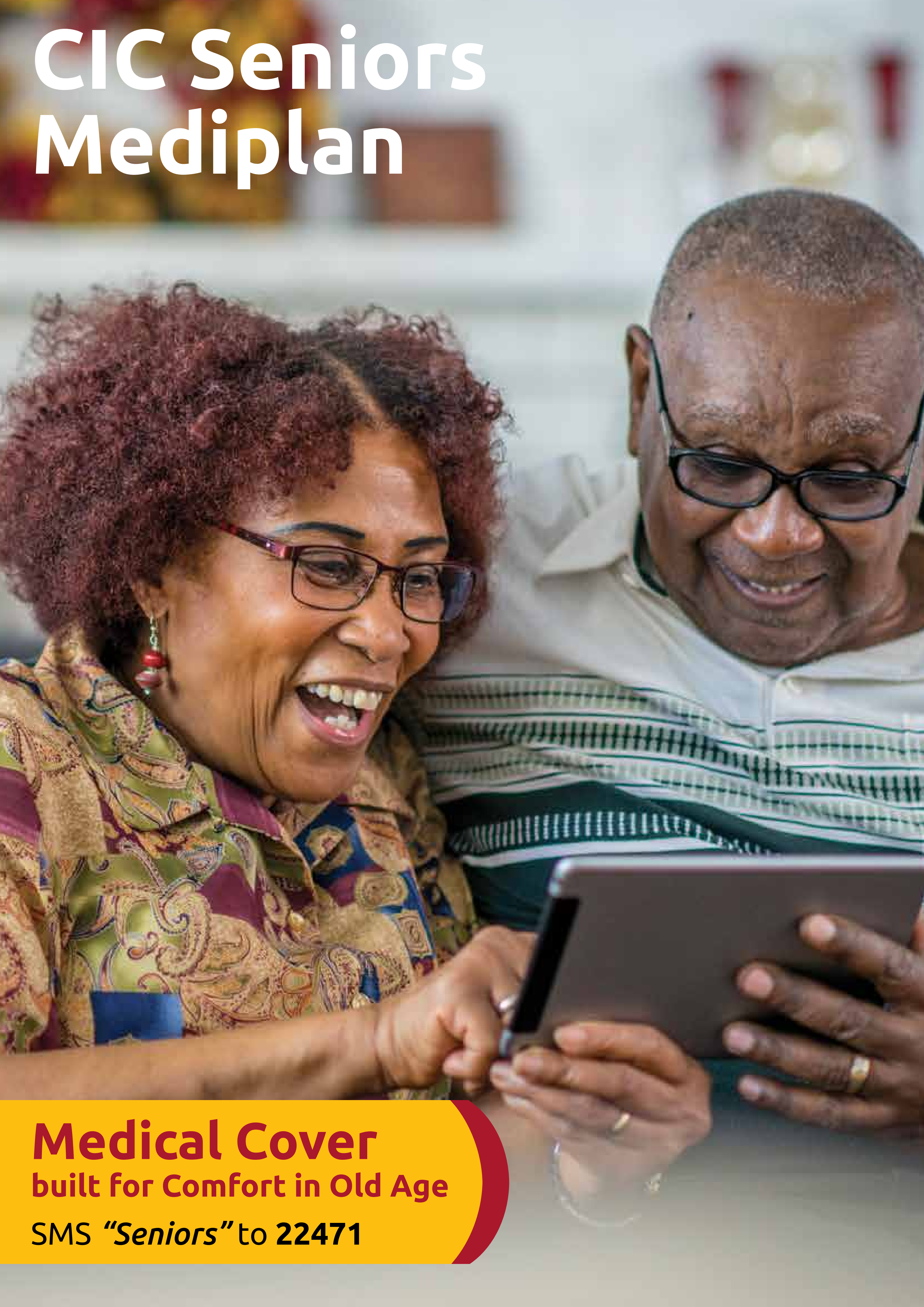
2022

THE CIC INSURANCE GROUP PLC

INTEGRATED REPORT & FINANCIAL STATEMENTS

CIC Seniors Mediplan



Medical Cover
built for Comfort in Old Age

SMS *"Seniors"* to **22471**

TABLE OF CONTENTS

THE CIC INSURANCE GROUP PLC AND ITS SUBSIDIARIES CORPORATE INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS	**Nelson Kuria:** Group Chairman **James Njue:** Group Vice Chairman **Patrick Nyaga:** Group Chief Executive Officer **Peter Nyigei** **Gordon Owuor** **Michael Wambia** **Rogers Kinoti** **Julius Mwatu** **Sharon Kisire:** Appointed 5th September 2022 **Rosemary Githaiga:** Deceased 7th December 2022
COMPANY SECRETARY	**Gail Odongo** Certified Public Secretary (Kenya) P. O. Box 59485 - 00100 Nairobi, Kenya
REGISTERED OFFICE	**CIC Plaza** Upper Hill, Mara Road P. O. Box 59485 - 00200 Nairobi, Kenya
SENIOR MANAGEMENT	**Patrick Nyaga:** Group Chief Executive Officer **Philip Kimani:** Group Chief Financial Officer **Fred Ruoro:** Managing Director - CIC General Insurance Limited **Humphrey Gathungu:** Managing Director - CIC Asset Management Limited **Meshack Miyogo:** Managing Director - CIC Life Assurance Limited **Erick Obila:** Managing Director - CIC Africa (Uganda) Limited **Andrew Murunga:** Managing Director - CIC Africa Insurance (SS) Limited **Chris Mugwangá:** Managing Director - CIC Africa Co-operatives Insurance Limited **Gail Odongo:** Group Company Secretary/Chief Legal Officer **Pamela Oyugi:** General Manager Human Resource & Administration **Muyesu Luvai:** Group Chief Internal Auditor **Susan Robi:** Group Risk and Compliance Manager **Henry Malmqvist:** Group Chief Information Officer **Joseph Kamiri:** General Manager Marketing and Customer Experience **Richard Nyakenogo:** General Manager Co-operatives **Michael Mugo:** General Manager Branch Distribution **Salome Ndegwa:** Group Actuarial Manager
AUDITOR	**PricewaterhouseCoopers LLP** Certified Public Accountants (Kenya) PwC Towers, Waiyaki Way / Chiromo Road Westlands P. O. Box 43963 - 00100 Nairobi, Kenya
PRINCIPAL BANKER	**The Co-operative Bank of Kenya Limited** P. O. Box 67881 - 00100 Nairobi, Kenya
CONSULTING ACTUARIES	**The Actuarial Services Company Limited** Victoria Towers, Upper Hill P.O. Box 10472 - 00100 Nairobi, Kenya

ABOUT THIS REPORT

The CIC Group Plc Integrated Report and Financial Statements 2022 contains information on our financial and non-financial performance for the financial year 2022. The report sets out how our strategy, governance, performance and prospects have led to the creation of value. As a business we are committed to being transparent and accountable to all our stakeholders.

Framework

The report has been prepared in compliance with global best practice and prudent accounting frameworks. It is aligned to the provisions of the Companies Act, 2015, Capital Markets Authority (CMA) guidelines and the Nairobi Securities Exchange (NSE) Listings Manual. This report is also in compliance with the International Integrated Reporting Council (IIRC) guidelines. The Group's Annual Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS).

Reporting Scope and Boundary

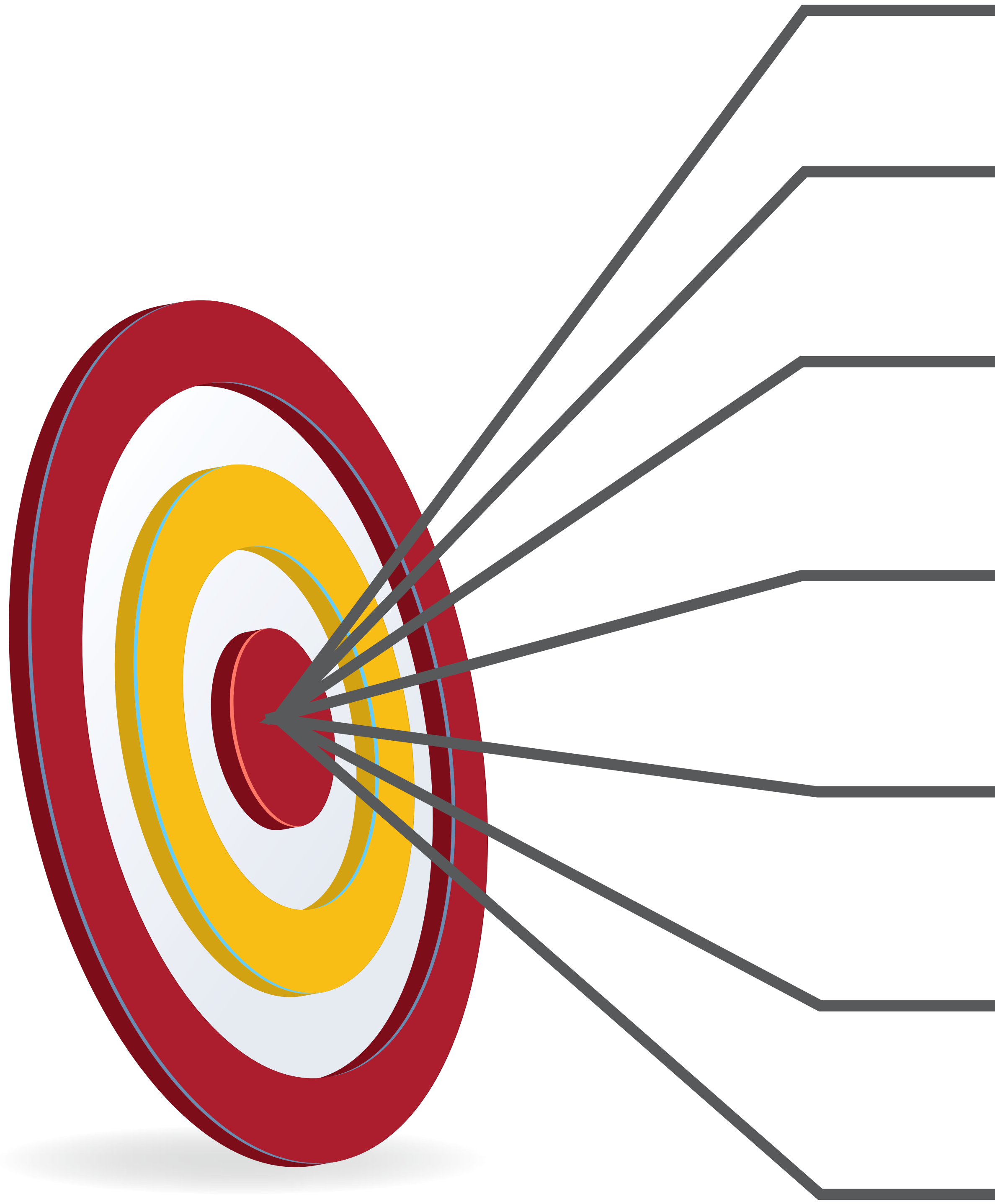
This report focuses on the performance of the Group across our geographical footprint covering Kenya and the regional businesses. The Kenyan operations offers: Life Assurance, General Insurance and Asset Management services. Our regional businesses are made up of the Group's subsidiaries in the following countries: South Sudan, Uganda, and Malawi. We offer General Insurance and Life Assurance solutions in these countries.

The principal target for this report is our investors who need to make informed decisions about our stock for short, medium or long-term investment. However, it also contains information relevant to our other stakeholders who include but are not limited to our customers, staff members, the co-operative movement, strategic partners, suppliers, regulators & policy makers, the media and the communities within which the Group operates in.

Assurance

The Annual Financial Statements for the CIC Group, CIC General Insurance, CIC Life Assurance, CIC Asset Management and CIC Africa South Sudan were audited by PricewaterhouseCoopers LLP (Kenya). CIC Africa Uganda was audited by PricewaterhouseCoopers (Uganda) while CIC Africa Malawi was audited by Ernst & Young (Malawi).

Our Philosophies and Values



Our Purpose

A financial service industry institution predominately owned by the Co-operative Movement transforming lives.

Why we exist as CIC Insurance Group

We operate in Kenya and the region using the co-operative model to ensure that we economically and socially transform our stakeholders by the Innovative Insurance and Asset Management solutions that we offer.

Our Vision Statement

"To be a world-class provider of insurance and other financial services."
Today's consumer has unlimited choices. Advances in technology have made it possible for consumers to enjoy products/services from all over the world. CIC acknowledges that to remain relevant our services must meet global standards.

Our Mission Statement

"To enable people achieve financial security."
We are first and foremost a co-operative. This is our identity and heritage which we are unashamedly proud of. Consequently, we shall consider ourselves successful only when all our stakeholders achieve financial security on account of association with us.

CIC Tagline/Slogan

"We keep our word"
We recognize that for our business to grow, we have a role to play in reversing the mistrust partly contributed by our own industry players through various malpractices such as mis-selling or failure to honour claims thus undermining the growth we so desire. We shall honour our promises to all our stakeholders.

Value Preposition

"To offer simple, flexible insurance and financial services built around our customers' needs."
Our approach to business growth shall be research driven. We shall seek to understand our customers and their needs, and innovatively develop appropriate products that address their needs, wants and desires.

Our Core Values

- **Integrity** – Be fair and transparent
- **Dynamism** – Be passionate and innovative
- **Performance** – Be efficient and results driven
- **Co-operation** – Live the co-operative spirit

Our approach to business growth is research driven. We seek to understand our customers and their needs, and innovatively develop appropriate products that address their needs, wants and desires.

OUR PHILOSOPHIES

WHO WE ARE

CIC Insurance Group is a leading Cooperative Insurer in Africa, providing insurance and related financial services in Kenya, Uganda, South Sudan and Malawi. The Group offers a wide range of products.

OUR MISSION STATEMENT

"To enable people achieve financial security."
We are first and foremost a co-operative. This is our identity and heritage which we are unashamedly proud of. Consequently, we shall consider ourselves successful only when all our stakeholders achieve financial security on account of association with us.

01

OUR VISION

"To be a world class provider of insurance and other financial services"
Today's consumer has unlimited choices. Advances in technology have made it possible for consumers to enjoy products/services from all over the world. CIC acknowledges that to remain relevant our services must meet global standards

02

OUR VALUES

Integrity
- Be fair and transparent

Dynamism
- Be passionate and innovative

Performance
- Be efficient and results driven

Cooperation
- Live the cooperative spirit

03

CIC QUICK FACTS

23.7B
Gross
Written Premium

46.7B
Assets

40%
Assets Management
Unit trust
Market share

6.5%
Life Assuarance
Market share

8.7%
General Business
Market share

4
Countries

25
Branches
in Kenya

Our Journey and History

2022

Milestones

- CIC launches new medical product for cooperative members dubbed "CIC CoopCare" to offer solution for the Cooperatives and Sacco markets
- CIC launches Motoring Assist in conjunction with AA Kenya
- Launch of revamped website including regional sites
- CIC introduces Ushirika Gardens and started the sale of its 200 acres of land
- Winner - AKI Group Life Company of the Year 2021
- Winner - Medical Underwriter of the Year - Group medical - CIC General Insurance
- Overal Winner - Champion of Governance Award
- Winner - Company Secretary of the Year Award
- Third runners up - minimum loss ratio
- Third runners up - Most Improved company

2021

- Awarded 2nd Runners up - FIRE Awards Insurance Category 2021
- Decade of Excellence Insurance Kenya - Global Banking and Finance Awards 2021
- Best General Insurance Company Kenya - International Business Magazine Awards 2021
- Best Life Insurance Company Kenya - International Business Magazine Awards 2021
- Best Asset Management Company Kenya - International Business Magazine Awards 2021

2020

Milestones

- CIC Goes Cashless
- Customer Digital Motor Certificates
- CIC launches Records and Information Management System
- Winner – AKI Group Life Company of the Year
- Second runners up AKI Motor Data System Award
- CIC General awarded Best Automotive Insurer – Automotive Industry Excellence Awards
- Best Motor Insurer – Cheki Awards

2019

- Marked 50 Years of service to the people
- Name change to Public Listed Company (PLC) in compliance with the requirements of the Companies Act
- Successfully paid the 2014 KShs 5b Corporate Bond upon maturity.
- AKI Awards: Overall Winner 2019 Group Life Company of the Year - AKI Group Life Best Practice
- AKI Awards: CIC General - second runners, Insurance Motor Data System Award.

2018

AKI Awards:

Overall Winner 2018 Group Life Company of the Year

- AKI Group Life Best Practice. Fire Award
- Winner Insurance Category 2018.

2017

AKI Awards:

Overall Winner 2017 Group Life Company of the Year

- AKI Group Life Best Practice.

2016

Successful launch of a the CIC Foundation.

- CIC Group awarded Best Company to Work for Deloitte - 2016.
- CIC Life awarded Group Life Company of the Year - AKI.

2015
Successful implementation of a unified CIC Brand.

2014
Opening of CIC Plaza II and Successful Corporate Bond issue (oversubscribed by 111%).
Entry into **Malawi** and **Uganda** markets.

2013
Entry into **Southern Sudan** and commencement of Regional Expansion.

2012
CIC Insurance Group listed its shares by introduction at the **Nairobi Securities Exchange** on Thursday 19th July 2012.

2011
We fully demerge resulting in the formation of :-
- **CIC Life Assurance Limited,**
- **CIC General Insurance Limited**
- **CIC Asset Management Limited.**

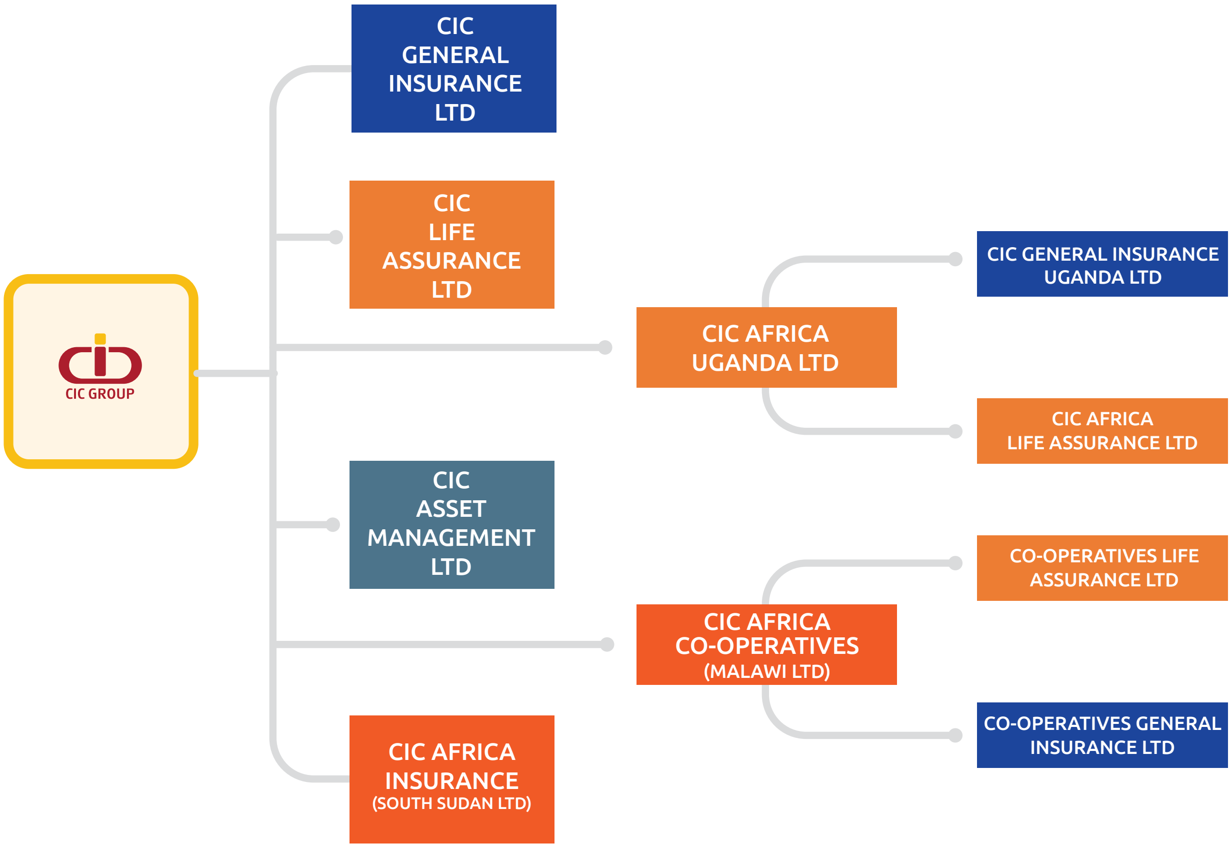
2010
Name change to CIC Insurance Group Limited in preparation for the demerger of our Life and General Business operations.

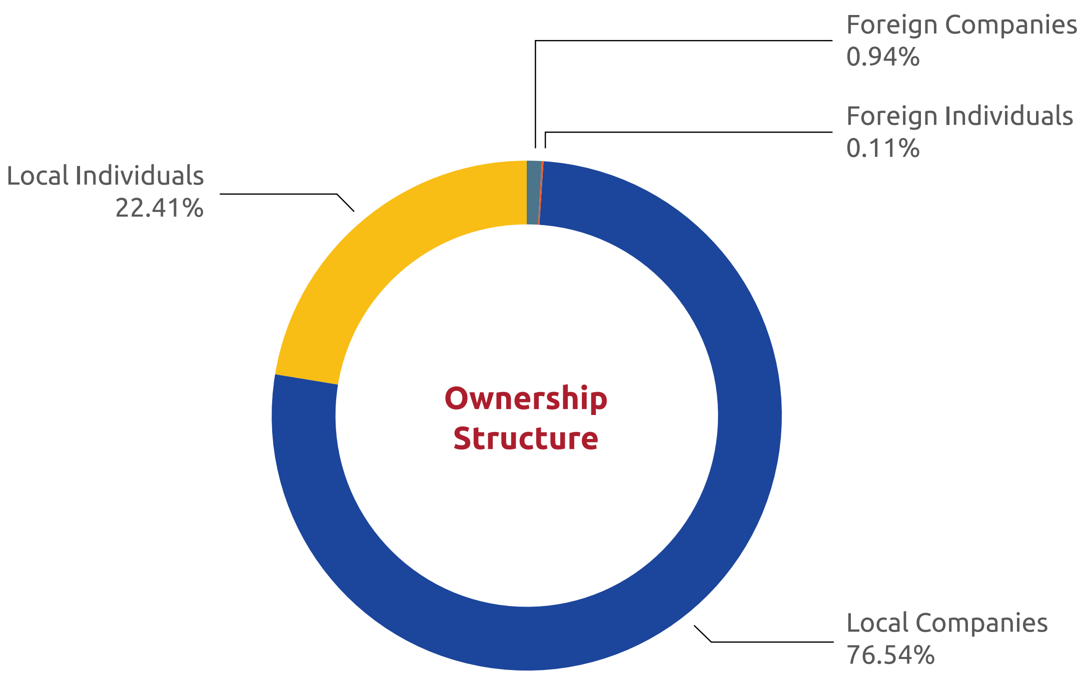
1999
Name change from CIS to the Cooperative Insurance of Kenya Ltd (CIC).

