Ksh. 12 million respectively.

The recoverable value of the CGU would still exceed its carrying amount inclusive of goodwill in both scenarios.

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Notes (continued)

33. Investment in subsidiary undertakings

(a) Investment in subsidiaries

Investments in subsidiaries: Incorporated in Kenya:		Beneficial ownership	2023 Ksh.' million	2022 Ksh.' million
Company	Activity	%		
KCB Bank Kenya Limited	Commercial Banking	100	53,986	53,986
Kenya Commercial Finance Company Limited	Dormant	100	150	150
KCB Investment Bank	Investment	100	400	400
Savings & Loan Kenya Limited	Dormant	100	500	500
KCB Foundation	Corporate Social Responsibility	100	-	-
National Bank of Kenya	Commercial Banking	100	14,646	11,191
Kenya Commercial	Nominee			
Bank Nominees Limited	Shareholders	100	-	-
Kencom House Limited	Property Ownership & Management	100	749	749
KCB Asset Management	Asset Management	100	10	-
KCB Insurance Agency Limited	Insurance Brokerage	100	-	-
Incorporated outside Kenya:				
KCB Bank Tanzania Limited	Commercial Banking	100	3,546	3,546
KCB Bank South Sudan Limited	Commercial Banking	100	2,355	2,355
Trust Merchant Bank, SA	Commercial Banking	85	25,111	25,111
KCB Bank Burundi Limited	Commercial Banking	100	936	936
KCB Bank Uganda Limited	Commercial banking	100	4,340	4,340
BPR Rwanda	Commercial banking	87	7,551	7,551
Investment in associates:				
United Finance Limited*	Dormant	45	-	-
			114,280	**114,270**
Movement in investment in subsidiaries				
Balance at 1 January			**114,270**	**87,964**
Acquisition of Trust Merchant Bank SA			-	25,111
Transfer from NBK Group (Natrust)			10	-
Additional equity injection into KCB Uganda			-	1,195
Total additional investment in subsidiaries			**10**	**26,306**
Balance at 31 December			**114,280**	**114,270**

During the year, Natrust, a subsidiary of National Bank of Kenya, was transferred to the group through share exchange at nominal value. It was subsequently renamed KCB Asset Management. KCB Capital Limited was also renamed KCB Investment Bank. The significant risks for the various subsidiaries have been documented under Note 4.

Significant restrictions

The Group does not have any significant restrictions on its ability to access or use its assets to settle its liabilities other than those resulting from the regulatory frameworks in the respective operating jurisdictions of the subsidiaries.

The regulatory frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other certain ratios in the operations. The Group, and its subsidiaries were compliant with all regulatory requirements at the year end except National Bank of Kenya, which was non-compliant with regulatory ratios with regards to core capital to risk weighted assets 7.5% (2022:12.2%) and total capital to risk-weighted assets 12.5% (2022:13.5%), against the required minimum of 10.5% and 14.5% respectively.

Notes (continued)

34. Deferred income tax

Group	Balance at 1 January Ksh. million	Recognised in profit or loss Ksh. million	Recognised in Other comprehensive income Ksh. million	Balance at 31 December Ksh. million
2023				
Property and equipment	1,406	(106)	-	1,300
Provisions for expected credit losses	22,076	4,340	-	26,416
Tax losses carried forward	1,616	1,428	-	3,044
Financial assets at FVOCI	420	-	2992	3,412
Post-employment benefits obligation	240	-	(25)	215
Impairment losses on financial instruments	-	618	-	618
	25,758	**6,280**	**2,967**	**35,005**
2022				
Property and equipment	1,188	218	-	1,406
Provisions for expected credit losses	20,869	1,207	-	22,076
Tax losses carried forward	996	620	-	1,616
Financial assets at FVOCI	(846)	-	1,266	420
Post-employment benefits obligation	175	-	65	240
	22,382	**2,045**	**1,331**	**25,758**

Deferred income tax

Company	Balance at 1 January Ksh. million	Recognised in profit or loss Ksh. million	Recognised in Other comprehensive income Ksh. million	Balance at 31 December Ksh. million
2023				
Property and equipment	5	2	-	7
Bad debts Provisions	1	-	-	1
Tax losses carried forward	108	(29)	-	79
Unrealised gains and losses	(4)	(5)	-	(9)
Prior year adjustment	-	-	-	-
	110	**(32)**	**-**	**78**
2022				
Property and equipment	3	2	-	5
Bad debts Provisions	1	-	-	1
Tax losses carried forward	(7)	115	-	108
Unrealised gains and losses	(4)	-	-	(4)
	(7)	**117**	**-**	**110**

Other deductible differences mainly relate to allowances for expected credit losses on loans and advances, which are only deductible for tax purposes, when the credit losses meet the income tax law guidelines for tax deductibility, which include, among others credit write-off, total inability to collect etc.

The directors believe that based on historical performance, the Group will have future taxable profits against which these assets can be utilised and meet the income tax law conditions for deductibility.

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Notes (continued)

35. Deposits from banks

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Deposits and balances from other banks	**87,809**	**85,431**	**4,686**	**-**
Payable within 1 month	66,083	86,722	-	-
Payable after 1 month, but within 3 months	7,957	4,624	-	-
Payable after 3 months, but within 1 year	13,769	1,441	-	-
	87,809	**92,787**	**-**	**-**

The weighted average effective interest rates on interest bearing deposits from banks as at 31 December 2023 was 5.3% (2022 – 1.1%).