1978
Incorporated and licensed as Co-operative Insurance Services Ltd (CIS).

1968
CIS started as an **insurance agency** within the Kenya National Federation of Co-operatives (KNFC).

Company Share Holding and Group Structure





Business Strategy

The Group continues to implement 2021-2025 strategic plan. The blue-print dubbed 'Recapturing CIC's transformation agenda' is geared at transforming CIC back to an Industry leadership position across all our lines of business. The strategy focuses on 12 main transformational areas with various specific initiatives spanning the entire strategic period.

We have in place a robust strategy execution and tracking mechanism that ensures both operationalization and institutionalization of strategy which is critical for successful implementation. This includes drawing of tactical plans and undertaking quarterly reviews. We also continuously review our policies and structures to support the strategy.

Our Key Lines of Business

We have a wide product offering in insurance and investments across our subsidiaries both in Kenya and the region i.e. South Sudan, Uganda and Malawi

Short-term Insurance

- Engineering
- Fire
- Liability
- Marine
- Motor private
- Motor commercial
- Accident
- Theft
- Workmen's compensation
- Miscellaneous - which includes livestock and crop insurance, political violence and terrorism, sportsmen, forestry and aquaculture insurance
- Micro insurance

Long-term Insurance

- Term policies - Protection
- Endowment - Savings+ protection
- Whole life - Savings+ protection
- Unit link - Investments+ Protection
- Pensions
- Annuity

Investments

- Unit trusts with various funds – Money Market, Equity fund, Balanced fund, fixed income, wealth fund, dollar fund
- Pension - segregated schemes & Income draw down

Business Strategy *(continued)*

HOW WE CREATE VALUE;

Our Inputs	Value Creation Process

Financial Capital
- Shareholders' equity – 7.9 Billion
- EBITDA – KShs 1.6 Billion
- Deposits administration – 6.4 Billion
- Total assets – KShs. 41.5 Billion
- Cash and cash equivalents – KShs 3.6 Billion
- Assets under management – Kshs. 94.6 Billion

Manufactured Capital
- 25 physical branches
- 3 regional offices
- Investment in ICT infrastructure – Kshs 90 Million

Intellectual Capital
- Internal processes, systems, and controls
- Risk management expertise
- Actuarial expertise

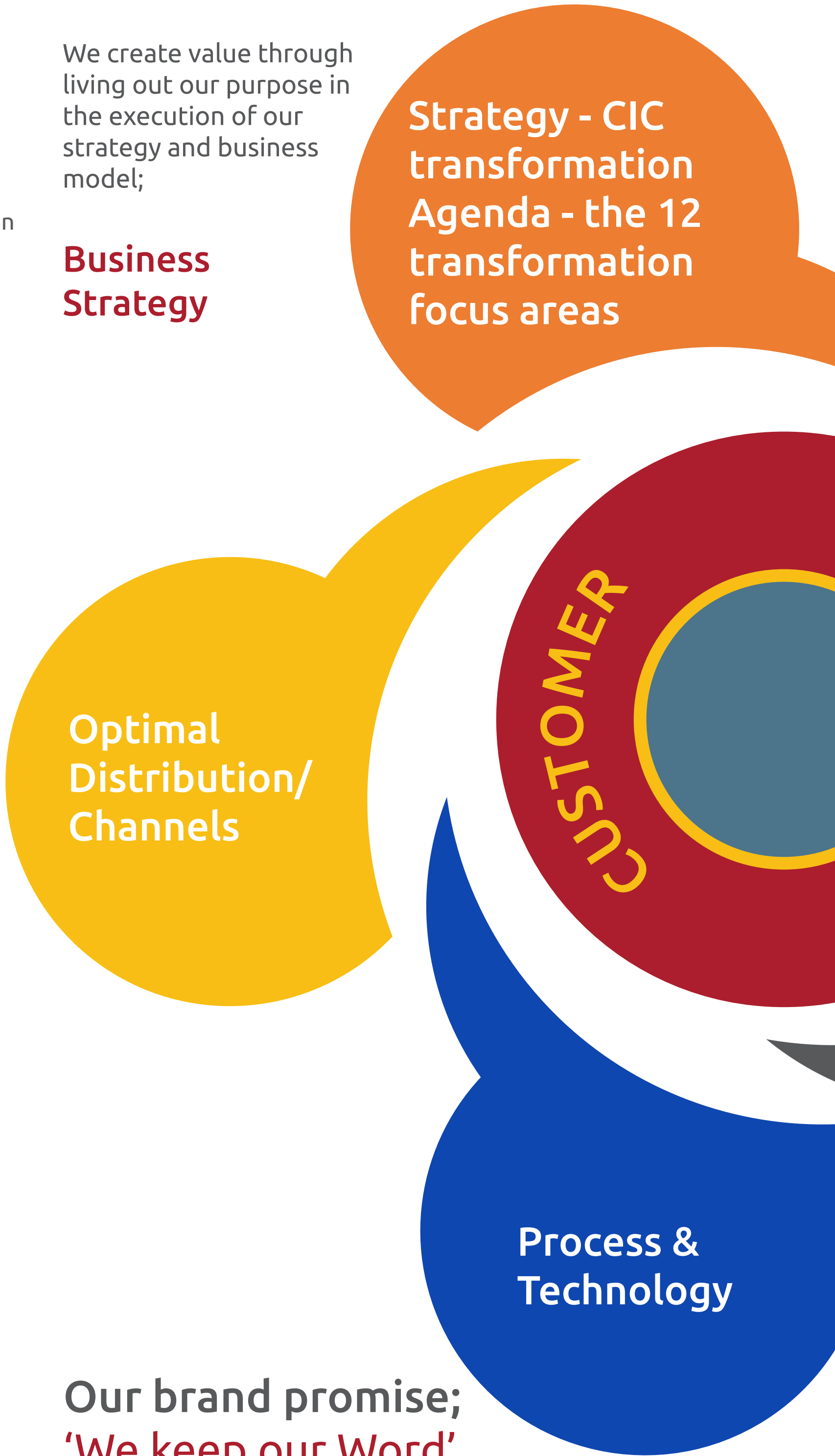
Human Capital
- Number of employees – 573
- Salaries and bonuses paid – Kshs. 1.9 Billion
- Amount spent on training and development – Kshs. 19.6 Billion

Social and Relationship Capital
- Customers number – 13.6 Million lives covered
- Over 4,500 agents and brokers
- Commissions paid – Kshs. 2.5 Billion
- Claims paid – Kshs. 10.5 Billion
- CSR total expenditure – Kshs. 7 Million
- Brand equity
- Other key stakeholders such as regulators

Natural Capital
- Office electricity expense – Kshs. 18 Million
- Water bill expense – Kshs. 8 Million

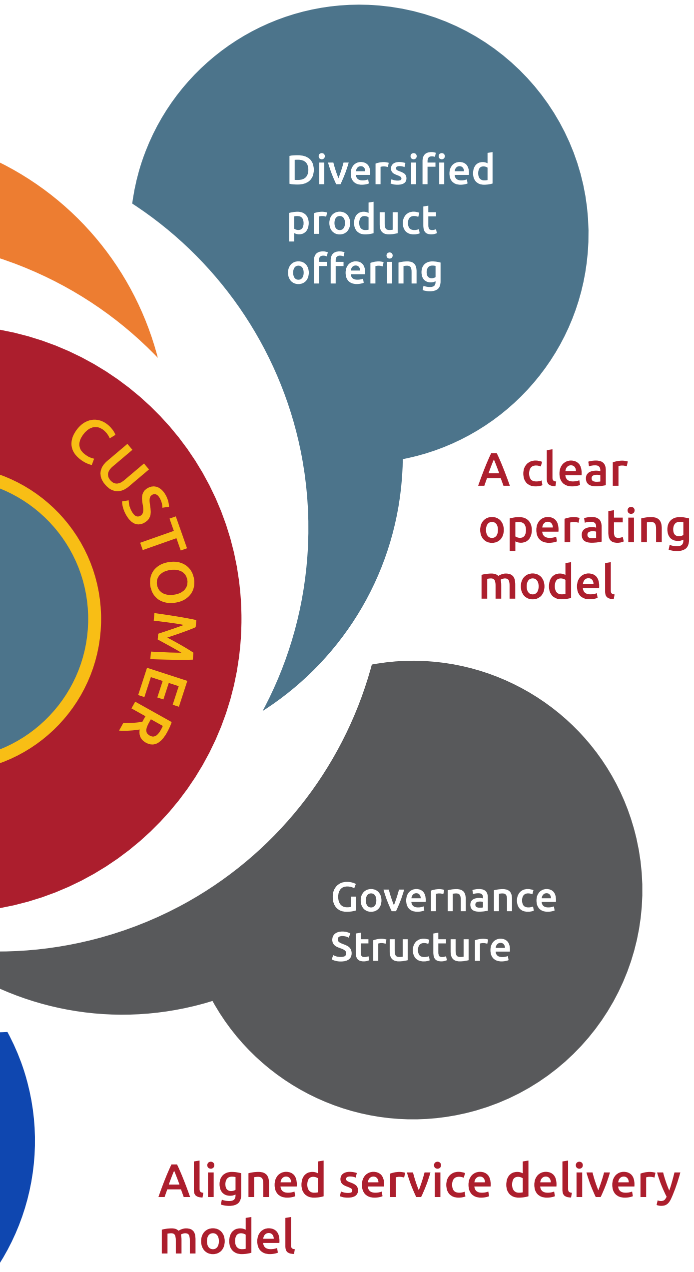
We create value through living out our purpose in the execution of our strategy and business model;

Business Strategy



Our brand promise;
'We keep our Word'

Outputs- The Value we created



Financial Capital
- Shareholders' equity – Kshs. 8.6 Billion
- Return on equity – 13%
- Return on assets – 2.5%
- Earnings per share – 0.40
- EBITDA – Kshs. 2.7 Billion
- Deposits administration – Kshs. 7.6 Billion
- Closing total assets – Kshs. 46.7 Billion
- Cash and cash equivalents – Kshs 3.8 Billion
- Assets under management – Kshs. 127 Billion

Manufactured Capital
- 25 physical branches
- 3 regional offices
- Investment in ICT infrastructure – Kshs. 84 Million

Intellectual Capital
- Internal processes, systems, and controls
- Risk management expertise
- Actuarial expertise

Human Capital
- Number of employees (Kenya and regional offices) – 734
- Salaries & bonuses paid – Kshs. 2.2 billion
- Amount spent on training and development – Kshs. 23.4 Million

Social and Relationship Capital
- Cooperatives in our books: over 1,400
- Dividends paid to shareholders – Kshs. 345 Million
- Number of customers: over 15 million lives covered
- Over 5000 agents and brokers
- Commissions paid – Kshs. 2.9 Billion
- Claims paid – Kshs. 11.7 Billion
- Brand equity
- Total spend on CSR – over Kshs. 10 Million
- Tax paid to the Government – Kshs. 2.2 Billion
- Engagement with other key stakeholders such as regulators

Natural Capital
- Office electricity expense – Kshs. 16 Million
- Water bill expense – Kshs. 11 Million
- Over 2000 trees planted in 2022

Business Strategy *(continued)*

Outcomes to our Stakeholders

Customers

The CIC Group's investment, protection, and retirement solutions support our customers to attain financial security and to live quality lives. Our solutions protect our customers from the unexpected and help them to save for future goals such as education of their children. Our solutions also help customers manage their long-term savings by accumulating and using their wealth, and preserve it for future generations.

Employees

Our brand essence is cooperation emanating from our cooperative heritage. This cooperation begins at the level of the CIC staff. Employees are a key part of our success as a business, and as such they must share in that success. Our employees are compensated equitably for the services rendered to the organisation. As our business progresses and continue to grow, we provide better fulfilling careers, advancement opportunities, and development.

Business partners

The CIC Group's business partners include intermediaries, reinsurers, Cooperatives, key associations and suppliers of goods and services. Our goal is to cultivate positive long-term relationships that benefit our business and allow our partners to develop and grow theirs. To do so, we make sure to offer fair and competitive rewards for the services they provide.

Investors

The Group seeks to provide a consistent and attractive return on investment to its investors, based on a resilient and sustainable business model. This includes paying regular dividend to our shareholders, who may also derive value from the performance of our shares.

Society

Our products and services enable individuals to save for their own retirement, reducing future burdens on alternative public pension systems and increasing financial stability in our society. More widely, we strive to add value to the communities where we operate through tax payments, charitable donations, and volunteer work. Where possible, we seek to ensure a positive environmental impact, whether through our direct operations or our investment activities. We have also contributed to the addressing of climate change through planting of trees.

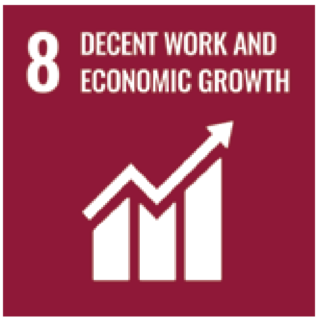
Government and Regulators

In our business model as we offer insurance and investment solutions, the CIC Group is continuously contributing to the Country's economic empowerment agenda. This we do as we mitigate and cushion customers from risk as well as support them in their financial goals of wealth creation via our investment products. We also add value to government through payment of taxes. We have continued to engage our regulators through compliance to various reporting requirements and guidelines. We also actively participate in various forums organized by the regulators.

Cooperatives

Within the period we created value to the Cooperatives through various engagements such as trainings and participation during their AGMs and education days. Overall number of Education days and Board Meetings attended was upwards of 1500. On the training forums, we focused on Risk Management where we trained on CIC products across all lines of business (Life & Pension, GB & Medical and CICAM-MMF). We have also customized products which meet the needs to the cooperative members.

Financial capital



The Group has continued to maintain optimal level of capital to drive the strategy and run operations optimally in a way that creates value for the stakeholders. We have also put in place sound capital allocation policies and governance structures to ensure that available capital is applied optimally. We have maintained optimal capital levels across all our businesses to ensure that we keep within the required adequacy levels as per regulation. Through optimal allocation of the financial capital the Group created value during the year on different aspects of the business. CIC Group Plc Share Capital was Kshs 2.62 Billion as at 31st December 2022. Our total assets stood at Kshs. 46.7 Billion as at December 2022 with a CAGR of 7% over the last 5 years. The retained earnings and other reserves as at the close of the reporting period was Kshs 5.8 Billion. The Group declared dividends

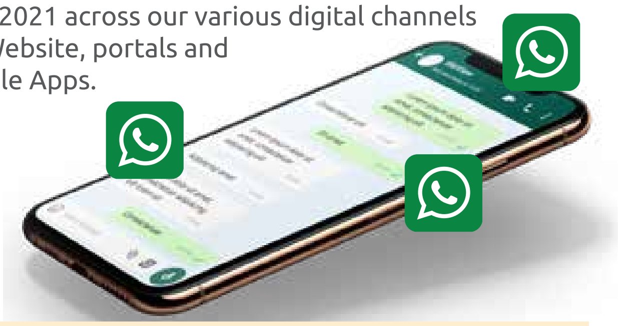
Business Strategy *(continued)*

Financial capital *(Continued)*

payable to shareholders of Kshs. 345 Million for the period ended 31 December 2022.

Manufactured capital

This covers physical and digital infrastructure through which we conduct business activities in the creation of value. It includes our branch network, digital platforms and IT resources. The Group has over Kshs. 980 Million in property and equipment to ensure all our customers and other stakeholders are adequately catered for. We have a wide branch network of 25 branches in Kenya and 3 regional offices in Uganda, Malawi and South Sudan. Our digital channels investments include portals and mobile Apps across all the subsidiaries. Our key investments in technology within the reporting period include implementation of a Customer Relationship Management (CRM) solution, WhatsApp for business, and various tools that have enhanced efficiency across the Group such as quotation and performance management tools. We have also automated the claims vetting process for medical business and also enhanced our Asset Management mobile application. The total investment ICT infrastructure was Kshs 84 Million within the reporting period. This is a key trade-off as part of our strategy to enable value creation especially to our customers. The technological advancements have served to enhance our interactions with our customers and internal efficiencies. In the year 2022 our digital transactions grew by over 170% from the year 2021 across our various digital channels i.e. Website, portals and mobile Apps.



170% **YoY growth**
Customer engagement via digital channels

Human capital

This covers our culture and our people, our collective competencies, capabilities, experience and motivation to innovate. As an organization we realize that in today's constantly changing business scenarios, the most valuable resource that needs to be leveraged is human resource. We have continued to put on board the right skills set and empower our staff to maximize their potential. CIC Insurance Group had in place 734 staff as at December 2022. We have put in place policies that ensure that we have engaged staff across the Group. These include recruitment policies designed to ensure fairness and transparency in the processes and to position CIC Insurance Group as an equal opportunity employer. We have a robust performance management framework that ensures timely goal setting that ensures all staff understand their expected deliverables and alignment to the corporate strategy, regular performance dialogues and reviews as well recognition for performance. Within the reporting period, we implemented a Key Performance Indicators (KPI) tool that will ensure digital cascading and tracking of performance and hence enhancing efficiency through the performance management process.

Training of staff has remained a major focus for the Group. Within the year 2022, the Group saw a growth on the staff undertaking various training courses (both physical and online trainings) by over 18%. Over 97% of the total staff had undertaken various LinkedIn

Business Strategy *(continued)*

Human capital *(Continued)*

courses within the reporting period. We undertake employee engagement surveys at least twice every year as a platform to assess the engagement levels for our staff. As per the 2022 H2 survey the overall staff engagement index was at 72% from 71% in the year 2021.

Intellectual capital

This includes the knowledge of our staff and the technical know-how across the Group, our brand positioning, our reputation, strategic partnerships and innovative capabilities and expertise. We continue to be a strong brand name across our various subsidiaries. As per the Q3 2022 IRA reports the CIC General market share had grown to 8.7% from 8% same period 2021 while CIC Life market share grew to 6.5% from 5.6% same period in year 2021. CIC Asset Management continues to dominate the Unit Trusts space with a market share of 40% as at December 2022. The Group has been able to achieve this feat by establishing operational procedures and internal processes that support customer service, continuously measuring customer and employee satisfaction, embracing change, and striving persistently to improve.

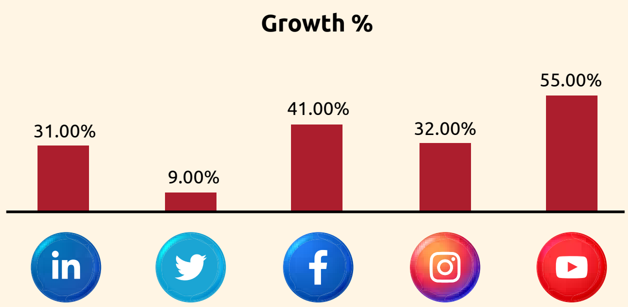
Research and innovation continue to be a major focus for value creation to various stakeholders. Within the year we implemented various innovations including;

- CoopCare Health Insurance - An affordable health insurance, for Cooperatives and Sacco's, covering inpatient, outpatient, dental, optical and maternity for cooperative members and their families of up to 6 dependents. Members of a cooperative join as a group of at least 4 members with premiums as low as Ksh 2,500 annually.

- CIC Motoring Assist- This is a FREE 24/7 road rescue assistance service available for all CIC comprehensive customers. The service provides evaluating of the accident scene, request for towing and medical assistance where required, on behalf of customers. This was implemented in partnership with AA Kenya.

Group CEO Mr. Patrick Nyaga and MD General Business Mr. Fred Ruoro at the launch of CoopCare product

We have continued to undertake various initiatives to enhance our brand positioning which include advertisements, excellent customer experience and stakeholder engagements. Our social platforms engagements grew by 34% in the year ending December 2022.



Business Strategy *(continued)*

Social and relationship capital

This encompasses our relationships with all our stakeholders, including deep ties with the communities we operate in. As at December 2022, CIC Group had over 15 million lives holding policy covers or investment accounts across our various subsidiaries. We also have a wide network of brokers and agents which was over 5,000 as at December 2022. CIC Group has continued to implement various initiatives to enhance our engagements with customers and business partners. We held quarterly forums with customers and with agents and brokers. We also invested in digital initiatives such as WhatsApp for business and mobile Apps among other initiatives which have served to enhance our customer engagement. The overall customer satisfaction for the Group was at 80% for the year 2022 up from 70% in the year ended December 2021.

In the year 2022, the Group continued to leverage on key partnerships as a key business initiative. Some of the key partnerships within the reporting period included partnership with AA Kenya in provision of Motor Assists to our customers and Cooperative Bank in provision of value addition solution to our agents.

We continue to impact the community through various initiatives by the CIC Foundation e.g. the scholarship program that supports needy and bright students in Kenya with a cooperative background. In 2022, the education scholarship program had 88 high school students sponsored by the foundation. To support the students through their education journey, the sponsorship settles school fees and supplementary needs for the form one students such as school uniforms and utilities.

The Cooperative movement remains to be a major pillar within our strategy. Within the year we participated in over 1,500 Cooperatives Annual General Meetings (AGMs) and education days. In addition, we facilitated 26 regional trainings with an average participation of 140 participants per meeting. The trainings were targeted at raising awareness around CIC products and other topical issues such as leadership, risk management, corporate governance and financial literacy.

Natural capital

This includes resources such as water, fossil fuels & solar energy which cannot be replaced and are essential to the functioning of the economy as a whole. The business has continued to implement various initiatives geared at ensuring efficient utilization of natural resources such as energy and water. These initiatives include:

- Use of energy saving light bulbs. Overall head office is at about 40% while the CIC branches are at 25% implementation. There was an annual savings of over Kshs. 2.5 Million on power consumption cost in HQ in 2022 compared to 2021.
- Installation of motion sensors in the executive offices and common areas which is now at 20% implementation in 2022.
- Installation of solar powered lighting for power and lighting in the project compound for Ushirika Gardens which is at 100% implementation. We have also implemented a hybrid pump within the Ushirika Gardens project.

Business Strategy *(continued)*

Natural capital *(Continued)*

- We have also kicked off procurement of energy efficient appliances (Fridge, Microwave, Electric cooker). Appliances with ENERGY STAR label, is a guarantee that the appliance will consume less energy during use and when on standby mode than convectional models. This project is at 10% implementation.
- We also embarked on a programme to replace desktop computers with Laptop computers as they are more energy efficient than desktops. Execution of this initiative is at 95%.
- We have done a replacement of normal taps with time delay taps and have done 85% of our water points.