36. Deposits from customers

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
(a) From government and parastatals:				
Maturing as follows:				
Within 1 month	346,119	209,959	-	-
After 1 month, but within 3 months	15,914	13,478	-	-
After 3 months, but within 1 year	1,858	5,783	-	-
After 1 year, but within 5 years	202	192,451	-	-
	364,093	**421,671**	**-**	**-**
(b) From private sector and individuals				
Maturing as follows:				
Within 1 month	925,749	457,136	-	-
After 1 month, but within 3 months	159,445	69,158	-	-
After 3 months, but within 1 year	145,378	78,394	-	-
After 1 year, but within 5 years	96,244	109,058	-	-
	1,326,816	**713,746**	**-**	**-**
Total other customer deposits				
Maturing as follows:				
Within 1 month	1,271,868	667,095	-	-
After 1 month, but within 3 months	175,359	82,636	-	-
After 3 months, but within 1 year	147,236	84,177	-	-
After 1 year, but within 5 years	96,446	301,509	-	-
	1,690,908	**1,135,417**	**-**	**-**

The weighted average effective interest rates on interest bearing customers' deposits at 31 December 2023 was 3.0% (2022– 1.1%).

At 31 December 2023, customers deposits included Ksh. 344 billion (2022: Ksh. Nil) held as security for off-balance sheet structured fuel importation financing arrangements as shown in Note 46.

Notes (continued)

37. Payables and accrued expenses

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Accruals	10,956	9,679	557	665
Other payables	34,858	27,089	68	101
Bills payable	8,600	8,221	-	-
	54,414	**44,989**	**625**	**766**

Bills payable consist of cheques issued by the Group to customers and suppliers that were not presented for payment at the end of the year. Other payables include items in suspense across the branch network.

38. Lease liabilities

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
At start of year	5873	6,681	-	-
Additions during the year	979	725	-	-
Reclassifications/ internal transfers	(1,785)	(1,348)	-	-
Interest expense on lease liabilities	630	568	-	-
Payments in the year	(497)	(497)	-	-
Translation adjustment	597	(256)	-	-
At end of year	**5,797**	**5,873**	**-**	**-**

The balance sheet shows the following amounts relating to leases.

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Current	998	1,353	-	-
Non Current	4,799	4,520	-	-
	5,797	**5,873**	**-**	**-**

The statement of profit or loss shows the following amounts relating to leases:

	2023 Ksh. million	2022 Ksh. million
Amortisation of right-of-use assets	872	1,155
Interest expense	630	568
Expense relating to short-term leases (included in administrative expenses)	342	337

The total cash outflow for leases in the year was Ksh. 497 million (2022: Ksh. 497 million) that related to the principal portion of lease payments, expenses related to short term leases, and interest expense on the leases.

Some leases of office premises contain extension options exercisable by the Group up to one term after the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

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Notes (continued)

39. Related party transactions

The Group entities transact with each other in the ordinary course of business under The Group established commercial arrangements. The transactions include loans, deposits and foreign currency transactions, and expense settlements between entities. Related party transactions and balances have been eliminated in the consolidated financial statements. The KCB Group Plc, incorporated in Kenya, is the non-operating Holding Company for all subsidiaries and is the ultimate parent and controlling party.

The outstanding balances between the company and its subsidiaries at year end are set out below.

Receivables from and payables to subsidiaries are non-interest bearing and are generally settled within 90 days.

(a) Deposits with related parties

	2023 Ksh. million	2022 Ksh. million
National Bank of Kenya	4,784	59
KCB Bank South Sudan Limited	725	23
KCB Bank Uganda Limited	27	20
Kencom House Limited	3	2
KCB Bank Tanzania Limited	199	163
BPR Bank Rwanda Plc	126	83
KCB Bank Burundi Ltd	98	99
KCB Investment Bank Limited	2	1
KCB Bank Kenya Limited	-	3,213
KCB Bancassurance Intermediary Limited	5	-
	5,969	**3,663**

(b) Balances due to related companies

	2023 Ksh. million	2022 Ksh. million
Trust Merchant Bank SA	4,753	-
KCB Bank Kenya Limited	6,417	5,985
KCB Bancassurance Intermediary Limited	-	38
	11,170	**6,023**
Net balances payable/ receivable from group companies	**(5,201)**	**(2,360)**

The above amounts relate to receivables from and payable to the holding company.

Notes (continued)
39. Related party transactions (continued)

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
(i) Loans				
Government of Kenya	32	19	-	-
Directors -Executive	144	211	-	-
-Non- executive				
Senior management	**176**	**230**	**-**	**-**
Movement in loans ***to Directors and senior management:***				
At start of year	230	203	-	-
Loans issued in the year	176	258	-	-
Repayments in the year	(230)	(231)	-	-
At end of year	**176**	**230**	**-**	**-**
Accrued interest income	14	24		
(ii) Deposits				
Government of Kenya	177	38	-	-
Directors	3	81	-	-
Senior management	12	47	-	-
At end of year	**202**	**128**	**-**	**-**
Movement in deposits ***by Directors and senior management:***				
At start of year	128	129	-	-
Deposits received during the year	996	13	-	-
Withdrawals in the year	(1,109)	(14)	-	-
At end of year	**15**	**128**	**-**	**-**
Interest expense	**4**	**26**		

Interest rates charged on balances outstanding from related parties are approximately half of the rates that would be charged in an arm's length transaction. The interest charged on balances outstanding from related parties amounted to Ksh. 4 million (2022 : Ksh. 26million). The interest paid on balances outstanding to related parties amounted to Ksh. 14 million (2022 : Ksh. 24 million). The mortgages and secured loans granted are secured over property of the respective borrowers. Other balances are not secured, and no guarantees have been obtained.

No impairment losses have been recorded against balances outstanding during the period with key management personnel and no specific allowance has been made for impairment losses on balances with key management personnel at the reporting date.

(c) Shareholders, Directors and key management personnel

Senior management personnel c*ompensation (Included under personnel costs)*

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Short term employee benefits	445	442	445	442

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Notes (continued)
39. Related party transactions (continued)

(d) Directors' emoluments

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Executive directors:				
Salaries and other staff benefits	445	442	445	442
Fees and other benefits to non-executive directors	78	126	78	126
	523	**568**	**523**	**568**

40. Borrowings

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Maturing within one year	10,426	204	-	-
Maturing after one year, but within five years	56,483	17,380	-	-
Maturing after five years	21,749	46,026	-	-
	88,658	**63,610**	**-**	**-**

Included in borrowings are funds received from third parties in exchange for non-performing loans under Standby Letters of Credit (SBLC) arrangements in KCB Bank Kenya. The corresponding loans have not been derecognised because the bank retains the credit and late-payment risks on the loans.

Reconciliation of the movement in the long-term debt

	2023 Ksh. million	2022 Ksh. million
At start of year	63,610	37,561
Funds received – European Investment Bank	4,643	20,535
Proceeds from Standby Letters of Credit arrangements	12,400	-
Interest accrued in the year	6,484	6,947
Payments on principal	(6,629)	(2,638)
Payments on interest	(5,303)	(2,450)
Translation differences	13,453	3,655
Net movement in borrowings	**25,048**	**26,049**
At end of year	**88,658**	**63,610**

The long-term debt includes: -

(a) A 7-year loan obtained from African Development Bank (ADB) in 2018 of USD 100 million by KCB Bank Kenya at interest terms of Libor+2.70% p.a.

(b) A 7-year loan obtained from International Finance Corporation (IFC) in 2018 of USD 75 million by KCB Bank Kenya at interest terms of Libor +5.3% p.a.

(c) A 10-year loan obtained from International Finance Corporation in 2020 of USD 150 million by KCB Bank Kenya Ltd at interest terms of Libor +5.15% p.a.

(d) A 5-year loan of RWF 4,412 million obtained by BPR Bank Rwanda from European Investment Bank, its effective interest rate is 8.04% p.a.

(e) A 5-year loan obtained from International Finance Corporation by KCB Bank Uganda in 2016 of USD 10 million at interest terms of Libor +3.5% p.a.

Notes (continued)

40. Borrowings (continued)

(f) A 7-year loan obtained from European Investment Bank by KCB Bank Uganda in 2017 of UGX 33 billion at interest terms of 11.66 % p.a.

(g) A 7-year loan obtained from European Investment Bank (EIB) by KCB Bank Tanzania in 2017 of TZS 27.9 billion at interest terms of 9.72% p.a.

(h) A 3-year loan obtained from Tanzania Mortgage Refinance Company (TMRC) by KCB Bank Tanzania in 2017 of TZS 5.0 billion at interest terms of 12.5% p.a.

(i) A 3-year loan obtained from Tanzania Mortgage Refinance Company (TMRC) by KCB Bank Tanzania in 2018 of TZS 5.0 billion at interest terms of 10.0% p.a.

(j) A 7-year loan obtained of EUR 7 million from European Investment Bank at interest terms of 7.96% p.a. by KCB Bank Rwanda in 2019.

(k) An 8-year loan obtained from Kenya Mortgage Refinance Company (KMRC) in 2022 of Ksh. 1.7 billion by the Bank at interest terms of 5.00% p.a.

(l) A 10-year loan obtained from International Finance Corporation in 2022 of USD 150 million by the Bank at interest terms of SOFR +1.8% p.a.

(m) A 5-year loan obtained by NBK from Global Access Fund Plc in 2022 at interest terms of 4.50% p.a.

(n) A 7- year loan obtained from European Investment Bank (EIB) by KCB Bank Tanzania in 2023 of USD 21.9 million at interest terms of 5.814% p.a.

The Group's long-term borrowing contracts are subjected to specific covenant clauses, whereby the Group is required to meet certain key financial ratios.

As at 31 December 2023, the actual ratios for one of our subsidiaries (KCB Bank Kenya) was higher than required, as a result of an increase in loans in arrears for more than ninety (90) days and an increase in restructured loans, particularly within the hospitality, tourism, real estate, building and construction sectors which have been impacted by the prolonged Covid 19 pandemic effects.

The Group was, however, compliant with all principal and interest repayments as required in the loan agreements. In addition, the lenders have not varied the terms of the loan agreement or requested for an early repayment of the loan as at the date these financial statements were approved by the Board of Directors. Management is in the process of seeking a waiver of the ratios that are in breach and expects approval by the second quarter of 2024.