CIC joined fellow organizations committed to environmental conservation showing the industry's commitment to fighting against climate change. The event was organized by Association of Kenyan Insurers (AKI) whose theme was planting trees for a sustainable future. Over 2000 trees were planted through the initiative. In the same spirit we carried out a tree planting exercise at the CIC Ushirika Gardens in Kiambu to spread the message in the community that everyone has a role in nurturing and conserving our environment. As we look to the future, the company will pursue environment conservation efforts that aim to benefit the society.

Our Operating Environment

ECONOMIC OUTLOOK

KENYA

GDP: The economy grew by 4.7% in Q3'22; down from 9.9% in Q3'21. Services sector continued to perform strongly; particularly trade (+9.1%), accommodation & food services (+22.9%) and professional, administrative & support services (+8.7%). Agriculture, a key growth sector, continued to underperform (-0.6%) as unfavourable weather conditions and higher input costs weighed in on low production. Presently, developed nations i.e US, China, UK, and EU macro indicators hang in the balance with projections of a slip into a recession by some economies. This could resultantly have a negative ripple effect to Kenya as we have several trading relations with the big nations aside from our external debt in foreign currency. World Bank projects our GDP to average 5% in 2023-24 largely boosted by private investments; we are less optimistic due to the recession fears globally.

Inflation rate: The Monetary Policy Committee (MPC) raised the central bank rate (CBR) from 8.25% to 8.75 % in Nov'22; a cumulative rise of 1.75% in 2022. The CBR hikes' intention have largely been to taper inflation, which averaged 9.4% in Q4 from 8.7% in Q3, and to manage the KES depreciation (-2% in Q4) against major currencies. Short term rates maintained an upward trajectory in Q4 with the 91,182 and 364 papers closing at 9.4%, 9.8% and 10.3%. Inflationary pressures will be the main driver of monetary policy actions in 2023. Barring any further rate hikes, we expect interest rates to edge upwards in Q1'23 and remain sticky for the remainder of the year.

Local currency: The shilling has lost substantial value against the USD year to date (-9.3%). It exchanged at Ksh 123.37 per USD on 31 Dec, losing a further 2% in Q4. Lower foreign funding amid a faster growth in imports and slowdown of remittances weakened the KES. The fed rate hikes coupled with increased demand for hard currency also led to wider forex spreads in 2022. Kenya's reserves remained adequate at USD 7,439 million (4.17 months of import cover) as at Dec 29, but this was largely tied to a boost of IMF funding. Globally, signs are clear that currency weakness will overwhelm many policymakers across markets. A weaker shilling is detrimental to Kenya as it increases the cost of financing foreign debt which is currently at levels deemed as unsustainable.

Equity Market: Despite improved corporate performance in 2022, prices of listed stocks have had muted movements due to prevailing tough macro

Our Operating Environment *(continued)*

KENYA *(Continued)*

conditions and the un-abating foreign investor sell-offs. Rate hikes in the advanced markets, global inflation pressures and a rationing of hard currency in Kenya have not helped the cause. Q4'22 saw the downward trend resume with NASI and NSE-20 declining by 0.7% and 2.4% respectively. Significant local investor support helped hold the market from slipping further. We expect the market to continue exhibiting weakness as foreign outflows persist with some global economies anticipated to slip into recession. Lower valuations however provide opportune entry points to select stocks with strong fundamentals.

Property Market: Industrial real estate has broadly been the best performing and most resilient property sub sector. The essence of in-person collaborations has aided the resilience of the office market especially since business infrastructure such as internet connectivity don't seem to have a wide reach. The presence of multinational corporations has created an opportunity to develop housing solutions for international organizations. The rental stock of retail spaces has forced landlords to be more in step with the markets' spending power whilst previously they demanded unsustainable rents. Increased investor awareness and expansion of multinational corporations (MNC) into the Kenyan market has heightened the focus on sustainability in the real estate sector with preference for developments that incorporate various Environmental, Social, and Governance (ESG) elements. Capital gains tax (CGT) has tripled as at 1st January 2023, with the enactment of the Finance bill of 2023. CGT and rental tax are expected to be incorporated into rental and sales prices and we continue to observe the response by market players and the impact on yields and returns.

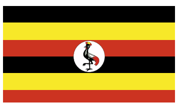
SOUTH SUDAN

GDP: The economy of South Sudan had a mild recovery in the financial year 2021/2022 according to the latest World Bank report published in the Economic Monitor. This recovery is attributable to the significant fiscal and monetary policies that were introduced in March 2021 by the Bank of South Sudan with the assistance of the World Bank. These reforms included but not limited to the unification of the official and parallel exchange rates & public financial management. Fiscal pressures, however, led to the temporary resumption of overdrafts from the central bank and a return to the use of oil advances to finance the budget during the final quarter of FY2021/22. The rise in the money supply due to monetary financing triggered a significant depreciation of the exchange rate, which has compounded external price pressures in an economy that is heavily reliant on imported goods. In November 2022 the government of South Sudan was granted an emergency credit facility of USD 112.7 Million from the International Monetary Fund.

Consumer Price Index (CPI): The CPI decreased from 14,520.61 points in December 2021 to 13,622.24 points as at 31st December 2022 (Data from Trading Economics). The Bank of South Sudan with the support of the World Bank embarked on stringent Monetary and fiscal policies in 2021. These efforts have led to a fall in money growth thereby easing of the commodity and transport prices in comparison to the prior years. The movement has been relatively stable.

Currency: The South Sudan pound depreciated by 54% and 17% against the US Dollar and Kshs. The SSP closed at SSP/USD 668.67 and SSP 4.5 /Kshs compared to SSP/USD 432.054 and SSP/KSHS 3.84 as at 31st December 2021. (Data from Bank of South Sudan).

UGANDA



GDP: Bank of Uganda projects economic growth in the range of 5.0 - 5.6% in FY 2022/23. Increased external demand for exports, a significant rebound in foreign direct investments, mainly due to the investments in the Oil sector and Private investment, which is reflected in strong growth in the quarterly industry and services output, and better supply-chain conditions, are expected to support modestly higher economic growth in the near term, firming further in the outer years.

Our Operating Environment *(continued)*

UGANDA *(Continued)*

Currency: The Uganda Shilling remained relatively stable against the dollar and strengthened in November 2022 supported by tight financial conditions, inflows from offshores, seasonal inflows from remittances, coffee receipts and NGOs. The shilling appreciated by 1.6 percent in November 2022, though was 5.9 percent weaker compared to the same period last year.

Inflation: The Bank of Uganda assessed that inflationary pressures are fading and the outlook to inflation was relatively favourable compared to what was envisaged at the October 2022 Monetary Policy Committee (MPC) meeting. Nonetheless, significant uncertainty existing around the outlook, the MPC decided to maintain the CBR at 10 percent and the band on the CBR at +/- 2 percentage points.

Interest rates: The Monetary Policy Committee maintained the CBR at 10% and maintained the band on the CBR at +/- 2 percentage points. This was aimed at stabilizing inflation around the targeted levels.

MALAWI

GDP: The domestic economy was projected to grow by 0.9 percent in 2022, from an estimated growth of 2.8 percent in 2021. The downturn was mainly a result of unfavourable weather conditions during the 2021/22 season, which had translated into relatively low agricultural production; intermittent electricity power supply resulting from the damage to the power generation infrastructure caused by the tropical cyclones at the beginning of the year 2022; fuel scarcity; low supply of foreign exchange which has affected importation of intermediate goods; and the impact of the Russia-Ukraine which has manifested through high commodity prices. In 2023, a recovery is anticipated with real economic growth projected to pick up to 2.2 percent, driven in particular by a recovery of the agriculture sector. A full recovery of the economy to a pre-COVID-19 growth path is not expected in the near term.

Foreign Currency Market: The Malawi kwacha was stable against most of its trading partners' currencies during the fourth quarter of 2022. Specifically, the local currency remained constant in December 2022 against the US dollar and traded at K1,036.2485 (September 2022 at K1,036.2485) per US dollar, on account of persistent foreign exchange demand pressures. However, the kwacha depreciated by 8.4 percent and 8.6 percent against the British pound and euro, respectively, and traded at K1,285.8197 (September 2022 at K1,186.3440) per pound and K1,136.4994 (September 2022 at K1,046.8431) per euro in the review quarter.

Inflation: Regarding prices, headline inflation remained constant in the quarter at 25.4 percent in December 2022, from 25.9 percent in 2022 Q3 and increased compared to 11.5 percent in December 2021. During the year, headline inflation rose to 26.7 percent in October 2022, the highest level since June 2013. Both food and non-food price pressures sustained the upsurge in inflation during the year. Food inflation averaged 33.2 percent, up from 12.7 percent in December 2021, while non-food inflation edged up to 18.0 percent from 8.9 percent during the same period. Inflation is expected to remain high.

Interest Rates: The Policy rate moved to 18.00 percent in December 2022 from 14.00 percent in September 2022. However, the Reference rate (base lending rate) increased to 17.30 percent from 13.9 percent recorded in the third quarter.

Stock Market: The stock market was buoyant during 2022 Q4, as it registered a positive quarterly return on investment of 9.7 percent. The favourable performance was driven by a 13.7 percent increase in the Domestic Share Index (DSI) which outweighed a 21.2 percent decrease in the Foreign Share Index (FSI). Share price movements were reported on fifteen (15) of the sixteen (16) counters. Meanwhile, nine (9) counters registered share price gains, whilst six (6) counters recorded share price losses. In the primary market, there were no listings on both the equity and debt markets.

Our Key Stakeholders and partners

CIC Group recognizes that effective management of stakeholders will positively impact the company's achievement of its strategy and long-term growth. Stakeholders are considered to be any group who can affect, or be affected by the Company, its decisions and its reputation. We have mapped our stakeholders and managed the relations consistently across the period.

Stakeholder category	Frequency of engagement	Methods of engagement	What have we done
SHAREHOLDERS (OWNERS).			
A shareholder is a person, company or institution that own shares in CIC Insurance Group Plc. Shareholders exercise their role as follows; i. Contribute capital. ii. Participate in AGMs • Approval of audited accounts • Election of directors • Approval of directors remuneration • Appointment of external auditors • Approval of dividends payment	To hold AGM once a year to provide shareholders with relevant and timely information. To provide half-year financial performance of the Group to shareholders on the website.	• Memorandum and Articles of Association. • Annual General Meeting/ Extraordinary General Meetings. • Publications – Half and yearly financial statements. • CIC Website. • Dividend payout. • Video Conferencing. • Emails. • Regular Investors briefings. • Integrated Financial Report. • Proxy & voting rights. • AGM/EGM Notice. • Implementation of Resolutions. • Dividend Policy. • External auditor appointment. • FAQ's. • Institutional investor's profile	• Annual General Meeting • Investor briefings • Appointment of Directors. • Continuous engagement- dealing with shareholder queries. • Recognition of availed proxy forms and voting rights • Addressed frequently asked questions and posted on the website.
CO-OPERATIVE MOVEMENT			
Board of Directors is the Governing body that sets strategy and offer oversight. The role of the board includes the following: i. Defining the Mission, Vision, Values statements of the company. ii Ensure growth and long-term sustainability. iii. Organization strategic oversight. iv. Performance management v. Manage shareholder expectations and reputational risk. vi. Ensure good governance and deepen the trust placed in the Company and its brand.	• Board Meetings • Annual Board Evaluation • Annual Board Retreat • Trainings • Inductions	• Continuous engagements. • e-Board System. • WhatsApp & SMS Alert • Phone Calls. • Emails • Oral Submission • Quarterly Board Reports • Agenda • Annual Board/Committees • Calendar and Work plan • Board Charter • Committees Terms of Reference (TORs) • Board/Committee Minutes. • Code of Ethics & Conduct. • Conflict of Interest Register. • Board Remuneration	• Accurate statutory reporting. • Key Policy approvals. • Board Retreat • Board Evaluation and Training • Key Policies Reviewed and Approved. • Reviewed Strategic Plan • Board Trainings: • Board Induction sessions • Institute of Directors membership • Set Board KPIs • Compensation Package & Benefits

Our Key Stakeholders and partners *(continued)*

Stakeholder category	Frequency of engagement	Methods of engagement	What have we done
EMPLOYEES			
CIC has a staff complement of 734 members in Kenya and the regions. There is a 48% to 52% male to female ratio. The average tenure is seven years in Kenya. At senior management level, there is a 24% female to 74% male ratio.	Ongoing and on a daily basis.	• HR Policies and Procedures. • Regular, direct communication between managers, teams and individuals. • Whistle blower policy • Employee Quarterly Town Halls. • Clear career growth • Equitable remuneration • Clear, fair and equitable performance management framework • Internal newsletters/publication • Employee satisfaction surveys. • Employee self-service portal (Per pay). • Employee Induction Programs. • Wellness Programs. • Quarterly Appraisals KPIs. • Health & Safety in workplace. • Certification. • Coaching programs. • Efficient internal communications.	• Regular Jipashe (staff magazine) updates • Employee engagement & Satisfaction surveys- Half yearly • Monthly Management meetings at Group and subsidiary levels. • Senior Managers Strategy Session • Quarterly automated performance appraisals. • Digital learning solutions- (LinkedIn Solutions). • Jumuika: Intranet (Policies) • 2021 performance incentive and bonus awards. • Automation of performance management process • Staff awards/recognition • Fire drills, emergency exits, fire dedication and warning systems. • Office re-organization. • Quarterly member webinar health talks. • Fortnightly sectional meetings. • Career growth planning and mentorship.
CUSTOMERS			
Our customers range from our own shareholders i.e. the cooperative movement and its membership, to corporate clients and individuals. i. Quality products and service offering. ii. Competitive pricing iii. Seamless processes and communication. iv. Product accessibility. v. Timely and efficient payment of claims	Ongoing and daily engagement through frequent marketing of CIC Group products.	• Various industry and regulatory forums, meetings between regulators, Managers and teams, as well as board and management. • Website updates. • Product Application forms and policy documents • KYC docs. • Increased product awareness i.e. trainings and member educational forums. • Treating customers fairly (TCF). • Meetings between regulators & CIC teams & management. • Collaborating with CIC Managers in different market sectors. • Quality, varied and innovative products. • Post sales service & follow-up. • Customer satisfaction surveys and feedback. • Regular customer surveys & feedback. • Customer service week. • Customer portals, Mobile Apps, SMS channels and Email. • Call Centre. • Product fliers. • TV/Radio Advertisements. • Social Media (Twitter. • Facebook, Instagram).	• Customer Satisfaction Survey • Technology: Revamped Mobile Apps and Mpesa Paybill. • Monthly online statements. • Email- monthly dispatch of statements. • Revamped Company website • Continuous Client visitations: (saccos, pension schemes). • Ongoing development of Customer loyalty program. • Ad hoc consumer/member education through online videos, TV sessions, blogs, SMS and emails. • System generated payment confirmation. • Timely conversion of units into cash upon withdrawal 2-4 days. • Timely payment of claims • Participation on Virtual /Online AGMs. • Placement of Annual Report and FAQ's on Website.

Our Key Stakeholders and partners *(continued)*

Stakeholder category	Frequency of engagement	Methods of engagement	What have we done
STRATEGIC ALLIANCES AND PARTNERSHIPS			
CIC works closely with; i. Regulatory bodies - Insurance Regulatory Authorly, Capital Markets Authority, Nairobi Securities Exchange, Retirement Benefits Authority, Kenya Revenue Authority etc ii. The Co-operative Movement- Cooperative Alliance of Kenya, International Cooperative Alliance etc iii. Association of Kenya Insurers iv. Banks e.g., Co-operative Bank v. National and County Governments vi. Professional bodies; Institute of Directors, Institute of Certified Secretaries, Institutute of Certified Public Accountants of Kenya, Law Society of Kenya etc.	Daily and ongoing.	• Memorandum of Understanding • Service Level Agreement • Fair treatment. • Transparency & accountability in our reporting. • Market visits. • Training sessions on existing and new products • One –on –one business meetings. • Banks and Sacco's partnerships (lenders). • Strengthening relationships with diaspora markets.	• Participation in industry conferences and trainings – Africa Wealth Conference. • Market visits • MOU's with strategic partners and stakeholders • Co-operative's leaders training
SERVICE PROVIDERS AND SUPPLIERS			
Outsourcing companies, providers of business support services i.e. Consulting companies. i. As required or dictated by performance contracts and/or agreements. ii. To obtain products or services required for conducting company's business. iii. To maintain an ideal and timeous services for operations. iv. To encourage responsible practices across our client, local procurement, supplier conduct and environmental considerations. v. To include critical suppliers in cross-functional teams so as to contribute expertise and advice	Daily and ongoing, as required.	• One-on-one negotiations. • Fair Agreements. • Meetings for finalization follow ups. • Service level agreements (SLA's). • Timely payments. • National papers for bid invitation • Supplier engagements forums. • Site visits. • Supplier portals. • Supplier surveys. • Emails. • Telephone.	• National papers for invitation to bid • Service providers and supplier engagement forums in relation to specific engagements • Revamped service providers and supplier portals • Service providers and supplier surveys • Timely and accurate notifications on payments and renewals • Digital client onboarding.

Our Key Stakeholders and partners *(continued)*

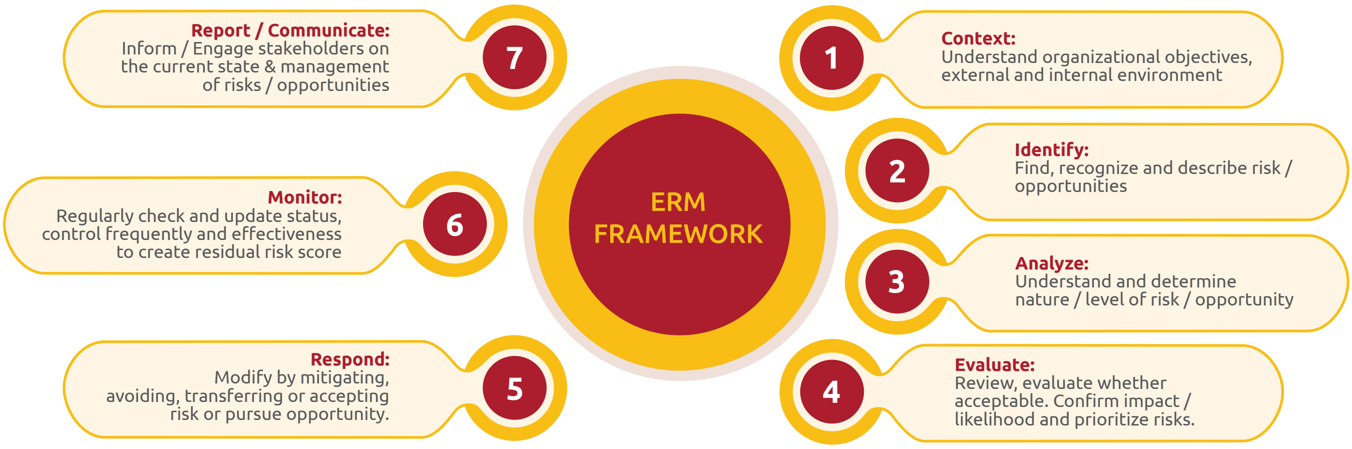
Stakeholder category	Frequency of engagement	Methods of engagement	What have we done
MEDIA			
i. To leverage the reach and influence of media channels to share CIC's business and citizenship story with stakeholders. ii. To communicate with relevant stakeholders and the broader public with a view to having a positive influence on behavior that will lead to desired business results. iii. To protect and manage our reputation. iv. To empower audiences to make informed financial decisions.	Ongoing interactions in response to business related media enquiries as and when required. Regular interactions to share information and respond to media requests for commentary about CIC Asset.	• Regular interactions during various engagements including briefings on company performance. • Placement of Adverts in Public Billboard & Local dailies. • Sponsorships. • Business leaders' interviews. • TV/Radio Advertisements. • Company Website	• Monthly Media engagement sessions • Publication of Half and end year financial statements. • Daily publication of Unit prices in two local dailies. • Online webinars, Social media awareness. • Media meetups with editors and writers. • Sponsorship and exhibitions i.e. home expo and SME expo • Opportunities in PR value- Participation in thought leadership opinions on topics of interest. • Bill Board Adverts and City Clocks. • Media adverts • Below marketing activities
OTHERS - COMMUNITY AND PUBLIC AT LARGE, ENVIRONMENT			
i. To create partnerships that serve to facilitate CIC Group integrated sustainability activities. ii. To obtain input from environmental experts, communities and nongovernmental organizations (NGOs) regarding key focus areas. iii. To create awareness of the company's shared growth, commitment and initiatives.	Ongoing – as partnerships dictate or Stakeholder needs requirements.	• Company website. • Annual report • Social media handles, press releases and media statements. • Corporate social responsibility (CSR) programs i.e. social and environmental projects.	• Investing in Corporate Social Responsibility (CSR) activities – CIC Foundation has sponsored students across the country. In 2022 additional 22 students were admitted into the programme. • Tree planting initiative during Ushirika day.

ENTERPRISE WIDE RISK MANAGEMENT

"We manage risk through a robust, integrated and continuous process"

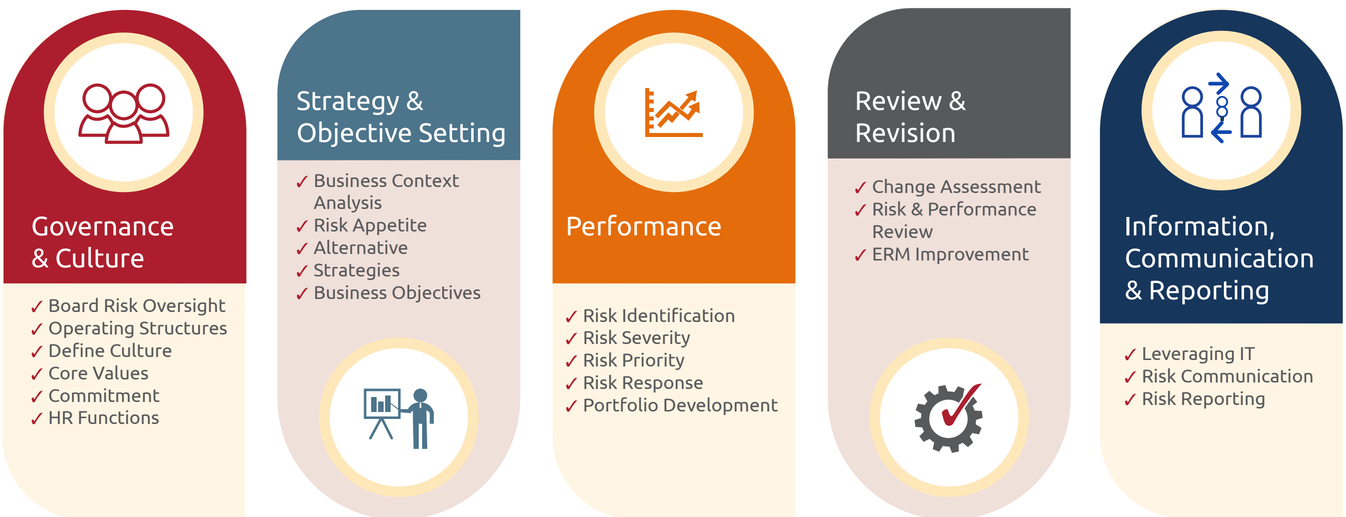
CIC Insurance Group runs its business in diverse Regions in Africa, regulatory regimes and political environments. The Group has taken an integrated approach to risk by embracing the Enterprise wide Risk Management. This eliminated the silos and reduces the blindsides in business.