41. Share capital

	Group and Company	
	2023 Ksh. million	2022 Ksh. million
Authorised:		
4,500,000,000 (2022: 4,500,000,000) at 1 January and 31 December ordinary shares of Ksh. 1 each	4,500	4,500
Issued and fully paid:		
At start of year 3,213,462,815 and at end of year ordinary shares of Ksh. 1 each	3,213	3,213

All ordinary shares rank equally with regard to the Company's residual assets, are entitled to dividends as declared from time to time, and are entitled to one vote per share at general meetings of the company.

KCB Group Plc
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For the Year Ended 31 December 2023

Notes (continued)

42. Reserves

Other reserves comprise of retirement benefits obligation reserve, currency translation reserve, and fair value reserves on financial assets at fair value through other comprehensive income.

The fair value reserve on financial assets carried at fair value through other comprehensive income (FVTOCI), arises from the fair valuation of the designated assets at the year end. The fair value gains and losses are recognised in the profit or loss on the derecognition of the underlying assets. This amount is not available for distribution to shareholders.

The translation reserve arises from translation of the net investment in foreign subsidiaries to Kenya Shillings. This amount is not available for distribution.

Retirement benefits obligation reserve arises from changes in the group retirement benefits obligation based on annual actuarial valuations. The reserves are recognised inthe income statement once the underlying asset has been derecognised and is not available for distribution.

The movement in other reserves is as follows:

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
At 1 January	(11,042)	(8,385)	-	-
Foreign currency translation differences for foreign operations	1,281	448	-	-
Re-measurement benefits obligation (net of tax)	59	(153)	-	-
Change of fair value of financial assets at FVOCI	(6,982)	(2,952)	-	-
At 31 December	**(16,684)**	**(11,042)**	**-**	**-**

The share premium arises from the issue of shares at a price higher than the par value of the shares. This amount is not available for distribution.

Statutory credit risk reserve relates to amounts set aside to cover additional provision for credit losses on loans and advances required to comply with the requirements of Central Banks Prudential guidelines. This amount is not available for distribution. The movement in the year is as follows:

	2023 Ksh. million	2022 Ksh. million
At start of year	26,707	7,959
Transfers from retained earnings	(9,555)	18,748
At end of year	**17,152**	**26,707**

43. Dividends

Dividends are recognised as a liability in the period in which they are declared.

At the Annual General Meeting to be held on 23 May 2024, a final dividend in respect of the year ended 31 December 2023 will be nil (2022: Ksh. 2.00 per share) amounting to Ksh. nil (2022: Ksh. 6,426 million) will be proposed. Payment of dividends is subject to withholding tax at the rate of 5% for residents and 10% for non-resident shareholders.

KCB Group Plc
Financial Statements
For the Year Ended 31 December 2023

Notes (continued)

44. Notes to the statement of cash flows

(a) Cash flows from operating activities

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
This has been derived as follows:				
Profit before tax	48,453	57,331	768	32,204
Adjustments for:				
Depreciation of property and equipment	4,261	2,835	18	16
Depreciation of right of use	872	1,155		
Amortisation of intangible assets	4,196	2,625	2	2
Retirement benefit expense	60	68	-	-
Interest expense on lease liability	471	470	-	-
Net interest income	(120,712)	(100,905)	(252)	(19)
Dividend income			-	(32,824)
Hyperinflation adjustments	-	(299)		
(Loss)/Profit on disposal of property and equipment	-	7	-	-
Operating profit before movements in operating assets and liabilities	**(62,399)**	**(36,713)**	**536**	**(621)**

(b) Cash flows from operating activities

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Cash reserve ratio	(8,627)	(3,985)	-	-
Financial assets at armotised cost	(32,337)	(33,395)	-	-
Financial assets at FVOCI	(86,777)	26,206	-	-
Loans and advances	(232,503)	(129,275)	-	-
Balances due from related companies	-	-	4,685	1,800
Other assets	(15,915)	(17,218)	(27)	(58)
Right of use asset	-	-	-	-
Deposits from banks	(4,978)	44,959	-	-
Other customer deposits	588,732	111,097	-	-
Other liabilities	(8,876)	11,539	(141)	160
Due to related parties	-	-	2,943	2,360
Investment accounted for using equity method	-	(675)	-	-
	135,771	**(27,460)**	**2,110**	**3,641**
Interest received	181,553	262,921	252	19
Dividend received	-	-	1,091	32,739
Interest paid	(60,841)	(31,098)	-	-
Income taxes paid	(12,747)	(23,968)	(25)	(31)
Net cash flows from operating activities	**243,736**	**180,395**	**3,428**	**36,368**

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For the Year Ended 31 December 2023

Notes (continued)

44. Notes to the statement of cash flows (continued)

(c) Analysis of cash and cash equivalents

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Balances with Central Banks (Note 21)	17,465	16,685	-	-
Cash on hand (Note 21)	66,143	29,290	-	-
Financial assets at armotised cost (Note 27)	6,910	3,681	-	-
Advances to banks (Note 22)	369,119	163,632	927	712
	459,637	**213,288**	**927**	**712**

For the purpose of the statement of cash flows, cash and cash equivalents comprise financial assets at amortised cost with less than three months to maturity from the date of acquisition.

Cash and cash equivalents exclude, Ksh. 53,783 million (2022 : Ksh. 45,156 million) being the cash reserve requirement held with the Central Banks which is not available for general use by the Group.

The cash and cash equivalent components disclosed above are the same amounts included in the statement of financial position except held at amortised cost investments, whose reconciliation is as follows:

	Group		Company	
Analysis of cash and cash equivalents (continued)	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Balance as per statement of cash flows	6,910	3,681	-	-
Balances with less than three months maturity from the acquisition date	189,949	160,841	-	-
Balance as per statement of financial position	**196,859**	**164,522**	**-**	**-**

Notes (continued)

45. Commitments

To meet the financial needs of the customers, the Group enters into various irrevocable commitments. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group.

	Group		Company	
	2023 Ksh. million	2022 Ksh. million	2023 Ksh. million	2022 Ksh. million
Capital commitments contracted for at year end	869	2,682	-	-
Loans committed but not disbursed at year end	**103,636**	**81,727**	**-**	**-**
Foreign currency commitments	**3,866**	**(15,035)**	**-**	**-**

Commitments to extend credit represent contractual commitments to make loans and other credit facilities to counterparties who, as per the Group credit risk rating model, are rated as either normal or watch. Commitments generally have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

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Notes (continued)

46. Off balance sheet financial instruments

	2023 Ksh. million	2022 Ksh. million
Letters of credit:		
Issued and accepted	271,948	11,817
Issued but not yet accepted	**123,807**	**45,356**
	395,755	57,173
Guarantees	105,100	112,977
Forward foreign exchange contract	6,581	6,308
Lease commitment	5,412	5,412
Total	**512,848**	**181,870**

At 31 December 2023, the issued and accepted letters of credit included Ksh. 232 billion relating to structured fuel importation financing arrangement which are secured by customers deposits (Note 36). Issued but not yet accepted letters of credit included Ksh. 82 billion relating to structured fuel importation financing arrangements.

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

Letters of credit commit the Group to make payment to third parties, on production of documents, which are subsequently reimbursed by customers. An acceptance is an undertaking to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented and reimbursement by the customer is almost immediate.

Forward foreign exchange contracts are commitments to either purchase or sell a designated financial instrument at a specified future date for a specified price and may be settled in cash or another financial asset. The fair values of the respective currency forwards are carried under financial assets and liabilities held for trading.

Included in the 2023 results are significant commodity transactions that were not present in the 2022 financial statements. That informs the growth in off balance sheet.

47. Contingent liabilities

Litigation is a common occurrence in the banking industry due to the nature of the business. The Group has established protocol for dealing with legal claims. The directors use the best available information, including independent external legal opinions, to determine any provisions for losses or disclosures to be made in the financial statements.

The Group entities had several unresolved legal and tax claims arising in the ordinary course of business at the year end. The unresolved tax claims and legal disputes are individually evaluated at the year end for potential losses to the group. Where necessary, the directors seek independent legal advice on the significant unresolved tax claims and legal matters. Based on the information available at the approval of these financial statements, the directors believe the ultimate resolution of the unresolved tax claims and legal proceedings will not have a material effect on the group's operations.

48. Retirement benefit obligations

KCB Pension Fund and Staff Retirement Benefit Scheme

The Group operates a funded defined benefit plan. The Fund closed to new entrants effective 1 June 2006. The Fund is non-contributory with the Group responsible for the cost of benefits accruing. The Fund is established under trust. The Fund assets are invested in a variety of asset classes comprising Government securities, corporate bonds, call and term deposits, investment properties, shares and offshore investments. Old Mutual Asset Managers and Pine Bridge Investments (East Africa) Limited are responsible for the investment of assets.

Characteristics and risks of the Fund

The Fund is registered under irrevocable trust with the Retirement Benefits Authority. The Retirement Benefits Act, 1997 ("the Act") and the Regulations under the Act require the Fund to maintain a funding level of 100%. Where the funding level is below, such deficits are required to be amortised over a period not exceeding 6 years.

- The Fund is managed by a Board of Trustees. The Board is responsible for the overall operation of the Fund including making sure benefits are paid to beneficiaries on time.

Notes (continued)

48. Retirement benefit obligations (continued)

- 31.6% of the Fund assets are invested in property assets. The exposure is a concentration risk to the property market for the Fund and, by extension, the Company.

Following the closing of the Fund as of 1 June 2006, some active in-service members opted to transfer their accrued benefits under the Fund to the new Defined Contribution Plan established by the Company. The Fund therefore comprises mainly of pensioners and deferred pensioners, although some in-service members remain in the Fund.

Some of the main risks relating to the benefits under the Fund are the rates of pension increases and the rates of return earned on the Fund assets. For the in-service members, rates of salary escalation will also have a direct bearing on the benefits paid under the Fund. In addition, the pension benefits are payable for the duration of the life of the pensioners. Therefore, the Fund's post-retirement mortality experience with respect to the pensioners will also have an impact on the liabilities under the Fund.

The information below summarises the scheme's assets and liabilities:

Composition of fund assets based on the Investment Manager's reports as of 31 December 2023.