Risk Opportunity Management Process



Risk Governance

The adopted Governance approach in the Group drives effective management of the risk exposure; this is a comprehensive framework. The Governance model sets the tone at the top with board oversight driving structures and embedding the right culture. Strategy and enabling objectives are set within the allowed risk limits as per the Risk appetite/tolerance. This is a continuous cycle that filters into performance and continuous review and improvements. Periodic risk reporting ensures that the right information is passed in a timely manner to support operations and minimize risk exposure.



ENTERPRISE WIDE RISK MANAGEMENT *(continued)*

Top Risk and Our Response

"We manage and anticipate risks, to prepare for the uncertain future."

The CIC Insurance Group under the direction of The Board of Directors follows a rigorous process of risk management to ensure we understand and prepare for risks and Opportunities in our operating environment. This allows us to transform our strategy, operation and decision making to maximize our business performance year on year, our overall return to the shareholders and service delivery to our customer.

INSURANCE RISK

Includes risk of financial loss from claims and/or paid benefits that are higher than expected when initially priced. This includes exposure to catastrophic perils that would impede our ability to do business, including climate-related catastrophes. It also includes risks related to our life, health and travel insurance lines of business.

As the COVID-19 pandemic exposure settled we experienced a relief in the COVID related claims which had affected our life and health business. We used the experience and factored the trends in our pricing models; making this more robust and resilient.

We have also experienced an increase in cost claims resulting from inflation. We continue to maximize our investment income to cushion us on the rising costs and guarantee we are able to pay claims.

MARKET RISK

This is the risk of financial losses in investment caused by adverse price movements. The Group runs a fund management subsidiary, manages Annuities, sponsors and administers pension schemes. The nature of this business relies heavily on investment returns to meet the customer expectations and keep ahead of the market.

We manage our market risk by ensuring we have a diversified portfolio. To this end we have embedded a portfolio rebalancing strategy in our Investment policy statement to provide agility in responding to market movement.

Our investment strategy is informed by our Asset Liability Matching model that ensures asset allocation corresponds to liabilities to minimize our risk exposure.

CREDIT RISK

This is a risk that a counter party will be unable to pay amounts in full when due. These may arise out of insurance/reinsurance contracts, cash at bank, corporate bonds and deposits with financial institutions.

The company has a robust Credit control policy that covers debt management to ensure minimum exposure to this risk.

In relation to investment counterparties we have Investment Policy Strategy that guides on the investment and the diversification of placement to minimize the credit risk exposure.

ENTERPRISE WIDE RISK MANAGEMENT *(continued)*

OPERATIONAL RISK

This is the Risk of failure that stems from failure of operation, processes and systems. This risk is dynamic and the Group ensures that there is ownership of this risk at management level and close monitoring from the Risk Management function which is complemented by assurance role of the Internal Audit function.

Due to the inherent nature of this risk, we manage the same through providing clarity and specific guidance at all possible points of risk crystallization.

1. Business Continuity Plan: this is to ensure our ability to maintain our operations in any unforeseen incidents, this covers people and physical resources
2. Disaster Recovery Plan: This covers the systems and our response to system failures. This is closely monitored and tested to ensure responsiveness to business needs.
3. Whistle Blower Policy: We have a zero tolerance to Fraud risk. To manage any exposure CIC has a well-established whistle blower policy that provides a platform for stakeholders (Customers, staff, agents, brokers, suppliers) to raise concern regarding any suspected wrongdoing. The whistle blower platform is managed by an independent Ombudsman to ensure independence.
4. Code of Conduct: We endeavor to provide our staff with clear guidance on the company expectation of them; we have provided a code of conduct that guided on the company expectations during interaction within and outside the company.

REGULATORY RISK

The Group and all its subsidiaries are regulated entities. There is therefore always the inherent risk of new regulation, the increasing cost of compliance and the exposure to regulatory fines, citation and reputational risk for non-compliance.

To manage this risk, the Group target to always achieve 100% Compliance to all laws and regulations. We keep abreast and prioritize regulatory compliance. We have a zero tolerance for any regulatory fines. In 2022 we worked to improve our compliance environment and specifically;

1. 100% Compliance with all the laws and regulation
2. Strict Compliance with Anti Money Laundering and Counter Terrorism Financing requirements
3. Compliance with the Data Protection Act 2019.
4. Planning for the adoption of the IFRS 17 reporting standard

RELATED PARTY RISK

This is the risk that in a Group setting subsidiaries will expose related parties to Risks due to their own internal weakness, operating environment and interparty transaction. CIC Group is a conglomerate and operates a holding company structure.
The Group has adopted a centralized approach to Risk Management and ensures that there is standardization of operations and processes. There are no Silos within the Group and strict operating process and systems standardization is fully implemented.

OUR SUSTAINABILITY AGENDA

Our three key pillars of sustainability are Social, Economic and Environment. Their focus ensures that we build a profitable business presently while ensuring that we will continue to be sustainable into the future. Caring for the wellbeing of our communities and various stakeholders is within our very essence as a Cooperative. We therefore have continued to implement various initiatives in support of the communities around us through the CIC Foundation or the Public Relations function of the Group;

THE ENVIRONMENT PILLAR

Supporting environmental conservation

Collaborating with our stakeholders Association of Kenya Insurers (AKI), CIC staff participated in a tree planting exercise at Ngong Forest. CIC joined fellow organizations committed to environmental conservation showing the industry's commitment to fighting against climate change. This was the first of the association's tree planting event whose theme was planting trees for a sustainable future. Over 2000 trees were planted through the initiative.

As part of our customer and partner engagements in 2022, we supported the Kenya Defence Forces (KDF) with various initiatives that would add value to the officers. Key among these was that CIC sponsored a recreation garden at Kahawa Garrison.

In the same spirit we carried out a tree planting exercise at the CIC Ushirika Gardens in Kiambu to spread the message in the community that everyone has a role in nurturing and conserving our environment. As we look to the future, the company will pursue environment conservation efforts that aim to benefit the society.

CIC staff participating in the tree planting initiative at the Ngong Forest

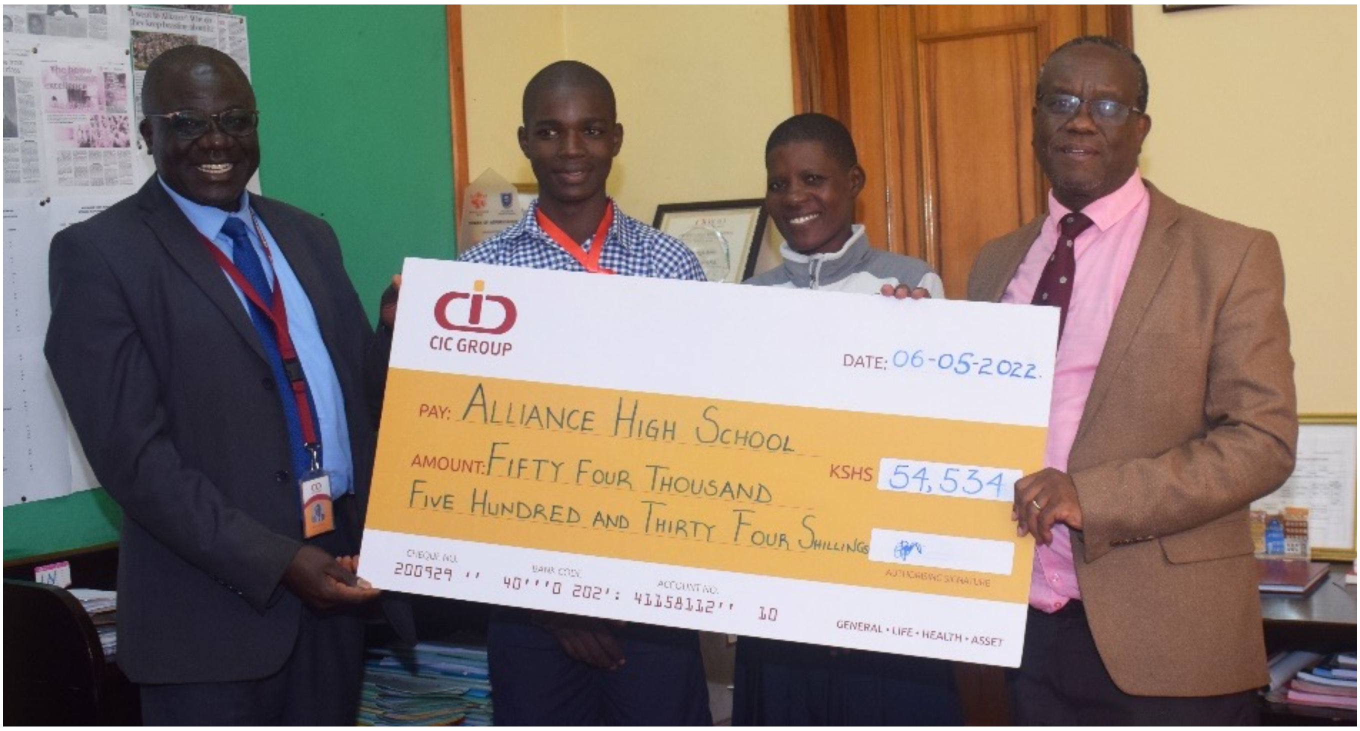
OUR SUSTAINABILITY AGENDA
(continued)

THE SOCIAL AND ECONOMIC PILLAR

CIC Foundation High School Scholarship

CIC Foundation has been promoting education opportunities to needy students in Kenya. In 2022, the education scholarship program had 88 high school students sponsored by the foundation. To support the students through their education journey, the sponsorship settles school fees and supplementary needs for the form one students such as school uniforms and utilities.

Student selection is based on their performance in the Kenya Certificate of Primary Education (KCPE) exams, a parent or guardian's affiliation to a cooperative society, and the financial need. CIC Foundation takes pride in building the society through this program which seeks to empower the youth through education.



CIS Manager presenting a dummy cheque to CIC Foundation 2022 beneficiary Wayne Rooney Otieno, his mother Jane Akoth and Alliance High School Principal William Macharia.

Partnering with Cooperatives to mark Ushirika Day

Living by the cooperative spirit means that we are alive to who we are and the power of Cooperatives in transforming our society. To mark the 100th Ushirika Day Celebrations, CIC Group participated in a series of activities all aimed at creating awareness about the cooperative movement and the significant role we continue to play in nation building. CIC staff marked the day by interacting with other cooperative members, educating them about our wide range of products and services, further strengthening our bond as cooperators.

OUR SUSTAINABILITY AGENDA
(continued)

Training Sessions with Cooperatives

CIC Group has continued to provide value to cooperatives through trainings. In the period under review, the company has equipped cooperative members with knowledge on topical subjects surrounding their business such as credit and debt management, risk management, corporate governance and financial investment. The trainings conducted countrywide have empowered members including cooperative leaders to shape the institutions to become a strong force in society. The effort to walk together with cooperatives ultimately is to ensure that they continue standing as stable entities generations to come.

GM Cooperatives in a training session with the members following closely

CIC participates in medical camp

Partnerships are a unique way of integrating our services with the clients that need us the most. As we engage with players in the cooperative sector, we will ensure that our services reach our customers in the country. To encourage partnerships, we participated in a medical camp organized by Umoja Wendani Sacco in Nairobi. The medical camp provided health checkup to the Sacco members and the public, with medical advice offered to the members. CIC participated by offering financial and risk management advice.

OUR SUSTAINABILITY AGENDA
(continued)

Partnerships with the education sector

We are passionate about providing financial security to all members of our society. This has led us to forming partnerships with the education sector stakeholders among them member associations who form part of our customers. Among the member bodies, we have worked with Kenya Secondary Schools Heads Association (KESSHA), Kenya Private Schools Association (KPSA) and Kenya Association of Technical Training Institutions (KATTI) to provide insurance solutions that benefit teachers and learners. CIC was able to offer training to over 1,000 school heads on CIC products during stakeholder forums in the year. The sessions included sensitizing the leaders on risks and the appropriate mitigation measures that would enable them to continue executing their role effectively.

Giving back to the community

The Christmas season provides an opportunity for people to share with the less fortunate in society. This is a time to spread good cheer to those around us and celebrate the gift of one another. Our staff took the opportunity to mark the festive season by giving back to Wote kwa Wote organization based in Dandora. The community-based organization feeds over 200 children in the area giving hope to the community, which faces a challenge of having sufficient food for families. This is as a result of the economic challenges prevalent in the area. CIC staff donated foodstuff to the organization which serves to provide nutritional support to children in the community.

CIC Staff with Wote kwa Wote CBO members

OUR SUSTAINABILITY AGENDA
(continued)

First Aid Trainings

To empower in knowledge and skill CIC partnered with AAR to conduct first aid training for primary school teachers. The partnership equipped teachers with hands-on skills to help handle emergencies arising in the course of duty. Trainings included practical sessions with instructors to enable the learners understand how to respond when faced with specific risks around their workplace. The sessions provide an opportunity to learn about different scenarios the trainees might encounter, and the approach to use in these cases. Teachers from 16 institutions benefited from the training.

Ushirika Blood donation

CIC Group takes pride in being a cooperative organization. Cooperatives remain a major contributor to the country's economy with a membership of over 14 million Kenyans. To give back to society, Cooperatives through the annual Ushirika Celebrations held a blood donation exercise in Nairobi. The initiative brought together cooperative members from different sectors to support raising the amount of blood available for transfusion in Kenyan hospitals, which remains a challenge. CIC staff joined other cooperative members offering support as donors.

Enhancing our relationship with the Kenya Defence Forces

CIC Insurance has a wide range of stakeholders composed of customers, investors, shareholders, employees, regulators, government, suppliers, the media, and community members. As an organization, we work closely with our stakeholders to realize our objectives while remaining true to our purpose.

In 2022, we engaged our stakeholders from the Kenya Defence Forces (KDF) to enrich them with knowledge on personal financial planning. CIC enjoys a longstanding relationship with the defence forces who constitute a part of our customers. To strengthen this relationship, we supported various barracks with initiatives that would add value to the officers. CIC sponsored a recreation garden at Kahawa Garrison and donated a TV set to the Kenya Navy located in the Coastal region.

CIC Staff present a TV set to the KDF officers at Kahawa Garrison.

OUR SUSTAINABILITY AGENDA
(continued)

(Above) The Chairman, CIC Insurance Group Plc Dr. Nelson Kuria (R) and the Group Chief Executive Officer, Mr. Patrick Nyaga (L) during the launch of Ushirika Gardens. Ushirika Gardens is a 200 acres project owned by CIC Group, subdivided for sale to individual buyers towards residential use and some for commercial use.

(Left) The Vice Chairman, CIC Insurance Group Plc Mr. James Njue (2nd Left) and the Group Chief Executive Officer, Mr. Patrick Nyaga (L) presenting a trophy to Mr. David Kangogo (2nd Right) and Mr. John Okumu (R) of Kenya National Police DT Sacco for being the Best Insured Cooperative in the Government sector.

GROUP CHAIRMAN'S STATEMENT

Dear Shareholders,

It gives me great pleasure to present on behalf of the Board of Directors of CIC Insurance Group Plc, the annual report and financial statements for the year ended 31st December 2022. This season also gives me an opportunity to reflect on our business and the positive impact we continue to create not only to our shareholders but also to our customers, the communities around us and other stakeholders. I am greatly encouraged by the resilience the business has displayed regardless of challenging economic environment. 2022 was another year of great performance for the Group recording a growth of 20% in gross written premium from Kshs 19.7 Billion reported in 2021 to Kshs 23.7 Billion in 2022 and a growth of 111% in Profit Before Tax from KShs. 960 Million for the year 2021 to Kshs. 2 Billion as at December 2022. Our regional businesses have continued to grow with a combined contribution of 10% to the consolidated Profit before tax of the Group as at December 2022.

Operating and Economic Environment

The year under review had various challenges arising from economic and political dynamics. The economy grew by 4.7% in Q3'22 which was a decline from 9.9% growth in Q3'21. The Services sector however, continued to perform strongly; particularly trade which grew by 9.1%, accommodation and food services by 22.9% and professional, administrative & support services by 8.7%. Agriculture, a key growth sector, on the other hand continued to underperform with a decline of 0.6% as unfavourable weather conditions and higher input costs weighed in on low production.

Despite improved corporate performance in 2022, prices of listed stocks have had muted movements due to prevailing tough macro conditions and the unabating foreign investor sell-offs. Rate hikes in the advanced markets, global inflation pressures and a rationing of hard currency in Kenya have not helped the cause. The shilling also lost substantial value against the USD with about 9.3% shed by December 2022.

Being an election year, the Board and management worked to closely monitor any political risk exposures to ensure that business remained resilient through the period.

A strategy for transformation

The Board will continue to support the management in implementation of the CIC Group 2021-2025 strategy which is anchored on 12 key transformation initiatives.

In the year under review, The Group remained focused on execution of various transformation initiatives cutting across customer experience, performance management and culture, operational efficiency, debt management, cost optimization and digitization among others. The results of these efforts are reflected in the turnaround of the business and the great financial performance that we have reported.

One of the key milestones for the Group was the launch of sale of our Kiambu land in a project dubbed 'Ushirika gardens' in November 2022. This is a major effort towards the focus on balance sheet re-organization that aims at optimal utilization of the available resources and re-focusing on the core business of the Group.

Sustainability and citizenship

As defined in our purpose, we operate in Kenya and the region using the co-operative model to ensure that we economically and socially transform our stakeholders by the Innovative Insurance and Asset Management solutions. We are awake to the fact that real transformation will be achieved through playing our role in being responsible citizens and running a sustainable business. To this end we continue to pursue various sustainability initiatives aimed at adding value to the communities around us and creating value to various stakeholders.

CIC Foundation has been promoting education opportunities to needy students in Kenya. In 2022, the education scholarship program had 88 high school students sponsored by the foundation. To support the students through their education journey, the sponsorship settles school fees and supplementary needs for the form one students such as school uniforms and utilities. The Group through the CIC Foundation is pleased to take part in building the society through this program which seeks to empower the youth through education.

CIC Group also takes pride in being a cooperative organization. Cooperatives remain a major contributor to the country's economy with a membership of over 14 million Kenyans. To mark the 100th Ushirika Day Celebrations CIC Group participated in a series of activities all aimed at creating awareness about the cooperative movement and the significant role we continue to play in nation building.

As a Group we have continued to take deliberate steps and have made progress in integrating Environmental, Social and Governance (ESG) into our business strategy. We have set up governance structures and in the process aligned our policies to ESG as well as setting clear ESG goals and metrics across the Group.

Governance & Oversight

The Group has institutionalized a robust corporate governance framework at all levels of the Group's strategic and operational spheres. The Board has continued to diligently undertake its role to provide leadership and oversight. Various policies were reviewed and approved during the year cutting across stakeholder relations, directors training and dispute management. In a bid to enhance Board capacity we on-boarded new independent directors both at the Group Board and at the subsidiary level and look forward to the positive contributions they will bring to the organization.

Continuous capacity building is also a key focus aspect to us. During the year under review, the Board underwent a comprehensive training facilitated by various specialists on Corporate Governance, board maturity assessment, Environmental, Social and Governance training (ESG), and industry trends. Board Finance and investment committee members underwent a specialized training on finance and investments under the finance for non- finance managers programme.

The Board understands the importance of board performance and effectiveness in achieving the overall objectives and goals of the Group. The Board therefore reviews its performance and that of the Board committees and individual directors, Chairman, Group Chief Executive Officer and the Company Secretary annually with the help of an external consultant. This has ensured that we continue to deliver on our mandate efficiently and effectively.

To our shareholders

We thank all our shareholders who have stood with us during this volatile economic season. Your commitment to us during this difficult period has enabled us to withstand the tough economic times also faced by businesses globally. We remain focused on the Strategic growth of the business to ensure a continued return to the Shareholders. I am pleased to report that given the positive results of our transformation journey, the Board has recommended

GROUP CHAIRMAN'S STATEMENT *(continued)*

a dividend payment of Kshs. 0.13 per share.

I would like to thank my colleagues in the Board for their diligence and commitment during the year, in providing strategic guidance and oversight to the management which undoubtedly contributed immensely to the Group's performance.

On behalf of the Board, I would like to thank the Group Chief Executive Officer Mr. Patrick Nyaga and his management team together with the staff who have performed to meet the ever-changing demands of our clients. We are incredibly appreciative of the hard work and commitment to see the company soar to new heights.