	2023 Ksh. million		2022 Ksh. million	
Property	1,854	31.63%	1,804	27.91%
Government securities	3,159	53.89%	3,579	55.37%
Fixed and term deposits	271	4.62%	258	3.99%
Quoted equities	509	8.68%	749	11.59%
Corporate bonds	47	0.80%	48	0.74%
Cash and demand deposits	22	0.38%	-	0.00%
Net current liability	-	0.00%	26	0.40%
Total	**5,862**	**100%**	**6,464**	**100%**

Changes in the present value of the defined benefit obligation over the year:

	2023 Ksh. million	2022 Ksh. million
At start of year	7,049	7,321
Transfers at 1 January 2016 from KCB Group Plc	60	68
Current service cost (net of employer contributions)	918	903
Interest cost	(84)	-
Actuarial gains/(losses) due to changes in assumptions	(566)	(381)
Benefits paid	(914)	(862)
At end of year	**6,463**	**7,049**

Changes in the fair value of plan assets over the year:

	2023 Ksh. million	2022 Ksh. million
At start of year	7,049	7,321
Transfers at 1 January 2016 from KCB Group Plc	60	68
Current service cost (net of employer contributions)	918	903
Interest cost	(84)	-
Actuarial gains/(losses) due to changes in assumptions	(566)	(381)
Benefits paid	(914)	(862)
At end of year	**6,463**	**7,049**

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Notes (continued)
48. Retirement benefit obligations (continued)

The amounts recognised in the statement of financial position are determined as follows:

Reconciliation of liability in the statement of financial position:

	2023 Ksh. million	2022 Ksh. million
Present value of fund obligations	6,463	7,049
Fair value of plan assets	(5,862)	(6,464)
Effect of asset ceiling at end of period	-	-
Asset recognised in the statement of financial position	**601**	**585**

The amount recognised in profit and loss for the year are as follows:

	2023 Ksh. million	2022 Ksh. million
At start of year	585	458
Net expense recognised in statement of profit and loss		
Employer contribution	135	121
Amount recognised in other comprehensive income	(35)	(212)
	(84)	218
At end of year	**601**	**585**

The amount recognised in profit and loss for the year are as follows:	2023 Ksh. million	2022 Ksh. million
Service cost		
Current service cost (employer)	60	68
Total service cost	**60**	**68**
Interest cost		
Interest cost on defined benefit obligation	918	903
Interest income on plan assets	(843)	(850)
Interest on the effect of the asset ceiling	-	-
Net interest cost on balance sheet liability	**75**	**53**
Net included in profit and loss in respect of the scheme	**135**	**121**

Re-measurement (other comprehensive income)	2023 Ksh. million	2022 Ksh. million
Actuarial loss – obligation	(650)	(381)
Return on plan assets (excluding amount in interest cost)	566	599
Amount recognised in other comprehensive income	**(84)**	**218**

Notes (continued)

48. Retirement benefit obligations (continued)

The principal actuarial assumptions used are as follows:

Actuarial Assumptions	2023	2022
Discount Rate (% p.a.)	13.00%	13.00%
Future salary increases (% p.a.)	6.00%	6.00%
Future pension increases (% p.a.)	0.00%	0.00%
Mortality (pre-retirement)	A1949-1952	A1949-1952
Mortality (post-retirement)	a(55) Ultimate	a(55) Ultimate
Withdrawals (voluntary)	At rates consistent with similar arrangements	At rates consistent with similar arrangements
Retirement age	55 Years	55 Years

Sensitivity Analysis

The results of the actuarial valuation will be more sensitive to changes in the financial assumptions than changes in the demographic assumptions. In preparing the sensitivity analysis of the results to the discount rate used, The Group has relied on our calculations of the duration of the liability. Based on this methodology, the results of our sensitivity analysis are summarised in the table below:

	Current discount rate (14.5% per annum) 2023 Ksh. million	Discount rate -1% (13.5% per annum) 2022 Ksh. million
Present value of obligation	6,463	7,049

Given a large portion of the liability is in respect of inactive members, the sensitivity of the liability to a change in the salary escalation assumption will not be as significant as a change to the discount rate as it affects only in-service members.

49. Hyperinflation

For the financial year ended 31 December 2023, the directors evaluated and determined the economy of South Sudan not to be hyperinflationary.

50. Subsequent Events

On 20 March 2024, KCB Group Plc ("KCB") entered into a binding agreement to sell all its shareholding in National Bank of Kenya Limited to Access Bank Plc subject to conditions that are customary for transactions of this nature including receipt of all regulatory approvals from, amongst others, the Central Bank of Kenya, the Central Bank of Nigeria, the COMESA Competition Commission, and notifications to other relevant regulators.

NOTES

KCB GROUP PLC.

(Incorporated in Kenya under the Companies Act, 2015, Laws of Kenya)
(Registration Number C 9/88)

NOTICE OF THE 53RD ANNUAL GENERAL MEETING

Notice is hereby given that the 53rd Annual General Meeting of the shareholders of KCB Group PLC ("Company") will be held via electronic communication, on Thursday, 23 May 2024 at 10.00 a.m. when the business set out below will be transacted:

AGENDA

1. Constitution of the Meeting

To read the notice convening the meeting and determine if a quorum is present.

2. Ordinary Business

a. **Report and Financial Statements for the Year ended 31 December 2023.**
To receive, consider and, if thought fit, adopt the Audited Consolidated Financial Statements for the year ending 31 December 2023 together with the reports of the Directors, the Group Chairman, the Group Chief Executive Officer and the Auditor thereon.

b. **Dividend**
To note that the Directors do not recommend the payment of a dividend for the financial year ended 31 December 2023.

c. **Directors**
   a. To re-elect Mrs. Alice Kirenge, who, in accordance with Articles 94, 95 and 96 of the Company's Articles of Association, retires by rotation, and being eligible, offers herself for re-election.
   b. To re-elect Mr. Lawrence Njiru, who, in accordance with Articles 94, 95 and 96 of the Company's Articles of Association, retires by rotation, and being eligible, offers himself for re-election.
   c. To re-elect Ms. Anuja Pandit, who, in accordance with Articles 94, 95 and 96 of the Company's Articles of Association, retires by rotation, and being eligible, offers herself for re-election.
   d. To approve the appointment of Mrs. Agnes Lutukai, who, in accordance with Article 101 of the Company's Articles of Association, having been appointed by the Board to fill in a casual vacancy, retires from the Board and being eligible offers herself for re-election.
   e. To re-elect Dr. Joseph Kinyua who, in accordance with guideline 2.5 of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, having attained the age of 70, retires from the Board and being eligible and having expressed his willingness to continue serving as a director, offers himself for re-election.
   f. In accordance with the provisions of Section 769 of the Companies Act, 2015, the following directors, being members of the Board Audit Committee, and, subject to being re-elected to continue to serve as directors as may be applicable, be elected to continue to serve as members of the said Committee:
      i. Mr. Lawrence Njiru
      ii. Mr. Ahmed Mohamoud
      iii. Mrs. Alice Kirenge
      iv. Ms. Anuja Pandit

d. **Remuneration of Directors:**
To receive, consider and, if thought fit, approve the Directors' Remuneration Report and to authorise the Board to fix the remuneration of Directors.

e. **Appointment of Auditors:**
To re-appoint Messrs. PriceWaterhouseCoopers, Certified Public Accountants, as the Auditors of the Company until the conclusion of the next Annual General Meeting.

f. **Remuneration of the Auditors:**
To authorise Directors to fix the remuneration of the Auditors.

BY ORDER OF THE BOARD

BONNIE OKUMU
COMPANY SECRETARY
1 MAY 2024

NOTES:

1. KCB Group Plc has convened and will conduct its 53rd Annual General Meeting via virtual/electronic means in line with The Companies Act, 2015.
2. Shareholders wishing to participate in the meeting should register for the AGM by doing the following:
   a. dialling ***483*905#** for all Kenyan telephone networks and following the various registration prompts; or sending an email request to be registered to kcbshares@image.co.ke.

      Shareholders with email addresses will receive a registration link via email through which they can use to register.

      To complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance, shareholders should dial the following helpline number: (+254) 709 170 037/ 709 170 034 from 9:00 a.m. to 5:00 p.m. from Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register.
3. Registration for the AGM opens on Thursday, 2 May 2024 at 9.00 a.m. and will close on Tuesday, 21 May 2024 at 10.00 a.m. Shareholders will not be able to register after Tuesday 21 May 2024 at 10.00 a.m.
4. In accordance with Section 283 (3) of the Companies Act, the following documents may be viewed on the Company's website www.kcbgroup.com
   a. a copy of this Notice and the proxy form.
   b. the Company's Annual Report & Audited financial statements for the year ended 31 December 2023.

      The reports may also be accessed upon request by dialling the USSD code above and selecting the reports option. The reports and agenda can also be accessed on the livestream link.

5. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:
   a. sending their written questions by email to kcbshares@image.co.ke; or
   b. shareholders who will have registered to participate in the meeting shall be able to ask questions via sms by dialling the USSD code above and selecting the option (Ask Question) on the prompts; or
   c. to the extent possible, physically delivering their written questions with a return physical, postal or email address to the registered office of the Company at Kencom House, P. O. Box 48400 – 00100, Nairobi, or to Image Registrars offices at 5th floor, Absa Towers (formerly Barclays Plaza), Loita Street.

   Shareholders must provide their full details (full names, National ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

   The Company's Directors will provide responses to questions received via the channel used by shareholders to send their questions i.e SMS (for USSD option), Email, Letters or Telephone call. Questions will also be responded to during the meeting.

   A full list of all questions received and the answers thereto will be published on the Company's website not later than 24 hours following the conclusion of the meeting.

6. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company. A proxy form is attached to this Notice and is available on the Company's website via this link: www.kcbgroup.com. Physical copies of the proxy form are also available at the following address: Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street P. O. Box 9287 – 00100. Shareholders who do not propose to be at the Annual General Meeting are requested to complete and return the proxy form to Image Registrars Limited, or alternatively to the Registered Office of the Company to arrive not later than 10.00 a.m. on Tuesday, 21 May 2024.

   Duly signed proxy forms may also be emailed to kcbshares@image.co.ke in PDF format. A proxy form must be signed by the appointor, or his attorney duly authorised in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under the Company's common seal or under the hand of an officer or duly authorized attorney of such body corporate.

7. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the AGM. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour before the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hour's time and providing a link to the live stream.

8. Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted) via the USSD prompts.
9. A poll shall be conducted for all the resolutions put forward in the notice.
10. **Shareholder Contact Details and Dividend Payment Details:** To facilitate timely receipt of dividends, shareholders are encouraged to update their contact details and register to receive their dividend payments via mobile (MPESA/Airtel Money) or bank payments. To do so, shareholders are requested to update their dividend payment details via any one of the following channels:

    a. Complete an online opt-in form available at the Registrar's offices.

    b. Send an email to Image Registrars Limited through kcbshares@image.co.ke

    c. Opt-In via USSD by dialling ***483*905#** as you register for the Annual General Meeting (AGM).

    d. Shareholders who maintain CDS Accounts are also encouraged to notify any change of address or request for payment of dividends through bank accounts /MPESA via their stockbroker or investment bank.