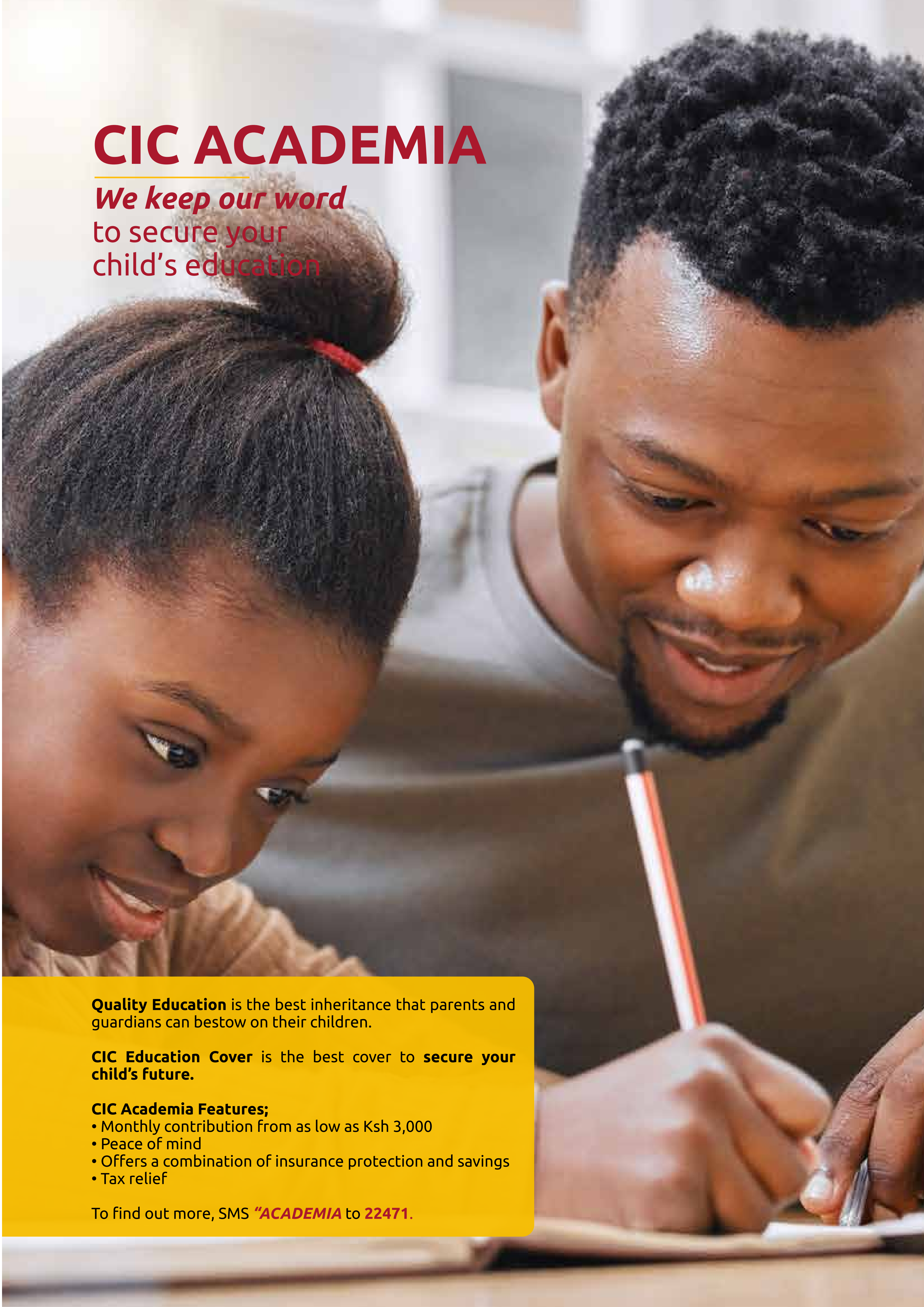
I thank our shareholders, customers, advisers, business associates, suppliers and relevant authorities whom we have worked with over the last year. We appreciate the trust and confidence you have in us, which has distinguished CIC Group as a trusted brand in our beloved country, in Africa, and beyond.

Conclusion

CIC Insurance Group Plc will remains resilient and confident of growth and profitability, in the medium to long term as we continue to execute our strategy and the economic environment improves across the various regions and markets where we operate.

Thank you.

Dr. Nelson Kuria, MBS OGW
Chairman CIC Group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TAARIFA YA MWENYEKITI, CIC GROUP

Wapendwa wenye hisa

Nina furaha kuu kwa niaba ya bodi ya wakurugenzi wa Kampuni ya Bima ya CIC Group, kuwasilisha ripoti kuhusu utendakazi na taarifa ya kifedha ya kampuni kwa kipindi kilichomalizikatarehe 31 mwezi Disemba mwaka 2022. Aidha hii inanipa fursa ya kutafakari hali ya biashara ya kampuni na manufaa yake makubwa sio tu kwa wenyehisa, lakini pia wateja, jamii za maeneo inaendesha shughuli zake na wadau wengine. Nimetiwa moyo na ustahilimvu wa biashara kampuni yetu imenakili licha ya mazingira magumu kiuchmi. Mwaka 2022 ulikuwa mwingine wa ufanisi,ambapo kampuni ilinikali ukuaji wa asilimia 20 katika malipo jumla ya bima kutoka shillingi billioni 19.7 zilizonakiliwa mwaka 2021 hadi shillingi billioni 23.7 katika mwaka 2022, na ukuaji wa asilimia 111 kabla ya kulipa ushuru kutoka shillingi millioni 960 katika mwaka 2021 hadi shillingi billioni 2 kufikia mwezi Disemba mwaka 2022. Biashara yetu ya kanda pia imeendelea kukua, ikiwa na mchango jumla wa asilimia 10 kwa faida ya kampuni iliyojumuishwa kufikia mwezi Disemba mwaka 2022.

Mazingira ya Utendakazi na Uchumi

Mwaka unaoangaziwa ulikuwa na changamoto si haba kutokana na matukio ya kiuchumi na kisiasa. Uchumi ulikua kwa asilimia 4.7 katika robo ya tatu ya mwaka 2022, ikilinganishwa na ukuaji wa asilimia 9.9 katika kipindi sawia mwaka 2021. Sekta ya huduma iliendelea kunawiri, hasa biashara, ambayo ilikua kwa asilimia 9.1, Hoteli na chakula asilimia 22.9, huduma za kitaalam, usimamizi na huduma nyingine zinazohusiana asilimia 8.7. Kilimo, ambacho ni sekta muhimu kwa upande mwingine ulififia kunakili ukuaji wa asilimia 0.6 kutokana na hali mbaya ya hewa na gharama ya juu ya pembejeo za kilimo.

Licha ya utendakazi wa kampuni ulioboreshwa mnamo mwaka 2022, bei ya hisa ilidumazwa kutokana na kufifia kwa shughuli za biashara pamoja na kupungua kwa wawekezaji wa kigeni. Kuongezeka kwa viwango vya riba katika nchi zilizostawi,mfumuko wa bei duniani na uthibiti wa usambazaji pesa taslim hapa pia ulichangia hali hiyo. Thamani ya shillingi ya Kenya dhidi ya Dola ya Marekani pia iliendelea kupungua na kufikia takriban asilimia 9.3 mwezi Disemba mwaka 2022.

Na ukiwa mwaka wa uchaguzi, bodi ya wasimamizi ilifwatilia kwa karibu matukio yanayjiri, ambayo yanaweza kutishia biashara yetu, kwa lengo la kuhakikisha kwamba biashara yetu inasalia kuwa thabiti katika kipindi hicho cha uchaguzi.

Mkakati wa Mageuzi

Bodi itaendelea kuwaunga mkono wasimamizi wa kampuni katika utekelezaji wa mkakati wa kampuni katika kipindi cha mwaka 2021-2025, ambao umejikita katika vigezo 12 muhimu.

Katika kipindi cha mwaka unaoangaziwa, Kampuni ya Bima ya CIC iliangazia zaidi utekelezaji wa ajenda yake ya mageuzi, iliyohusisha uzoefu wa wateja, Usimamizi bora, uthibiti wa deni, uthibiti wa gharama ya matumizi na matumizi ya mifumo ya dijitali miongoni mwa nyingine. Matokea ya juhudi hizo yanadhihirishwa na matokeo mazuri ya biashara na faida tumepata katika kipindi kinachoangaziwa.

Mojawapo wa mafanikio makubwa zaidi ya kampuni yalikuwa uzinduzi wa uuzaji wa ardhi yetu ya Kiambu, kupita mradi kwa jina 'Ushirika Gardens' mwezi Novemba mwaka 2022. Hii ni hatua muhimu katika kuwianisha taarifa halisi ya kifedha ikiwemo raslimali na madeni, kwa lengo la kutumia kwa ubora raslimali zilizopo na wakati uo huo kuiwezesha kampuni kuangazia zaidi shughuli zake msingi.

Uendelevu na Uraia

Kama inavyofafanuliwa katika malengo yetu, tunaendesha shughuli zetu nchini Kenya na Kanda hii, kwa kutumia muundo wa ushirika, lengo kuu likiwa kubadilisha hali ya kiuchumi na kijamii ya wadau wetu kupitia huduma bunifu za bima na usimamizi wa hali ya juu wa mali. Twafahamu kwamba ili mabadiliko ya kweli yapatikane,hatuna budi kwa raia wema wanaowajibika, kwa kuendesha biashara endelevu. Ni kutokana na hayo tunatekeleza mipango mbali mbali endelevu inayolenga kuboresha hali ya maisha ya jamii katika maeneo tunakoendesha shughuli zake.

Wakf wa CIC umekuwa ukitoa msaada wa masomo kwa wanafunzi walio na mahitaji hapa nchini. Katika kipindi cha mwaka 2022, wakf huo ulitoa msaada wa masomo kwa wanafunzi 88 wa shule za upili. Na ili kuwasaidia wanafunzi katika safari yao ya masomo, wakf huo hulipa karo ya wanafunzi na pia kugharamia mahitaji ya wanafunzi wanaojiunga na kidato cha kwanza kama vile sare na bidhaa nyingine msingi za matumizi. Kampuni kupitia wakf wa CIC imejitolea kusaidia jamii kupitia mpango huo unalenga kuwapa uwezo vijana kupitia elimu.

Kampuni ya CIC pia inajivunia kuwa chama cha ushirika. Vyama vya ushirika ni nguzo muhimu kwa uchumi wa nchi hii vikiwa na zaidi ya wanachama millioni 14. Katika maadhimisho ya 100 ya siku ya ushirika, Kampuni ya CIC ilishirki katika tamasha mbali mbali, zote zikilenga kuongeza ufahamu kuhusu manufaa ya vyama vya ushirika na mchango wake katika ujenzi wa taifa.

Kama kampuni tumeendelea kuchukua hatua bayana, ambazo zimetuwezesha kupiga hatua katika kujumuisha maswala ya uhifadhi wa mazingira, jamii na uongozi bora katika mkakati wetu wa biasahar. Tumeweka mifumo bayana ya uongozi na wakati uo huo kuwianisha sera zetu kuambatana na malengo yetu ya biashara.

Uongozi na Usimamizi

Kampuni imebuni mifumo mwafaka ya uongozi/usimamizi katika ngazi zote za utendakazi, huku bodi kwa uadilifu ikijukumika kutoa mwongozo,ambao umesaidia kampuni kunakili ufanisi. Sera mbali mbali za kampuni ziliangaziwa na kuidhinishwa,ikiwemo mahusiano kati ya wadau, mafunzo kwa wakurgenzi na utatuzi wa migogoro ya usimamizi. Na katika jitihada za kuimarisha utendakazi wake, tumejumuisha wakurugenzi huru wapya katika bodi ya kampuni na vitengo vyake, na tunaimani kwamba mchango wao utasaidia kuboresha hata zaidi matokeo ya kampuni.

Utoaji mafunzo pia ni moja ya maswala tunayoyapa kipa umbele. Katika kipindi cha mwaka unaoangaziwa, wanabodi walipokea mafunzo ya kina, yaliotolewa na watalaamu kuhusu usimamizi wa makampuni, maswala ibuka kuhusu mazingira, jamii na hata sekta ya viwanda. Wanachama wa bodi kuhusu fedha na uwezekaji pia walipokea mafunzo maalumu kuhusu tasnia hizo mbili.

Bodi inafahamu mchango wake umuhimu katika kufanikisha kuafikiwa kwa malengo ya kampuni. Bodi hivyo hutathmin utendakazi wake, ukiwemo ule wa kamati zake mbali mbali,wakurugenzi binafsi wa bodi, mwenyekiti,afisa mkuu mtendaji na katibu wa bodi kila kupitia kampuni binafsi ya ushauri.Hii imetuwezesha kuendelea kutekeleza majukumu yake kwa njia ya kitalaamu kwa manufaa ya kampuni.

Tunawashukuru wenyehisa wetu wote,ambao walisimama na kampuni katika kipindi kigumu kiuchumi. Uaminifu wenu kwetu katika kipindi hicho kigumu,umetuwezesha kustahimili hali ngumu ya kiuchumi iliyoshuhudiwa kote ulimwenguni. Hata hivyo tutaendelea kuangazia zaidi ukuzi wa biasahara kwa minajili ya kudumisha na kuvutia wenye hisa zaidi. Nina

TAARIFA YA MWENYEKITI, CIC GROUP

furaha kuripoti kwamba kufwatia ufanisi tumepata katika safari yetu ya mageuzi, Bodi inapendekeza mgao wa faida wa Ksh.013 kwa kila hisa.

Shukrani

Ningependa kutoa shukrani zangu za dhati kwa wenzangu katika Bodi ya kampuni kwa uadilifu na ukakamavu katika kipindi cha mwaka unaoangaziwa, kwa kutoa mwongozo na uwajibishaji wasimamizi wa kampuni, wajibu ambao sina shaka umechangia matokeo mazuri ya biashara.

Kwa niaba ya Bodi, vile vile namshukuru afisa mkuu mtendaji wa kampuni Bw. Patrick Nyaga na kundi lake la wasimamizi pamoja na wafanyakazi, ambao walijitoa mhanga kutimiza mahitaji yanayobadilika ya wateja wetu. Twawapongeza tukiwa na Imani kwamba mtafanya bidii hata zaidi na kuiwezesha kampuni kunakilia ufanisi mkubwa.

Pia wanashukuru wenye hisa, wateja, washauri, washirika wa biashara na vitengo mbali mbali vilivyoshirikiana nasi katika mwaka uliopita. Tunawshukuru kwa kutuamini, hatua ambayo imeboresha sifa ya kampuni ya CIC, kuwa jina linaloaminika katika huduma za bima, sio tu hapa nchini, lakini bara zima la Afrika na Ulimwengu kwa jumla.

Mwisho

Kampuni ya Bima ya CIC itaendelea kuwa imara na kunakili ukuaji na faida, tunapoendelea kutekeleza mkakati wetu huku tukitumaini kwamba mazingira ya biashara yatakuwa bora katika maeneo mbali mbali tunaendesha biashara.

Shukrani.

Dr. Nelson Kuria, MBS OGW
Mwenyekiti CIC Group

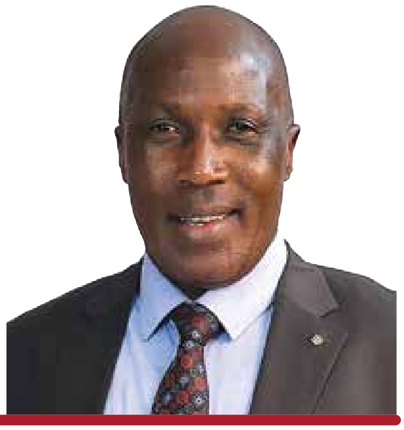
BOARD OF DIRECTORS

Dr. Nelson Kuria, OGW, MBS: Group Chairman

Dr. Nelson Kuria aged 69, joined the Board in September 2020 as an Independent Non- Executive Director and became the chairman on 29th June 2021. He holds a BA in Economics, MA in Leadership studies and an Executive Leadership training from Stanford Business School. Dr. Kuria has 37 years of experience in development finance and insurance. He entered the insurance industry in 1982 through Kenya National Assurance Company as an Assistant Manager where he rose to the position of Chief Manager -General Insurance Division and later also served as the General Manager in Gateway insurance Company. He was the CIC Insurance Group CEO from 2001 to 2015. Dr. Kuria is currently the Chairman of Smep Microfinance Bank, Kenya National Entrepreneurs Savings Trust, Institute of Directors of Kenya (IoDK) and African International University Council.

He has also served as a Chairman of the Association of Kenya Insurers (AKI), Enwealth Financial Services, Deputy Chairman Federation of Kenya Employers and Board Member of many organizations both locally and internationally, notably; Kenya Reinsurance Corporation, Takaful Insurance of Africa, Kenyatta National Hospital, College of Insurance and the International Co-operative & Mutual Insurance Federation.

Mr. James Njue: Group Vice Chairman



Mr. James Njue aged 56, joined the Board in 2019. Mr. Njue represents Eastern Region based societies at the Co-operatives Insurance Society Limited. He is the Chairman of Nawiri Sacco Society. He is also a Director of Coop Holdings Co-operative Society and the Cooperative Bank of Kenya Ltd. Mr. Njiru is a member of Board of Management for various schools in the Eastern Region. He holds a diploma in Business Management from the Kenya Institute of Management. He is also a member of the Institute of Directors of Kenya.

Patrick Nyaga: Group Chief Executive Officer

Mr. Patrick Nyaga, aged 55, joined the Company on 22nd June 2020, as the Group Chief Executive Officer. He holds a Master of Business Administration from Strathmore Business School and a Bachelor of Commerce Degree in Accounting from Nairobi University. He is a Certified Public Accountant (K) and a member of ICPAK. Mr. Nyaga has over 30 years of working experience mainly in Financial Services and Auditing. He has worked in various senior positions in the Banking sector. Prior to joining CIC Insurance Group Plc, he was the Group Finance and Strategy Director at Co-operative Bank of Kenya Limited. He previously worked at Barclays Bank now (ABSA) as the Regional Head of Assurance and at KPMG (EA), with the main focus being audit of financial institutions in Kenya and the regions. He is a member of the Institute of Directors of Kenya and has undertaken training in various disciplines among them Corporate Governance, Insurance, Banking, and Strategy among others.

BOARD OF DIRECTORS *(continued)*

Mr. Peter Nyigei: Director

Mr. Peter Nyigei aged 70, joined the Board in 2012. He is a Non- Executive Director representing Co-operative Insurance Society Ltd., a major shareholder. He is currently the secretary of Sinendet Tea Multipurpose Society and a director of Imarisha SACCO. Mr. Nyigei is a retired teacher and was also a principal. He served as a Programme Officer and a trainer in Early Childhood Education in Bomet, Nakuru, Baringo and Kericho Counties. The Director has undertaken General Insurance Business and several Corporate Governance trainings from Centre for Corporate Governance and Leadership Group .Director Nyigei is a member of the Institute of Directors of Kenya.

Mr. Gordon Owuor: Director

Mr. Gordon Owuor, aged 66, is a Non-Executive Director and representing Co-operative Insurance Society Ltd., a major shareholder. He is the Chairman of Jumuika (formerly Chemelil) Sacco, a member of the Nyanza Provincial Co-operative Development Team and a Member of the Institute of Directors- Kenya. He previously worked with the East African Fresh Water Fisheries Research Organization and currently is the chairman of Loyalty Refined Limited. He holds an executive Diploma in Financial Management. He has undertaken training in specialized Life Assurance Business Management conducted by LIMRA and several corporate governance training courses including from Centre for Corporate Governance and Leadership Group.

Mr. Michael Ondinya Wambia: Director

Mr. Michael Ondinya Wambia, aged 54, is a Non-Executive Director representing Co-operative Insurance Society Ltd. The Director also holds a diploma in Education Management from KEMI (Kenya Educational Management Institute) and is a Member of the Institute of Directors Kenya. He is the Chairman Maanisha Xane Growers Co-operative society. Director Wambia has undertaken training in specialized Life Assurance Business Management conducted by LIMRA. He has also undergone extensive training on Corporate Governance by International Finance Corporation (IFC), Centre for Corporate Governance and Leadership Group.

Dr. Rogers Kinoti: Director

Dr. Rogers Kinoti, aged 46, joined the Board as an Independent nonexecutive director on 22nd July 2021. Dr. Kinoti has a wealth of experience in Investment Management and Finance having worked for over 19 years in various private and public financial institutions. Dr. Kinoti holds a PhD in Finance (JKUAT), Master of Arts in Economics and Bachelor of Arts (Economics) First Class Honors from the University of Nairobi. He is a Certified Public Accountant, CPA (K), a Certified Public Secretary, CPS (K) and a Financial Analyst, FA (K). He is a member of ICPAK, ICPSK and ICIFA. Dr. Kinoti is a lecturer at Riara University School of Business and served as the Independent Chairman of the Audit and Risk Committee of the Teachers Service Commission (TSC) until February 2023.

CS Commissioner Sharon Kisire: Director

CS Commissioner Sharon J. Kisire aged 54, joined the Board on 4th August 2022 as an independent non-executive Director. She holds a Master's degree in Arts, a Diploma in Human Resources Management, and a PhD student at Strathmore University. She is a Certified Secretary (ICS), a Certified Executive Leadership Coach, a Certified Governance Auditor, and a Certified Emotional Intelligence Coach. The Director is currently a Commissioner at the Teachers Service Commission. She has previously worked as the General Manager, HR and Administration at Kenya pipeline Company, Director – Resources at Safaricom limited, Head, Human Capital at Kenya wildlife Service among others. Director Kisire is a Trustee at the Kenya Methodist University, Council member at African International University and the Chairperson of the Board of HR professional Examinations. She is a member of Kenya Institute of Management, Institute of certified secretaries, and Institute of Directors of Kenya.

FCPA - Julius Mwatu: Director

FCPA Julius Waita Mwatu, aged 50, joined the Board as an independent non - executive Director on 1st April 2021. FCPA Mwatu holds a Master's in Business Administration (Finance) from the United States International University (USIU) Africa. He is the Managing Partner at CPJ & Associates (CPA-K) and has extensive experience in the accountancy profession spanning over 20 years specializing in Audit, Tax, Finance and Integrated Reporting. FCPA Mwatu is a past Chairman of the Institute of Certified Public Accountants of Kenya (ICPAK), sits in various boards and has vast board experience both locally and internationally, gained from the private sector, public sector, publicly listed entities, and non- profit & donor funded agencies.

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders

I am pleased to report another year of strong performance and results for CIC Insurance Group Plc. The Group reported a Profit Before Tax of Kshs 2 Billion for the year ended December 2022 compared to the profit before tax of Kshs 960 Million recorded in 2021 representing a 111% growth. Our gross written premium grew by 20% from Kshs 19.7 Billion reported in 2021 to Kshs 23.7 Billion in 2022 while our balance sheet position continued to be strong with a growth of 12.5 % on our total assets from Kshs 41.5 Billion in 2021 to Kshs 46.7 Billion in 2022. The strong performance was driven by continued execution of our transformational initiatives focusing on customer experience, performance management, operational efficiency, digital transformation, research and innovation, cost competitiveness and debt management among others.

Overall Operating Environment

Global growth slowed in 2022 to 3.2%, more than 1 percentage point weaker than expected at the end of 2021, mainly weighed down by Russia's war of aggression in Ukraine and the associated cost-of-living crisis experienced in many countries. The global economy underwent a number of turbulent challenges; inflation higher than seen in several decades, tightening financial conditions in most regions and the lingering COVID-19 pandemic all weighing heavily on the outlook. The Kenyan economy was equally challenged which led to a slow down on growth of GDP to 4.7% in Q3'22 from 9.9% in Q3'21

The Kenya insurance industry, as per the regulatory reports of quarter three 2022, remains resilient recording growth of 11.4% in gross written premium which stood at KES 237.90 billion from KES 213.53 billion in Q3 2021. The long-term insurers accounted for 43.5% of this while the general insurance business accounted for 56.5%

Insurance uptake in Kenya however remains low compared to other key economies with the insurance penetration coming in at 2.2% as at 2021 as per Central Bank of Kenya's Financial Sector Stability Report 2022 . It's however, notable that the penetration had improved from 2.17% in 2020.

Financial Performance Overview

The Group registered a strong performance across the various subsidiaries with the Gross written premium excluding pension contributions growing by 20% from Kshs 19.7 Billion reported in 2021 to Kshs 23.7 Billion in 2022. Profit After Tax grew by 64% to Kshs 1.1 Billion in 2022 compared to Kshs 668 Million reported in 2021.

The profit before tax from our insurance businesses grew by 72% from Kshs. 1 Billion in 2021 to Kshs. 1.7 Billion in 2022. Our asset management business equally reported commendable growth of 23% from Kshs. 523 Million reported in 2021 to Kshs. 644 Million in 2022. Key highlights contributing to this growth was improvement underwriting results arising from claims process control and cost management.

Kenya Subsidiaries

General Insurance Business; Gross Written Premium grew by 21% to Kshs 13.8 Billion in 2022 from Kshs. 11.4 Billion in reported in 2021. Profit Before tax was up by 35% to Kshs. 872 Million compared to

Kshs. 644 Million in 2021 attributable to business growth, prudent underwriting and enhanced process efficiency.

CIC Life Assurance; Gross Written Premium grew by 17% from Kshs. 6.1 Billion reported in 2021 to Kshs. 7.2 Billion in 2022. The Profit Before Tax grew by 906% to Kshs. 631 Million from a Loss Before Tax of Kshs. 79 Million reported in 2021 owing to strong focus on prudent underwriting and business growth across all the business lines.

CIC Asset Management; Assets Under Management grew by 34% from Kshs. 94.5 Billion in 2021 to Kshs. 127 Billion in 2022. The Profit Before Tax increased by 23% to Kshs. 644 Million compared to Kshs. 523 Million reported in 2021. The Company continues to lead the Unit trust business with a market share of 40% as at December 2022.

Regional Subsidiaries

The performance of regional subsidiaries has continued to improve with a contribution of 11% to the Gross written premium of the Group during the period. CIC Uganda Gross written premium grew by 29% while CIC South Sudan grew by 61% and CIC Malawi grew by 6%. All regional subsidiaries were profitable with a combined contribution of 10% to the consolidated Profit before tax of the Group.

Our Transformation Journey

The Group will continue with the implementation of the transformation initiatives aimed at complete turnaround of all the subsidiaries and growth of the business performance. Improvement of underwriting results remains a key focus for the Group.

Digitization will be a crucial pillar within the Group's strategy with a view to provide seamless end–to-end customer experience enabled by emerging technologies. Technology has been driving growth in the company with interventions like self- service portals for brokers, agents and mobile applications becoming key customer service points. To maintain the growth trajectory CIC will continue investing in technology to strengthen performance and achieve customer retention in the long term. Key among these is the implementation of a robust system for the Life business and the IFRS 17 solution.

Within the Cooperatives space our major focus will be the implementation of strategies developed from research findings that were undertaken to better understand and appreciate the needs and priorities of our Cooperatives customers.

The sale of our Kiambu land which was launched in November 2022 will be another key initiative within this period. Other transformational initiatives that are under implementation as per our 2021-2025 corporate strategy include; driving research and innovation, debt management, cost management, risk, compliance and governance including Environmental, Social and Governance (ESG) integration and reporting among others.

Looking ahead, we continue to be resilient and confident of growth and strong performance of the Group and an economic turnaround across the various regions. We remain focused on delivering on business growth while at the same time progressively building a socially responsible and sustainable business.

Acknowledgments

I sincerely appreciate our customers for their loyalty and confidence in the Group. As our mantra goes, we will continue to "Keep our word". To our CIC staff, I thank you for the commitment to duty and dedication to serve attested by the progress of our Strategy implementation and the performance results for the period. My appreciation to our partners for supporting us on our transformation journey. I am confident of greater success in 2023 and beyond.

Finally, on behalf of myself and the entire management team, I would like to appreciate the invaluable support and leadership of the Board of directors led by our Chairman Dr. Nelson Kuria.

Thank you and may God bless you.

Patrick Nyaga
Group Chief Executive Officer

TAARIFA YA AFISA MKUU MTENDAJI, CIC GROUP

Wanahisa wapendwa

Ni fahari yangu kuwafahamisha kwamba kwa mwaka mwingine kampuni ya bima ya CIC imenakili matokeo mema. Kampuni ilipata faida ya kabla ya ushuru ya shillingi billioni 2 katika kipindi cha kifedha kilichokamilia Disemba mwaka 2022, ikilinganishwa na faida kabla ya kulipa ushuru ya shillingi millioni 960 iliyopatikana mwaka 2021, hii ikiwa ukuaji wa asilimia 112. Mapato jumla yaliongezeka kwa asilimia 20 kutoka shillingi billioni 19.7 mnamo mwaka 2021 hadi shillingi billioni 23.7 katika mwaka 2022. Kwa ujumla mapato ya kampuni yaliongezeka kwa asilimia 12.5 kutoka shillingi billioni 41.5 katika mwaka 2021 hadi shillingi billioni 46.7 mwaka 2022. Matokeo hayo mema yametokana na utekelezaji wa mkakati mwafaka unaowalenga wateja, usimamizi bora, matumizi ya mfumo wa dijitali, utafiti, ubunifu, upunguzaji gharama ya matumizi na uthibiti wa madeni.

Mazingira ya Biashara

Ukuaji wa kiuchumi duniani mwaka 2022, ulipungua hadi asilimia 3.2, hii ikiwa zaidi ya asilimia 1 ya kiwango kilichobashiriwa kufikia mwisho wa mwaka 2021, hasa kutokana na uvamizi wa Russia nchini Ukraine pamoja na kuongezeka kwa gharama ya maisha kwenye mataifa mengi. Uchumi wa dunia ulikumbwa na changamoto nyingi, mfumko wa bei ambao haujawahi kushuhudiwa kwa miongo kadhaa, masharti makali ya uthibiti wa matumizi ya pesa katika nchi nyingi pamoja na athari za janga la Covid-19. Uchumi wa Kenya pia haukusazwa, huku pato jumla la nchi likipungua hadi asilimia 4.7 katika robo ya tatu mwaka 2022 kutoka asilimia 9.9 katika robo ya tatu ya mwaka 2021.

Sekta ya bima hapa nchini, kulingana na ripoti za halmashauri ya uthibiti wa sekta ya bima hapa nchini katika robo ya tatu ya mwaka 2022, sekta hiyo ingali thabiti, huku ikikua kwa asilimia 11.4 huku wateja wakijiwekea bima ya shillingi billioni 237.90 kutoka billioni 213.53 katika robo ya tatu ya mwaka 2021. Biashara ya bima ya muda mrefu ilifikia kiwango cha asilimia 43.5, huku biashara ya bima ya kawaida ikitimia kiwango cha asilimia 56.5.

Biashara ya bima hapa nchini hata hivyo haijanawiri ikilinganishwa na mataifa mengine duniani, huku biashara hiyo ikiwafikia asilimia 2.2 ya wateja mwaka 2021 kulingana na ripoti ya kifedha ya Benki Kuu ya Kenya mwaka 2022. Hata hivyo biashara hiyo hapa nchini imeimarika kiasi kutoka asilimia 2.17 mnamo mwaka 2020.

Tathmini ya hali ya Kifedha

Katika kipindi kinachoangaziwa, kampuni ilinakili matokeo mazuri ya biashara katika vitengo vyake mbali mbali, huku matozo jumla, bila kujumuisha malipo ya uzeeni yakikua kwa asilimia 20 kutoka Ksh.billioni 19.7 katika mwaka 2021 hadi shillingi billioni 23.7 mnamo mwaka 2022. Faida baada ya kulipa ushuru iliongezeka kwa asilimia 64 hadi Ksh.billioni 1.1 ikilinganishwa na Ksh.millioni 668 katika mwaka 2021.

Faida kabla ya kulipa ushuru kutokana na biashara yetu ya bima ilikua kwa asilimia 72 kutoka Ksh.billioni 1 mnamo mwaka 2021 hadi Ksh.billioni 1.7 mnamo mwaka 2022. Biashara yetu ya usimamizi wa raslimali kadhalika ilinakili ukuaji wa asilimia 23 kutoka Ksh. millioni 523 katika mwaka 2021 hadi Ksh.millioni 644 mnamo mwaka 2022. Ukuaji huo ulichangiwa na uthibiti wa mchakato wa ushughulikia fidia na uthibiti wa gharama ya matumizi.

Vitengo vya Hapa Nchini

Biashara ya Bima ya Jumla; Makadirio jumla ya makato ya bima yaliongezeka kwa asilimia 21 hadi Ksh.billioni 13.8 katika mwaka 2022 kutoka Ksh.billioni 11.4

mnamo mwaka 2021. Faida kabla ya ushuru iliongezeka kwa asilimia 35 hadi Ksh.millioni 872 katika mwaka 2022 ikilinganishwa na Ksh.millioni 644 katika mwaka 2021, hali iliyochangiwa na kuimarika kwa biashara na utendakazi bora.

Bima ya Maisha (CIC Life); Kiwango cha makadirio ya makato ya wateja kiliongezeka kwa asilimia 17 hadi Ksh.billioni 6.1 katika mwaka 2021 hadi Ksh.billioni 7.2 mnamo mwaka 2022. Faida kabla ya ushuru iliongezeka kwa asilimia 906 hadi Ksh.millioni 631, ikilinganishwa na hasara ya Ksh.millioni 79 iliyonakiliwa katika mwaka wa 2021 kutokana na usimamizi bora pamoja na ukuaji wa vitengo vingine vya biashara.

Kitengo cha Usimamizi wa Mali (CIC Asset Management); Kiwango cha mali inayosimamiwa na kampuni kiliongezeka kwa asilimia 34 kutoka Ksh. billioni 94.5 mnamo mwaka 2021 hadi Ksh.billioni 127 katika mwaka 2022. Faida kabla ya ushuru iliongezeka kwa asilimia 23 hadi Ksh.millioni 644 mnamo mwaka 2022 ikilinganishwa na Ksh.millioni 523 katika mwaka 2021. Kampuni inaendelea kuongoza katika biashara ya usimamizi wa mali, ikishikilia asilimia 40 ya biashara hiyo kufikia mwezi Disemba mwaka 2022.

Vitengo vya Kanda

Utendaji wa vitengo vya kanda umeendelea kuimarika, huku vikichangia asilimia 11 ya makadirio jumla ya makato ya kampuni katika kipindi kinachoangaziwa. Makadirio ya makato ya wateja nchini Uganda yaliongezeka kwa asilimia 29, Sudan Kusini asilimia 61 na Malawi asilimia 6. Vitengo vyote vya kanda vilinakili faida, na kuchangia asilimia 10 ya pato jumla la kampuni kabla kulipa ushuru.

Safari yetu ya Ukuaji wa Biashara

Kampuni itaendelea na utekelezaji wa mkakati wake unaolenga mageuzi kamili katika vitengo vyake vyote na kufanikisha ukuaji. Uboreshaji matokeo jumla ya biashara unasalia kuwa lengo kuu la kampuni.

Matumizi ya mfumo wa dijitali yanatarajiwa kuwa nguzo muhimu katika utoaji huduma bora na haraka kwa wateja. Matumizi ya teknolojia yamekuwa kigezo muhimu kwa ukuaji wa kampuni,hasa kufwatia uzinduzi wa wavuti za kujihudumia kwa mawakala ,ambapo simu za rununu zimeibuka kuwa chombo muhimu. Na ili kudumisha kasi ya ukuaji, kampuni ya CIC itaendelea kuwekeza katika teknolojia, ili kuboresha huduma kwa wateja wetu, ambao tunawathamini. Miongoni mwa hatua tunalenga kutekeleza, ni kuweka mfumo thabiti wa kufaulisha biashara ya bima ya maisha.

Na kupitia muundo wa vyama vya ushirika, tutaangazia zaidi utekelezaji wa mikakati iliyoratibiwa kwa kuzingatia matokeo ya uatfiti uliofanywa, kwa lengo la kubaini na kutosheleza mahitaji ya wateja wetu katika sekta ya vyama vya ushirika.

Mauzo ya ardhi yetu ya Kiambu, ambayo yalizinduliwa mwezi Novemba mwaka 2022, yatakuwa mojawapo wa hatua muhimu za kibiashara tumetekeleza katika kipindi kinachoangaziwa. Hatua nyingine muhimu za biashara tunatekeleza kuambatana na mkakati wetu wa biashara katika kipindi cha mwaka 2021-2025, ni utafiti, ubunifu, uthibiti wa deni, uthibiti wa gharama ya matumizi na uzingatiaji wa kanuni zilizowekwa miongoni mwa hatua nyingine.

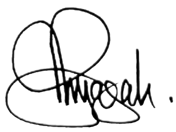
Tunaposonga mbele, tutaendelea kuwa wakakamavu na kufanya bidii ili kuhakikisha kuwa tunanakili ukuaji katika vitengo vyote. Tuna imani kwamba tutaendelea kunakili ukuaji wa biashara na wakati uo huo hatua kwa hatua, kujenga biashara inayowajibika kwa jamii na endelevu.

Shukrani

Natoa shukrani za dhati kwa wateja wetu kwa kuwa na imani na kampuni yetu. Na kama ilivyo desturi yetu,tutaendelea kutimiza ahadi zetu kwa wateja wetu. Kwa wafanyakazi wetu katika kampuni ya CIC, nawashukuru kwa bidii kazini kama ilivyobainika kutokana na ufanisi katika utekelezaji wa mkakati wetu na matokeo mazuri ya biashara katika kipindi kinachoangaziwa. Kadhalika nawashukuru washirika wetu kwa kutembea nasi katika safari yetu ya mageuzi. Ni imani kwamba tutapata ufanisi mkubwa hata zaidi katika kipindi cha mwaka 2023.

Hatimaye, kwa niaba yangu binafsi na kikundi kizima cha wasimamizi, naishukuru bodi ya wakurugenzi, ikiongozwa na mwenyekiti wa Dr. Nelson Kuria kwa usaidizi na uongozi wa busara.

Asanteni na Mola awabariki.



Patrick Nyaga,
Afisa Mkuu Mtendaji CIC Group

SENIOR MANAGEMENT

Patrick Nyaga: Group Chief Executive Officer

Mr. Patrick Nyaga, aged 55 is the Group Chief Executive Officer. He holds a master of Business Administration from Strathmore Business School and a Bachelor of Commerce Degree in Accounting. He is a Certified Public Accountant (K) and a member of ICPAK. Mr. Nyaga has over 30 years working experience mainly financial services and auditing. He has worked in various senior positions in banking. Prior to joining CIC Group Ltd he was the Group Finance and Strategy Director- at Co-operative Bank of Kenya Limited. He previously worked at Barclays Bank now (ABSA) as the Regional Head of Assurance and at KPMG (EA), with the main focus being audit of financial institutions in Kenya and the region. He is a member of the Institute of Directors of Kenya and has undertaken training in various disciplines among them Corporate Governance courses, Insurance, Banking, and Strategy among others.

Philip Kimani: Group Chief Finance Officer

Mr. Philip Kimani aged 42, is the CIC Group Chief Finance Officer. Philip holds a Master of Science in Professional Accountancy from University of London and Bachelor of Commerce Degree in Accounting. He is a Certified Accountant and Member of The Association of Chartered Certified Accountants. Philip has over seventeen years of experience mainly in the Insurance Sector. Prior to joining CIC Group, he was the Chief Finance Officer & Principal Officer for Jubilee Insurance Company. He previously held Senior Management roles at Resolution Insurance, WPP Scan group and PricewaterhouseCoopers where he began his career. He has a wealth of experience in Strategic planning, Investment management, Financial and Risk Management.

Humphrey Gathungu: Managing Director, CIC Asset Management Ltd

Mr. Humphrey Gathungu aged 46, is the Managing Director of CIC Asset Management Limited. He holds a Master's Degree (MBA) in Global Business Management, USIU and a Bachelor of Science in International Business from the same University. Mr. Humphrey is a CFA Charter holder, a Certified Public Accountant (K) and a member of ICIFA. Mr. Humphrey has over twenty-four years' experience in the Financial Services sector, thirteen of which have been in leadership roles. He has vast experience in Asset Management, Private Equity and Corporate Finance. Prior to joining CIC Group, he was the Chief Executive Officer Jubilee Financial Services. Earlier on, he worked as the Chief Investment Officer at Stanlib Africa.

Meshack Miyogo: Managing Director, CIC Life Insurance Ltd

Mr. Meshack Miyogo aged 40, is the Managing Director CIC Life Insurance Ltd. He holds a Bachelor's Degree in Education Arts (Major in Economics and Business Studies) from Egerton University. In addition, he holds a Senior Leadership Development Programme Certificate from the University of Stellenbosch Business School South Africa, Post Graduate Degree (MBA) in Marketing from Daystar University. He also holds a Diploma in Insurance (AIIK) from the College of Insurance. He is an Associate Member of the Institute of Insurance Kenya (IIK) in good standing. His experiences cuts across Banking and Insurance on Matters Sales Growth, Sales Management, business development, and Strategic Leadership.

Fred Ruoro: Managing Director, CIC General Insurance Ltd

Mr. Fred aged 43, is the Managing Director CIC General Insurance Ltd. He holds a bachelor's degree in Mathematics & Physics from The University of Nairobi. In addition, he is a senior Certified Insurance Professional from the Australian & New Zealand Institute of Insurance and Finance and is a Fellow of the Life Management Institute. Fred holds Advanced Diploma in Management Accounting from the Chartered Institute of Management Accountants (CIMA). Prior to joining CIC, he was the Managing Director of First Assurance Company Ltd. He is a member of good standing of the Insurance Institute of Kenya (IIK).

Andrew Murunga: Managing Director, CIC Africa Insurance (SS) Ltd

Mr. Andrew Murunga aged 46, is the Managing Director, CIC Africa Insurance (SS) Limited. He holds an MBA – Insurance & Risk Management from the University of Nairobi, a B.Ed. Mathematics/Economics from Moi University and a Diploma in Insurance from the Chartered Insurance Institute, (DIPCII), UK. He has vast wealth of experience in the Insurance Industry both in Kenya and South Sudan and is a member of the Institute of Directors Kenya, The Chartered Insurance Institute, (CII), UK and The Insurance Institute of Kenya (IIK). His fruitful career at CIC started in 2009 as an Underwriter in the General Business

Chrispinus O. Mugwang'a: Managing Director, CIC Africa Malawi Ltd

Mr. Chrispinus O. Mugwang'a aged 50, is the Managing Director, CIC Africa, Malawi. He has an MBA - Strategic Management and a Bachelor of Commerce Marketing option both from Catholic University of Eastern Africa – (CUEA). He also has a Diploma in Life and Disability Underwriting of the Assurance Medical Society, London UK and a Diploma in Sales and Marketing of the International Association of Business Executives, London. He is an Associate of the Chartered Insurance Institute (ACII) and a member of the Society of Technicians in Insurance (MSTI). He has over 26 years work experience in the Insurance Industry.

Eric Obila: Managing Director, CIC Africa Uganda Ltd

Mr. Eric Obila aged 43, is the Managing Director for CIC Africa Uganda Ltd. Eric joined CIC Group Ltd on 2nd August 2021. He has over fifteen years' experience in various leadership roles, mainly in the insurance sector. Erick holds a Bachelor of Science Degree in Applied Statistics from Maseno University and vast experience in business development, pension management and Life assurance. Prior to joining CIC Group, he was the Head of life and pension for Liberty Life assurance - Kenya. He has previously held Senior Management roles at CPF financial services, APA Life Assurance and Jubilee insurance. He brings a wealth of experience in business development and visionary leadership. He is currently pursuing a Master of Business Administration in Strategic Management from Jomo - Kenyatta University of Science and Technology. Erick is a member of the Institute of Insurance Kenya in good standing.

SENIOR MANAGEMENT *(continued)*

Gail Odongo: Group Company Secretary

Ms. Odongo aged 50, is the Group Company Secretary. She is an Advocate of the High Court of Kenya holding a Bachelor of Laws ("LLB") Degree from the University of Liverpool and a Master of Business Administration ("MBA") from Salford University in the United Kingdom. Professionally Ms. Odongo is a Certified Public Secretaries ["CPS (K)"]. She holds a Post Graduate Diploma from the Kenya School of Law and has 14 years of experience in various capacities and industries ranging from Audit, Banking and Finance, Insurance and Legal. She is also a member of the Institute of Directors - Kenya.

Pamela O. Oyugi: Group General Manager HR & Administration

Pamela aged 54, a seasoned HR Practitioner is the Group General Manager HR & Administration. She holds a Bachelor of Education Degree from University of Nairobi, Executive MBA (specializing in HRM) from Moi University and a Post Graduate Diploma in Human Resource Management from Kenya Institute of Management. She has undertaken several trainings both locally and internationally. She has over 18 years of work experience in various capacities from Energy Sector and Insurance Industry. The most recent role prior to joining CIC, Pamela was the Head of HR & Administration at National Oil Corporation of Kenya where she was a member of the Senior Management Team and the Secretary to the HR Board Committee. She is a Full Member of the Institute of Human Resource Management (IHRM). Pamela has undertaken the Advanced Management Programme (AMP) from Strathmore University in 2015. She is a member of the Institute of Directors (IOD). She is also a Certified Executive Leadership Coach (CELC) from CDI Africa Coaching Group accredited by the International Coach Federation (ICF). Pamela joined CIC in July 2013.

Muyesu Luvai: Group Chief Internal Auditor

Mr. Muyesu Luvai aged 44, is the Group Chief Internal Auditor. He is a Certified Public Accountant ("CPA (K)"), and a member of the Institute of Certified Public Accountants of Kenya ("ICPAK"), the Chartered Institute of Internal Auditors UK, the Institute of Internal Auditors, Kenya Chapter, as well as the Institute of Directors, Kenya. He holds a Bachelor of Commerce Degree from the University of Nairobi and a Master of Business Administration (MBA) Degree with a concentration in Employee Relations /Organisational Behaviour from the University of Leicester (UK).

Mr. Luvai acted as CIC's Group Chief Financial Officer between February 2020 and June 2021 during a period of change in executive management. Before joining CIC in 2008, Mr. Luvai worked for Deloitte in the Audit & Assurance Division auditing a range of multi-national and local institutions. Prior to joining Deloitte, Mr. Luvai had a stint in the oil and gas industry working in the Finance Department of Dalbit Petroleum Limited.

Susan Robi: General Manager Risk and Compliance

Ms. Susan Robi aged 44, is the General Manager Risk and Compliance. She is an Advocate of the High Court of Kenya holding a Bachelor of Laws(LLB) Degree from the Makerere University and a Masters in Law and Finance from Goethe University (Institute of law and Finance)in Frankfurt Germany. Professionally Ms. Robi holds a Post Graduate Diploma from the Kenya School of Law and has over 10 years of experience in various capacities and industries ranging from both Local and International Law Practice, Insurance, Finance, Pensions and Risk Management. Ms. Robi joined CIC Insurance Group Plc in 2011.