    Shareholders with certificates are advised to contact Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, Nairobi via Email address kcbshares@image.co.ke or Telephone no. **0709 170 000**.

11. Results of the AGM shall be published on the Company's website within 24 hours following the conclusion of the AGM.

Shareholders are encouraged to continuously monitor the Company's website www.kcbgroup.com for updates relating to the AGM.

KCB GROUP PLC
PROXY FORM

GROUP COMPANY SECRETARY,
KCB GROUP PLC.,
KENCOM HOUSE, MOI AVENUE,
P. O. BOX 48400 – 00100,
NAIROBI, KENYA

I/We ____of____

Being a shareholder of KCB Group Plc hereby appoint____ (see notes 2 and 3) (Name of proxy) of

P. O. Box____ and whose mobile phone number for purposes of registration and voting is _________ ____________________________________OR FAILING WHOM, the Chairman of the Meeting in respect of my____________________________. (Number of shares). Please indicate here if you are appointing more than one proxy (including the mobile phone number of such proxy) ________________ (see note 3) as my/our proxy to attend, represent and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held electronically on Thursday 23 May 2024 at 10.00 am and at any adjournment thereof.

Signed this____day of ____2024.

Signature(s)

____

I/We direct my/our proxy to vote on the following resolutions as I/We have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or withhold his or her vote at his or her discretion and I/We authorise my/our proxy to vote (or withhold his or her vote) as he or she thinks fit in relation to any other matter which is properly put before the Meeting.

Please clearly mark the box below to instruct your proxy how to vote.

RESOLUTION	FOR	AGAINST	WITHHELD
To receive, consider and, if thought fit, adopt the Audited Consolidated Financial Statements for the year ending 31 December 2023 together with the reports of the Directors, the Group Chairman, the Group Chief Executive Officer and the Auditor thereon.			
To re-elect **Mrs. Alice Kirenge**, who, in accordance with Articles 94, 95 and 96 of the Company's Articles of Association, retires by rotation, and being eligible, offers herself for re-election.			
To re-elect **Mr. Lawrence Njiru**, who, in accordance with Articles 94, 95 and 96 of the Company's Articles of Association, retires by rotation, and being eligible, offers himself for re-election.			
To re-elect **Ms. Anuja Pandit**, who, in accordance with Articles 94, 95 and 96 of the Company's Articles of Association, retires by rotation, and being eligible, offers herself for re-election.			
To approve the appointment of **Mrs. Agnes Lutukai**, who, in accordance with Article 101 of the Company's Articles of Association, having been appointed by the Board to fill in a casual vacancy, retires from the Board and being eligible offers herself for re-election.			
To re-elect **Dr. Joseph Kinyua** who, in accordance with guideline 2.5 of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, having attained the age of 70, retires from the Board and being eligible and having expressed his willingness to continue serving as a director, offers himself for re-election.			

RESOLUTION	FOR	AGAINST	WITHHELD
Audit Committee: In accordance with the provisions of Section 769 of the Companies Act, 2015, the following directors, being members of the Board Audit Committee and, subject to being re-elected to continue to serve as directors as may be applicable, be elected to continue to serve as members of the said Committee:			
1. Mr. Lawrence Njiru			
2. Mr. Ahmed Mahmoud			
3. Mrs. Alice Kirenge			
4. Ms. Anuja Pandit			
To receive, consider and, if thought fit, approve the Directors' Remuneration Report and to authorise the Board to fix the remuneration of Directors.			
To re-appoint Messrs. PriceWaterhouseCoopers, Certified Public Accountants, as the Auditors of the Company until conclusion of the next Annual General Meeting			
To authorise the Directors to fix the remuneration of the Auditors.			

ELECTRONIC COMMUNICATIONS PREFERENCE FORM

Please complete in BLOCK CAPITALS

Full name of member(s): ____

Address: ____

(This can be found on your CDSC Statement)

Mobile Number: ____

Date: ______________________________ Signature: ______________________________

Please tick the boxes below to signify your approval/consent and return to Image Registrars at P.O. Box 9287 – 00100 Nairobi, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street:

Approval of Registration

I/We approve to register to participate in the virtual Annual General Meeting to be held on 23 May 2024.

Consent for use of the Mobile Number provided

I/We would give my/our consent for the use of the mobile number provided for purposes of voting at the AGM.

Notes:

1. If a member is unable to attend personally, this Proxy Form should be completed, duly signed and returned to reach the Company's share registrar, Image Registrars Limited, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street, P. O. Box 9287 – 00100 Nairobi or can be scanned and emailed to kcbshares@image.co.ke in PDF format, to arrive not later than 10:00 a.m. on Tuesday 21 May 2024 i.e. 48 hours before the meeting or any adjournment thereof.
2. In case of a member being a corporate body, the Proxy Form must be given under its common seal or under the hand of an officer or duly authorised attorney of such corporate body.
3. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairman of the meeting as proxy has been included for convenience. To appoint any other person as a proxy, delete the words "the Chairman of the Meeting or" and insert the full name of your proxy in the space provided. A proxy need not be a shareholder of the Company.
4. Completion and submission of the Proxy Form will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.
5. A "vote withheld" option has been included on the Proxy Form. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.

KCB

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