Henry Malmqvist: Group Chief Information Officer

Mr. Henry Malmqvist aged 42, is the Group Chief Information Officer. He holds an MSc in Information Technology Management from the University of Salford (UK). He also holds a Post graduate Certificate from the University of Sunderland (UK) as well as certificates in Project Management, Business Continuity & Performance Management. Prior to joining he held similar leadership positions such as Group Chief Information officer (APA Insurance), Head of ICT & Infrastructure (Resolution Insurance) and Head of IT (G4S Kenya Ltd). He has over 20 years' experience in ICT both within Kenya and the East African Region. He joined CIC in 2015.

Joseph Kamiri: General Manager - Marketing & Customer Experience

Mr. Joseph Kamiri aged 55, is the General Manager - Marketing & Customer Experience. He holds Bachelor of Commerce - Insurance Option from the University of Nairobi. He's an Associate Member of Insurance Institute of Kenya (AIIK) and an Associate Member of the Chartered Insurance Institute (ACII). He holds an MBA (Marketing) fromtheUniversityofNairobi. Inaddition,Mr. Kamiri has done the Advanced Management Program (AMP), from IESE Business School, Spain & Strathmore Business School, Kenya and has attended Negotiation, Mediation & Arbitration training from the International Law Institute (George Washington University-USA). Mr. Kamiri has over 30 years' experience in the Insurance business in both Kenya and the Global Emerging Markets. He joined CIC in 2014.

Richard Nyakenogo: General Manager - Co-operatives

Mr. Richard Nyakenongo aged 55, is the General Manager - Co-operatives. He holds a Bachelors of Commerce Degree from Egerton University and Masters in Business Administration from Mount Kenya University. He has a Diploma in Co-operative Management from the Co-operative College of Kenya and a certificate in Corporate Governance from Center for Corporate Governance. He also has LOMA-Associate & FLMI. Richard is an Associate Member of Insurance Institute of Kenya (AIIK), Member of Marketing Society of Kenya (MSK), Member of Institute of Directors of Kenya(IOD),a Certified Co- operative Professional (CCOP), and a Council Member of Kenya Society of Professional Cooperators(KSPC). He served as a member of the Taskforce on the implementation of the National Cooperative Policy. He was involved in the transformation of Sacco's form Back office to Front office (FOSA). He joined CIC in 1999.

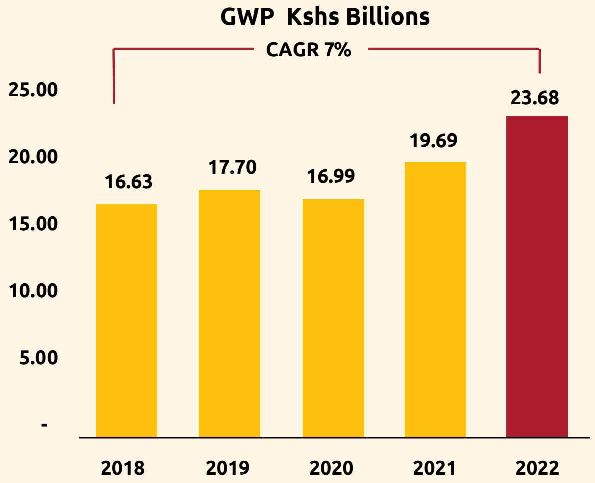
Salome Wambui: Group Actuary

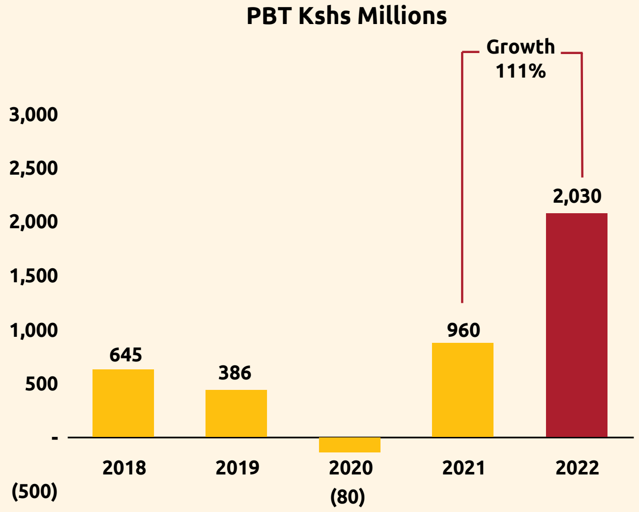
Ms. Salome aged 36, is the Group Actuary. She holds a BSc (Hons) in Actuarial Science, Masters in Economics (Econometrics) and is a Fellow of the Institute and Faculty of Actuaries (IFoA) in the UK. She is also a member of The Actuarial Society of Kenya (TASK). Salome joined CIC Insurance Group in 2014.

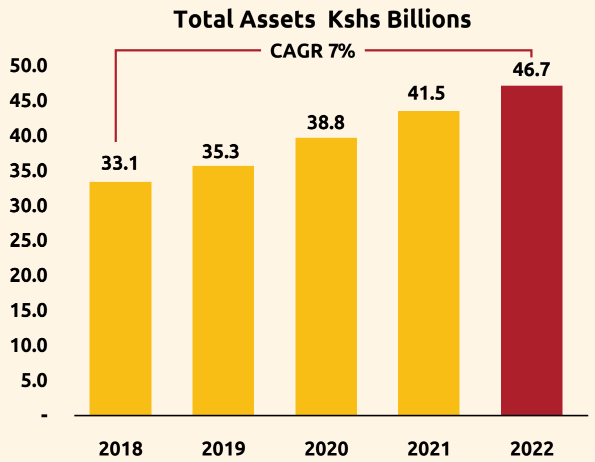
Michael Mugo: General Manager - Branch Distribution

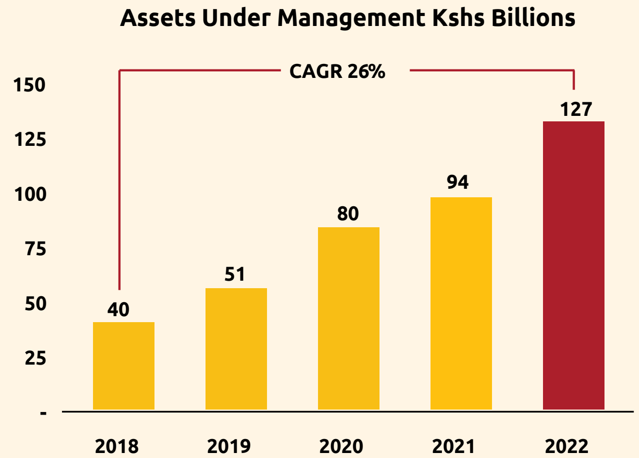
Mr. Michael Mugo aged 52, is the General Manager - Branch Distribution. He joined the Group in 2003 as an Agency Manager in Ordinary life. He has a total of 25 years' experience in the Insurance industry. He has served the organization in various senior capacities including Sales Management, Corporate Affairs and Communication, Marketing and Strategy. He has undergone extensive training in the areas of leadership, Governance, and strategic management. He is the immediate former MD, CIC Africa (South Sudan) and played a prime role in the establishment of the subsidiary in South Sudan. Michael is a graduate of the Advanced Management Program (AMP) from Strathmore Business School, Lagos Business School and IESE, Barcelona. He holds an MBA degree from JKUAT with special focus on Strategy and Marketing. He is a Bed (Econ & Geog) graduate of Moi University. He has extensive training and experience in institutions and business enterprises. He is a member of the Institute Of Directors of Kenya, the institute of Customer Service of Kenya, MSK and LOMA.

Financial Highlights









REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. INCORPORATION

The Group is domiciled in Kenya where it is incorporated as a public company limited by shares under the Companies Act, 2015. The address of the registered office is set out on page 2.

2. DIRECTORATE

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

3. PRINCIPAL ACTIVITIES

The principal activities of the Group are the transaction of general and life insurance businesses including pension scheme administration and fund management.

4. RECOMMENDED DIVIDEND

The directors recommend payment of dividends for the year 2022 of KShs 345 million (2021: Nil)

5. GROUP AND COMPANY RESULTS

The table below highlights some of the key performance indicators:

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	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Profit/(loss) before income tax	2,030,169	959,712	(11,158)	580,240
Income tax (expense)/credit	(936,784)	(291,275)	(24,159)	65,915
Profit for the year	1,093,385	668,437	(35,317)	646,155
Total comprehensive income for the year	582,913	355,662	(35,317)	646,155
Total assets	46,704,956	41,540,836	9,666,180	9,292,438
Equity attributable to owners of the parent	8,551,855	7,969,967	4,183,638	4,218,955

6. BUSINESS REVIEW

The economy grew by 4.7% in Q3'22; down from 9.9% in Q3'21. Services sector continued to perform strongly; particularly trade (+9.1%), accommodation & food services (+22.9%) and professional, administrative & support services (+8.7%). Agriculture, a key growth sector, continued to underperform (-0.6%) as unfavourable weather conditions and higher input costs weighed in on low production. Presently, developed nations i.e US, China, UK, and EU macro indicators hang in the balance with projections of a slip into a recession by some economies. This could resultantly have a negative ripple effect to Kenya as we have several trading relations with the big nations aside from our external debt in foreign currency. World Bank projects our GDP to average 5% in 2023-24 largely boosted by private investments; we are less optimistic due to the current elevated inflation and debt distress concerns.

The Monetary Policy Committee (MPC) raised the base rate from 8.25% to 8.75 % in Nov'22; a cumulative rise of 1.75% in 2022. The Central Bank Rate hikes' intention have been to taper inflation and manage the

KES depreciation against major currencies. Short term rates maintained an upward trajectory in Q4 with the 91,182 and 364 bills closing at 9.4%, 9.8% and 10.3% respectively. In Jan'23, the MPC retained the base rate at 8.75% due to softer inflation dynamics. Despite this, we foresee CBK maintaining a tight policy stance in the medium term to anchor headline inflation which is above their upper target band of 7.5%. We have

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022 *(continued)*

6. BUSINESS REVIEW *(continued)*

seen interest rates edge upwards in Q1'23 and we expect this situation to hold heading into Q2'23 as the government leans on aggressive domestic borrowing to plug its deficit gap.

Headline inflation increased to an average 9.4% in Q4'22 from 8.7% in Q3'22. This was largely driven by supply side factors that exerted upward pressure on food and energy prices. The uptick in the cost of living reduces the purchasing power of households and subsequently lower savings and investments to the economy. Jan'23 inflation came in at 8.98%; slowing slightly from Q4'22. We expect domestic price pressures will persist as the current administration is keen to phase out consumption subsidies that will see increases in prices of fuel and electricity.

The shilling lost substantial value against the USD in 2022 (-9.04%). It exchanged at Ksh 123.37 per USD on 31 Dec, having lost 2% in Q4'22. Lower foreign funding amid a faster growth in imports weakened the KES. The fed rate hikes increased demand for hard currency leading to wider forex spreads. Kenya's reserves were adequate as at end of Q4'22, but this was largely tied to a boost of IMF funding. However, year-to-date the reserves have thinned to below CBK's comfort of 4 months import cover, leaving the country in a vulnerable position. Globally, signs are clear that currency weakness will overwhelm many policymakers across markets. A weaker shilling is detrimental to Kenya as it increases the cost of financing foreign debt.

Despite improved corporate performance in 2022, prices of listed stocks have had muted movements due to prevailing tough macro conditions and the un-abating foreign investor sell-offs. Rate hikes in the advanced markets, global inflation pressures and a rationing of hard currency in Kenya have not helped the cause. Q4'22 saw the downward trend resume with NASI & NSE-20 declining by 0.7% and 2.4% respectively

FINANCIAL PERFORMANCE

Group

Gross written premiums grew by 20% from KShs.19.7 billion in 2021 to KShs.23.7 billion in 2022 driven by growth in all business lines. Management fees from the asset management business have increased in line with increase in assets under management. The increase in premiums was mainly driven by new business as well as upward repricing of risks. The net claims expense grew by 11% in lien with growth in underwritten risks. Incurred claims ratio decreased from 72% in 2021 to 67% in 2022 largely driven ease in group life claims relating to Covid-19 pandemic as well as prudent management of claims. Operating and other expenses increased from Kshs 4.7 billion to Kshs 5.6 billion driven by impairment provision on reinsurance receivables and statutory levies on the growing premiums written.

The group recorded a profit before tax of Kshs 2.03 billion, up from a profit before tax of Kshs 960 million in 2021. The group's total assets grew from Kshs 41.5 billion in 2021 to Kshs 46.7 billion in line with the growth in businesses across all regions. In addition, deposit administration contracts increased by Kshs 1.1 billion generating more investible funds.

Company

The Company received dividend income from subsidiaries amounting to Kshs 340 million (2021: Kshs 1.1 billion). Fair value gains on property of Kshs 246 million (2021: Nil) was recorded in the year. Finance cost decreased from Kshs 460 million in 2021 to Kshs 439 million in 2022 due to repayment of related party loan in the year.

The Company has started disposing its parcels of land it owns (Investment property (Note 15(b)). Proceeds from sale of this property will be used to repay the loan from Co-operative Bank. Further disclosures are included in Notes 15(b) and 42 of the financial statements.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022 *(continued)*

7. STATEMENT AS TO DISCLOSURE TO THE GROUP'S AND COMPANY'S AUDITOR

The directors confirm 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 Group's and 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 Group's and the Company's auditor is aware of that information.

8. TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers LLP continue in office in accordance with the company's Articles of Association and Section 721 of the Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

BY ORDER OF THE BOARD

Secretary

21 March 2023
Nairobi, Kenya

DIRECTORS REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Information not subject to audit

The CIC Insurance Group vision is to be a world class provider of insurance and other financial services. Consequently, the Group endeavours to attract and retain as directors, high calibre individuals who are well equipped with the relevant expertise and experience to enable the Group to achieve its vision. To retain and motivate such individuals requires compensation that is not only commensurate to their skill and time devoted to the Group, but also one that is competitive.

The Group has developed and put in place a remuneration policy for both the executive and non-executive directors that is transparent and considers both needs and the overall performance of the business. The policy has adopted a compensation and remuneration model that is competitive to attract and retain talent. The remuneration policy can be summed up as hereunder:

Executive Directors

1. The remuneration for the executive director is as per a negotiated contract of employment. It incorporates a bonus scheme that is only triggered upon achieving various targets agreed with the board. The trigger was not reached in 2021 and 2022.

2. The GCEO* has a service gratuity of 20% of the annual basic pay payable at the end of the contract for each year worked.

3. The GCEO* is on a 3-year contract which commenced on 22 June 2020 and has a 3 months termination notice.

Non-Executive Directors

1. Directors are entitled to a sitting allowance for their attendance of a board or board committee meeting, lunch allowance (in lieu of lunch being provided), and mileage reimbursements (in lieu of transport being provided) at the Automobile Association of Kenya rates.

2. The directors receive annual honoraria based on the end year performance.

3. Directors are paid a monthly retainer. The fees have been set by the board pursuant to the authorization granted by the shareholders at the Annual General Meeting.

4. There are no directors' loans.

5. There is no directors' shares scheme.

6. An allowance is paid to non-executive directors for any day of travel away from their regular station in order to attend to duties of the Company or its subsidiaries.

7. Independent directors are on a three-year contract which is renewable once.

8. Medical insurance cover is provided to all directors for their individual medical requirements covering both out-patient and inpatient services.

During the financial year ended 31 December 2022, the Board was composed of the following Directors:

Executive	Non-Executive	Independent
	James Njue (Vice Chairman)	Nelson Kuria (Chairman)
Patrick Nyaga*	Michael Wambia	Rogers Kinoti
	Gordon Owuor	Julius Mwatu
	Rosemary Githaiga (Deceased)	Sharon Kisire
	Peter Nyigei	

** GCEO Group Chief Executive Officer*

DIRECTORS REMUNERATION REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

Information Subject to audit

The following table shows remuneration for the Executive and Non-Executive Directors in respect of qualifying services for the year ended 31 December 2022.

Group Directors 2022 emoluments (KShs)

Name	Designation	Salary	Allowances	Gratuity	Retainer	Sitting Allowance	Honoraria	Board Expenses	Total
Patrick Nyaga	GCEO*	43,800,000	11,114,613	8,760,000	-	-	-	-	63,674,613
Nelson Kuria	Chairman	-	-	-	3,457,629	2,283,771	690,000	340,871	6,772,271
James Njue	V/Chairman	-	-	-	3,457,629	1,590,614	673,571	350,757	6,072,571
Peter Nyigei	Director	-	-	-	1,409,657	1,295,250	673,571	324,863	3,703,341
Michael Wambia	Director	-	-	-	1,338,377	1,346,400	665,357	329,617	3,679,751
Gordon Owuor	Director	-	-	-	1,362,137	1,569,150	665,357	327,743	3,924,387
Julius Mwatu	Director	-	-	-	1,338,377	948,750	388,125	276,303	2,951,555
Rosemary Githaiga	Director	-	-	-	1,338,377	1,143,450	665,357	295,643	3,442,827
Rogers Kinoti	Director	-	-	-	1,290,857	1,092,300	277,232	254,714	2,915,103
Sharon Kisire	Director	-	-	-	430,286	346,500	-	420,517	1,197,303
Grand Total		43,800,000	11,114,613	8,760,000	15,423,326	11,616,185	4,698,570	2,921,028	98,333,722

DIRECTORS REMUNERATION REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

Group Directors 2021 emoluments (KShs)

Name	Designation	Salary	Allowances	Gratuity	Retainer	Sitting Allowance	Honoraria	Board Expenses	Total
Patrick Nyaga	GCEO*	43,800,000	6,353,500	8,736,000	-	-	-	-	58,889,500
Nelson Kuria	Chairman	-	-	-	2,374,243	2,079,100	328,571	508,457	5,290,371
James Njue	V/Chairman	-	-	-	2,574,607	2,570,814	332,679	1,028,829	6,506,929
Peter Nyigei	Director	-	-	-	1,409,657	2,230,800	336,786	904,091	4,881,334
Gordon Owuor	Director	-	-	-	1,362,137	2,654,850	332,679	436,754	4,786,420
Julius Mwatu	Director	-	-	-	1,003,783	808,500	-	363,486	2,175,769
Micheal Wambia	Director	-	-	-	1,338,377	2,080,650	332,679	482,526	4,234,232
Rosemary Githaiga	Director	-	-	-	1,338,377	910,800	332,679	366,571	2,948,427
Rogers Kinoti	Director	-	-	-	645,429	595,650	-	363,486	1,604,565
Jyoti Patel	Retired Director	-	-	669,189	664,950	332,679	17,143	1,683,961	6,316,625
Japheth Magomere	Retired Chairman	-	-	-	1,728,814	4,381,171	10,717,886	3,699,486	20,527,357
Grand Total		43,800,000	6,353,500	8,736,000	14,444,613	18,977,285	13,046,638	8,170,829	113,528,865

**GCEO - Group Chief Executive Officer*

The Group will not propose to make any changes in the remuneration level during the current financial year.

By Order of the Board

21 March 2023
Gail Odongo
Group Company Secretary

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

INTRODUCTION

We have performed Governance Audit for The CIC Insurance Group PLC covering the year ended 31st December 2022, which comprised assessment of Governance Practices, Structures and Systems put in place by the Board.

BOARD RESPONSIBILITY

The Board is responsible for putting in place governance structures and systems that support the practice of good governance in the organization. The responsibility includes planning, designing and maintaining governance structures through policy formulation necessary for efficient and effective management of the organization. The Board is responsible for ensuring its proper constitution and composition; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; members' rights and obligations; members' relationship; compliance with laws and regulations; and sustainability and performance management.

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 within the legal and regulatory framework and in accordance with best governance practices as envisaged under proper Board constitution and composition; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; members' rights and obligations; members' relationship; compliance with laws and regulations; and sustainability and performance management, based on our audits.

We conducted our audits in accordance with ICPSK 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 organizations policies, systems, practices and processes. We believe that our governance audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the Board has put in place effective, appropriate and adequate governance structures in the organization which are in compliance with the legal and regulatory framework and in line with good governance practices in the interest of stakeholders.

CS. Jacqueline Oyuyo Githinji, ICPSK GA. No 00030
For Umsizi LLP

21 March 2023

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

LEGAL AND COMPLIANCE AUDITOR'S REPORT 2022

The Capital Markets Authority's Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 ("the Code") requires the Board to ensure that an independent legal and compliance audit is carried out at least bi-annually by a legal professional in good standing with the Law Society of Kenya.

A legal and compliance audit conducted by an Advocate of the High Court of Kenya is a reasonable assurance engagement. The Code requires that we undertake a legal and compliance audit to obtain reasonable assurance on the level of compliance of CIC's operations with the existing legal and regulatory framework. This reasonable assurance is provided through opinions and conclusions that enhances the confidence of the Board that CIC is in material compliance with its applicable legal and compliance framework.

The Code only imposes this independent legal and compliance audit requirement on issuers of securities to the public. However, in the spirit of replicating the best practices espoused under the Code and evaluating the compliance framework of its trading subsidiaries in Kenya, CIC deemed it prudent to undertake a legal and compliance audit that transcended to all its trading subsidiaries in Kenya.

It is with this consideration that CIC instructed TripleOKlaw Advocates LLP to undertake a comprehensive legal and compliance audit on The CIC Insurance Group PLC and its trading subsidiaries in Kenya. We commend this demonstration of CIC Group's commitment to ensuring that it operates in compliance with its overarching compliance framework.

The Scope of the independent legal and compliance audit was to:

- Identify and analyze the current framework of laws, regulations and policies under which CIC Group operates;
- Evaluate the existing procedures of CIC Group and assess the extent of their compliance with the framework;
- Advise the Board on any non-compliance findings that require to be acted upon expediently.
- Accordingly, we conducted a systematic, objective and independent examination of the current framework of laws, regulations and policies under which CIC Group operates and assessed the level of compliance with its applicable legal and compliance framework.

OPINION

Subject to our comments, assumptions and limitations set out in our Legal and Compliance Report, we issue our unqualified opinion that there are no material instances of non-compliance with the applicable laws, regulations and standards by The CIC Group PLC, for the year ended 31 December 2022.

Signed

Brian M. Muindi FCIArb.
Practice No: LSK/2021/04169
Partner and Head of Commercial practice,
TripleOKLaw Advocates LLP
Dated 31st December 2022

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

INTRODUCTION

The Corporate Governance agenda is driven at The CIC Insurance Group PLC by the Board. The Board is keen to see to it that the ethos of corporate governance as spelt out in various legislations governing the operations of the company are observed. The legislations include the Companies Act 2015, the Insurance Act, the Capital Markets Authority Act, and the Capital Markets Authority Code of Corporate Governance Guidelines for issuers of securities, the Company's Articles of Association among others. The Company also adheres to Nairobi Securities Exchange listing rules and the ethical standards prescribed in the Company Code of Conduct. In addition, the Company abides by the tenets of the Constitution of Kenya and all other laws as a law-abiding corporate citizen.

The Board is cognizant of the general expectation by stakeholders that it maintains the highest standards of corporate governance and it has in this regard institutionalized policies and processes and established robust frameworks that are necessary to The CIC Insurance Group plc's foundational pillars and mission to enable people achieve financial security. The Board of Directors are responsible for the governance of the Company. The Directors are committed to fulfilling their fiduciary responsibilities and have instituted various principles necessary to ensure that good governance is practiced with respect to dealings with the Company's shareholders, customers and other relevant stakeholders in line with the spirit of the Code for listed companies.

The Board also regularly reviews its corporate governance arrangements and practices and ensures that the same reflects the developments in regulation, best market practice and stakeholder expectations across the region where we operate.

This statement therefore details the key corporate governance structure and practices of CIC Insurance Group Plc and its subsidiary companies. The statement sets out the key components of the Company's corporate governance framework, which provides guidance to the Board, management and employees and defines the roles responsibilities and conduct expected of them.

STATEMENT OF COMMITMENT

The Board is committed to good corporate governance and appreciates that good governance, achieved through an ethical culture, competitive performance, effective control and legitimacy, can create sustainable value and enhance long-term sustainability. The Board acknowledges the relationship between good governance, on the one hand and risk management practices for the achievement of the Company's strategic objectives and performance, on the other.

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 promotes and supports high standards of corporate governance and is committed to the demonstrable pursuit of excellence in sound corporate governance practices, policies and procedures as evidenced in its internal policies and procedures. With regard to the year under review, the Board believes that the principles of the governance framework are embedded in the corporate culture, internal controls, policies and procedures governing corporate conduct within the Company. The Board is committed to continuous improvement to strengthen the principles and spirit envisioned in the guidelines in its operations, to the extent that the same are applicable and appropriate.

GENERAL GOVERNANCE FRAMEWORK

The Governance framework sets out the strategic direction of the Group while entrusting the day-to-day running of the organization to the executive management led by the Group Chief Executive Officer, with his performance measured against set objectives and policies closely monitored.

Group has institutionalized a robust corporate governance framework at all levels of the Group's strategic and operational spheres. The corporate governance framework, which the Board confirms is

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

GENERAL GOVERNANCE FRAMEWORK *(Continued)*

aligned to the global best practice was formulated to among other things:

I. Protect and enhance shareholders value by maintaining highest standards of governance, business behavior and transparency.
II. Ensure the Board's accountability to shareholders and provide for an appropriate delegation of responsibilities to the Group Chief Executive Officer and the Board of Management; and
III. Provide a platform for regular review of the Group's governance structure against the nationally and universally accepted guidelines and best practices.

The responsibility for the strategic control of the Company is divided between shareholders represented at the Annual General Meeting, the Board of Directors supported by its three (4) Committees or any other ad-hoc committee that the Board may deem necessary to constitute. The Board is further assisted by the Group Chief Executive Officer and his Board of Management for all operational functions.

THE BOARD CHARTER

The Board recognizes the importance of a Board Charter and has to this extent developed and put in place a board charter to ensure effective strategic oversight administration in its stewarding task of the company to greater prosperity while ensuring accountability and disclosure.

The Board Charter defines and distinguishes the relationship and interactions between the Board and Management and sets out matters expressly reserved for Board's decision. For instances, it defines the Board's roles and responsibilities, delegated powers of various Board Committees and their roles, separation of roles between the Board and Management regarding policies and practices.

The Board is responsible for determining the Company's overall objectives; developing strategies to meet those objectives in conjunction with management; formulating a clear and concise governance policy to which the Company shall adhere; delegation and segregation of the Board's responsibilities and accountability; and evaluating the performance of the Board, its Committees and individual Directors.

The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period. The Board Charter is periodically reviewed and details the Board's roles and responsibilities. The existing Board Charter was reviewed and approved by the Board in March, 2021.

The Board Charter can be found in the investor relation section of the Group's website at https://www.cicinsurancegroup.com/investor-relations.

THE BOARD

The Board is collectively responsible for the Group's vision, strategic direction, its values, and governance. The primary role of the Board remains provision of effective leadership to the Group towards:

I. Sustainable long-term success through the exercise of objective and informed judgment in determining the strategy of the Group;
II. Having the right team in place to execute the strategy through effective succession planning;
III. Setting up appropriate governance structures for the management of the business operations;
IV. Monitoring business performance and maintaining an effective framework of controls to mitigate risks facing the business;
V. Ensuring ethical behavior and compliance with the laws and regulations.

The Board is solely responsible for its agenda. It is, however, the responsibility of the Chairman and the Company Secretary, working closely with the Chief Executive Officer, to come up with the annual Board work plan and the agenda for the Board meetings.

The Board is primarily responsible for the protection of and enhancement of long-term shareholders' value considering the interests of other stakeholders including employees, customers, suppliers, and the wider community.

In particular, the Board's responsibilities include:

i. Determining and setting the tone of the Group values including principles of ethical business practice and the requirements to be a responsible corporate citizen;

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

THE BOARD *(Continued)*

ii. Approve the Group's mission, vision, its business strategy, goals, risk policy plans and objectives;
iii. Approving the Group's business strategy and ensure the necessary financial and human resources are in place to meet agreed objectives;
iv. Review and agrees on Board succession plans and approve Non-Executive Director appointments;
v. Review periodic financial and governance reports approve the Annual Report, Group results;
vi. Declaring an interim/recommending a final dividend;
vii. Approve the Group's budgets as proposed by the executive management team;
viii. Establish and agrees on an appropriate governance framework;
ix. Review the sufficiency, effectiveness and integrity of the risk management and internal control systems;
x. Approve the Group's performance objectives and monitor its achievement public announcements:
xi. Providing oversight over reporting to shareholders on the direction, governance and performance of the Group as well as other processes that require reporting and disclosure.
xii. Providing oversight over the activities of the subsidiaries of the Group.
xiii. Providing oversight over performance against targets and objectives.
xiv. Ensuring that disputes are resolved as effectively, efficiently, and expeditiously as possible; and
xv. Monitoring of the relationship between the Group and its stakeholders.

SEPARATION OF THE ROLES OF THE GROUP CHAIRMAN AND THE GROUP CHIEF EXECUTIVE OFFICER

The separation of the functions of the Group Chairman (an Independent Non-Executive Director) and the Group Chief Executive Officer (Group CEO) supports and ensures the independence of the board and management. The balance of power, increased accountability, clear definition of responsibilities and improved decision- making are attained through a clear distinction between the non-executive and executive roles. The Group Chairman's responsibilities include the operation, leadership and governance of the board. The Group CEO's roles and responsibilities remains the day-to-day management of the Group's business and overseeing the implementation of strategy and policies approved by the board.

DUTIES OF THE CHAIRMAN OF THE BOARD

The Chairman of the Board is responsible for the proper functioning of the Board. He ensures that discussion on all key issues is efficient and timely, as well as fulfilling his responsibilities and powers set forth in the Board Charter. The Chairmanship of the Board and the Group Chief Executive Officer are separate functions held by different individuals.

The roles of the chair are as follows;

i. Leads the Board, and ensures the Board receives accurate, timely and clear information in order to monitor, challenge, guide and take sound decisions;
ii. Regularly meets with the Chief Executive Officer stay informed;
iii. Ensures effective communication with shareholders and other stakeholders;
iv. Promotes high standards of corporate governance;
v. Promotes and safeguards the interests and reputation of the Group.

DUTIES OF THE GROUP CHIEF EXECUTIVE OFFICER

i. Driving the implementation of the strategy and business as approved by the Board.
ii. Managing all matters affecting the operations and performance of the company within the authority delegated to him by the Board.
iii. Providing timely and accurate information about the Group and material developments to the Board.
iv. Communicating to internal and external stakeholders on matters affecting the Group.
v. Leading and motivating the Senior Management team by ensuring they set annual performance objectives that stretch their capabilities and monitoring the delivery of the same.
vi. Maintaining and ensuring the effectiveness of the system of governance adopted across the Group.

The Group Chief Executive Officer's performance is reviewed regularly against objectives and measures set by the Board in annual performance appraisals. The Group Chief Executive Officer's performance appraisal was evaluated during the reporting period on this basis.

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

BOARD COMPOSITION AND DIRECTORS' APPOINTMENT

The Board's composition is determined by the nature of the Group's business and the shareholding structure with particular attention being paid to the Board Charter and the Group's Memorandum and Articles of Association.

Noting that the Group is committed to ensuring that the composition of the Board comprises directors, who, possess the diversity of skills and experience required to fulfill the role and responsibility of the Board, the following guiding principles are considered in determining the board composition:

- The Company's shareholding structure;
- Maintenance of the requisite independence on the board;
- The sufficiency of the size of the Board as is necessary to attain the objectives of the company;
- Effective succession planning to ensure smooth transition on the board;
- Board Diversity to ensure that there is the desired mix of skills, knowledge, expertise, and experience to enable the board to discharge its duties effectively.

During the period under consideration, the Board comprised of ten (10) directors of which four (4) are independent non-executive directors and one is executive director as shown in the tabulation below;

BOARD OF DIRECTORS				
Position and Name	**Executive1**	**Non-Executive**	**Independence2**	**Director Since**
Group Chairman: N. Kuria		X	Independent	29-Sep-2020
Vice Chairperson: J. Njue		X	Non-Independent3	13-May-2016
Group CEO: P. Nyaga	X		Executive	22-June-2020
Director: P. Nyigei		X	Non-Independent	8-May-2009
Director: M. Wambia		X	Non-Independent	23-May-2008
Director: G. Owour		X	Non-Independent	19-May-2006
Director: R. Githaiga		X	Non-Independent	14-May-2011 until 7 December 2022
Director: R. Kinoti		X	Independent	29–June-2021
Director: J. Mwatu		X	Independent	20-May-2021
Director: S. Kisire4		X	Independent	05-September-2022

1. Executive means a member of the Board who also serves as manager of the company
2. Independent Means a member of the board who does not form part of the management team and who is not an employee of the Company or affiliated with it in any other way but can own shares in the company.
3. Non-Independent Means a member of the board representing a shareholder.
4. Director Sharon Kisire was appointed to the Board on 5th September 2022.

- Endorsement for re-election of non-executive directors to the Board at the conclusion of their three- year term is not automatic. Prior to the Board endorsing a director for re-election, the individual's performance as a director is reviewed in accordance with processes agreed by the Board from time to time. The company provides shareholders with all material information in its possession relevant to a decision on whether to elect or re-elect a director.
- Independent directors are appointed for a maximum period of six years subject to regulatory approval
- New directors are provided with a formal letter of appointment that sets out the key terms and conditions of appointment including, among other things, duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding involvement with the Board and Board Committee work.

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

BOARD DIVERSITY

The Board recognizes the role of diversity in bringing different perspectives into board deliberations, and offers better anticipation material areas that are inherent in the business and the opportunities that the business pursues. The Non-Executive Directors come from broad industry and professional backgrounds, with varied experience and expertise aligned to the needs of the business. The areas of expertise of the current Board of Directors include: Business Management, Banking and Finance, Actuarial, Accounting, Corporate Communications, Economics, Marketing, Project Management, Risk management, Human Resources, Legal and Governance. While considering the composition of the Board, directors consider the appropriate characteristics needed by the Board to maximize its effectiveness and the blend of skills, knowledge and experience necessary for the present and future needs of the Group.

The Board's Governance and Nominations Committee has the primary responsibility for conducting director assessments of the current mix of skills and experience of directors, considering the business and strategic needs of the Group, as well as broader succession planning issues for both the Board and management.

DIRECTOR INDEPENDENCE

Directors are expected to bring independent views and judgment to the Board's deliberations. The CIC Insurance Group Board recognizes the importance of independent judgment and constructive debate on all issues under consideration. Directors are expected to bring views and judgment 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 judgment, having regard to the best interest of the organization and its stakeholders as a whole.

In assessing the independence or otherwise of a director, the Board, relies on the codified principles and an objective regard to the relationship between a director and the Group or between a director and third parties that may compromise the director's independence.

TENURE

The Group notifies shareholders of their right to nominate a candidate for election as a director by a notice convening the shareholders meeting in the event any director election or re-election is to occur at a shareholder meeting. Directors must retire every three years and, if desired, seek re-election.

SUCCESSION

As part of its annual review, the Board continues to consider board succession. The Board's succession plan is focused on identifying suitable candidates for future appointment to the Board, having regard to the Board's current skills mix and desirable future skills, so that the Board remains proactive, and renewal occurs in an orderly manner over time.

Where a need is identified or arises, the Governance and Nominations Committee considers potential candidates based on the skills required by the Board and the qualities and experience of the candidate. The Committee, with the assistance of professional consultants, if necessary, will undertake a search process and shortlisted candidates will be interviewed by the Governance and Nominations Committee before being recommended to the full Board for appointment.

Nominations for appointment to the Board are considered by the Governance and Nominations Committee and approved by the Board as a whole. Appropriate checks are undertaken on any potential candidates and regulatory approval sought before a person is appointed by the Board or put forward to shareholders as a candidate for election as a director.

DIRECTOR INDUCTION

Newly appointed Directors receive appropriate formal induction and training, specifically tailored to the Group's business needs. The induction is aimed at enabling the new directors to fully take up their roles and execute their responsibilities. The Board has put in place Board Induction Policy for new Directors and ensures that all directors regularly update their skills and knowledge at regular intervals.

CAPACITY BUILDING FOR THE BOARD

In relation to the governance guidelines on twelve (12) hours' annual Board training, the Board has undertaken various trainings facilitated by management and industry professional bodies including receiving updates on new policies e.g., data protection policy among others.

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

CAPACITY BUILDING FOR THE BOARD *(Continued)*

During the year under review, the board underwent a comprehensive training facilitated by various specialists during the retreat session on Corporate Governance, board maturity assessment, Environmental, Social, and Governance training (ESG) and industry trends. Finance and investment committee members underwent a specialized training on finance and investments under the finance for non-finance managers programme.

All Directors are expected to maintain the skills required to carry out their obligations. Continuous capacity building ensures that the Board is kept up to date with developments in the industry both locally and globally. It includes sessions with experts in the areas of general corporate governance and in the particular fields relevant to the Group's operations.

ACCESS TO INFORMATION AND INDEPENDENT ADVICE

The Board is entitled to access such information and seek such independent advice as they consider necessary or desirable, individually, or collectively, to fulfil their responsibilities and permit independent judgement in decision making. Procedures are in place, through the Group Board Chairman and the Group Company Secretary, enabling the Directors to have access, at reasonable times, to all relevant Group information and to senior 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 Group's expense.

However, this does not abrogate the Board's responsibility to make independent decisions as such advice is only meant to enhance comprehension of certain matters placed before the Board.

BOARD COMMITTEES

The Board has delegated work to its four (4) standing Committees to effectively deal with specialized issues: Audit & Risk Committee, Finance & Investment Committee, Governance & Nominations and Human Resource Committee. The mandate of these committees is clearly defined in each of the Committees' Terms of Reference. The Committees make recommendations for actions to the Board, which retains collective responsibility for decision making. The Committees' Membership is structured to spread responsibility and make best use of the range of skills across the Board.

Unless there are compelling circumstances, the Committee meetings are scheduled to coordinate with the Board meeting cycle. Each Committee reports to the Board at the subsequent Board meeting and makes recommendations to the Board for consideration as appropriate.

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

BOARD COMMITTEES *(Continued)*

An overview of the role and responsibilities, membership, and meetings of the Board's four standing Committees is provided below.

	Governance & Nomination	HR	Audit & Risk	Finance & Investment
Roles and Responsibilities	Exercise general oversight with respect to the governance of the Board of Directors. Review the balance and effectiveness of the Board and remuneration of Directors and senior management as well as the succession planning at Board and senior leadership levels. Monitoring the size and composition of the Board and its succession plans. Recommending individuals for nominations as members of the Board and its committees.	Support the human resource function of the Group by overseeing the development of appropriate Human Resources policies and strategies. Review, monitor and make recommendations to the Board of Directors on the Group's Human Resources strategy and polices that pertain to staffing, compensation, benefits, bonus structure and related issues of strategic importance that directly affect Group's ability to recruit, develop and retain the highly qualified staff needed for it to achieve its mandate. 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.	Monitoring the integrity of the financial statements, including the review of significant financial reporting judgements. Providing advice to the Board on whether the Annual Report is fair, balanced and understandable and the appropriateness of the long-term viability statement. Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the external audit. Reviewing the system of internal financial control and compliance. Monitoring the activities and reviewing the effectiveness of the Internal Audit function. Monitoring the Group's risk management system, reviewing of the principal risks and the management of those risks. Monitoring the adequacy and effectiveness of financial reporting.	Oversee the Board's responsibilities relating to the financial affairs of the Group and to make recommendations to the Board in connection with the Group's investment guidelines, investment asset allocations and financing activities. Reviews investment performance and compliance with investment guidelines. Review and recommend to the board dividend policy and declarations. Approve target asset allocations and review and make recommendations to the board on all capital related issues. Review and recommend to the board all corporate acquisitions as well disposals of business segment or subsidiaries and joint ventures.

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

BOARD COMMITTEES *(Continued)*

	Governance & Nomination	HR	Audit & Risk	Finance & Investment
Roles and Responsibilities	Reviewing executive appointments, succession and development plans and proposing the remuneration structures of executive and non-executive members of the Board.	To note the annual performance of staff and recommend to the board the payment of staff benefits in line with the approved policies.		
Membership	The Governance and Nomination Committee comprised of five (5) members. The members during the reporting period were: Dr. Nelson Kuria (Chair) Mr. Gordon Owour Mr. James Njue Mr. Patrick Nyaga Mr. Michael Wambia	The Human Resource Committee comprised of five (5) members. The members during the reporting period were: Mr. Michael Wambia (Chair) Mr. Gordon Owour Mr. James Njue Mr. Patrick Nyaga Dr. Nelson Kuria	The Committee is comprised of four (4) members, two (2) of whom are independent non-executive directors. The members during the reporting period were: Mr. Julius Mwatu (Chair) Dr. Rogers Kinoti Mr. Peter Nyigei Mr. Johnson Kegohi	The Committee comprised of five (5) members. The Members during the reporting period were: Mrs. Rosemary Githaiga (Chair) Mr. Cornelius Ashira Mr. Edwin Otieno Mr. Abel Amuyunzu Mr. Patrick Nyaga Dr. Rogers Kinoti
Meetings	The Committee meets at least 4 times in a year. During the period under consideration the committee met four (4) times.	The Committee meets at least 4 times in a year. During the period under consideration the committee met three (3) times	The Committee meets at least 4 times in a year. During the period under consideration the committee met five (5) times.	The Committee meets at least 4 times in a year. During the period under consideration the committee met four (4) times.

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

KEY ACTIVITIES OF THE AUDIT AND RISK COMMITTEE

- Reviewed the half-year results and audited accounts and related reports
- Reviewed the dividend recommendation
- Reviewed the external auditors' management letter
- Reviewed the Internal Audit plan for the year ending 31 December 2022
- Reviewed the Internal Audit Reports every quarter

ATTENDANCE OF BOARD AND COMMITTEE MEETINGS

The table below shows attendances at Board and Committee meetings by directors in the year ended 31 December 2022. In addition to the usual meetings of the Board and its standing committees, additional meetings of the Board and the Committees are convened as necessary to consider such urgent matters. Senior employees only attend Committee or Board meetings by invitation.

Directors	Board Meeting		Audit& Risk Committee Meeting		Finance & Investment Committee Meetings		Governance & Nomination Committee Meetings		HR Committee Meetings	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Dr. Nelson Kuria	5	4	*	*	*	*	4	4	3	3
James Njue	5	4	*	*	*	*	4	4	3	3
Peter Nyigei	5	4	5	5	*	*	*	*	*	*
Gordon Owuor	5	4	*	*	*	*	4	4	3	3
Michael Wambia	5	4	*	*	*	*	*	*	3	3
Rosemary Githaiga	5	4	*	*	4	4	*	*	*	*
Julius Mwatu	5	4	5	5	*	*	*	*	*	*
Patrick Nyaga	5	4	*	*	4	4	4	4	3	3
Rogers Kinoti ***	5	3	5	3	4	2	4	3	3	2
Sharon Kisire	2	1	*	*	*	*	*	*	*	*
Johnson Kegohi	*	*	5	5	*	*	*	*	*	*
Cornelius Ashira	*	*	*	*	4	4	*	*	*	*
Abel Amuyunzu	*	*	*	*	4	4	*	*	*	*
Edwin Otieno	*	*	*	*	4	4	*	*	*	*
Judith Oluoch**	*	*	5	1	*	*	*	*	*	*

Notes:
1. (a) Number of meetings convened during year when the director was a member.
2. (b) Number of Meetings attended by the Director during the year.
3. * Not a Member
4. ** Retired during the period under consideration
5. *** During the financial period there was a reorganization of the board committees. Rogers Kinoti retired from Human Resources and Governance and Nomination committees and appointed to Finance and Investments and Audit and Risk Committees in July 2022.

SECRETARY TO THE BOARD

The Company Secretary of the Board is also the Legal Advisor of the Company. She is a Certified Public Secretary and licensed legal practitioner by the Law Society of Kenya. She has been the Secretary of the Board since 2012. The Company secretary is a member in good standing with the Institute of Certified Secretaries (ICS).

The Company Secretary provides a central source of guidance and advice to the Board on matters of

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

SECRETARY TO THE BOARD *(Continued)*

ethics, statutory compliance, compliance with the regulators and good governance. The Secretary of the Board maintains all minutes of Board meetings and the reports submitted and presented to the Board. The Secretary ensures the delivery and distribution of information relating to the Group as requested by members of the Board. The Secretary arranges to provide clarifications to all queries raised by the members and provides advice to them as required. She coordinates between the Board and other stakeholders, including the shareholder, management, and staff.

SHAREHOLDER RELATIONS

We believe that good corporate governance is critical, not only at the corporate level but also at the national level. We require our partners to adhere to the highest level of integrity and business ethics in their dealings with us or with others. In the financial year under review, we continued to achieve high levels of corporate governance by focusing on the following areas:

a. Strong internationally recognized accounting principles
b. Focus on clearly defined Board and management duties and responsibilities
c. Focusing on compliance with relevant laws and upholding the highest levels of integrity in the Group's culture and practice
d. Continuing to implement our strategy for the long-term prosperity of the business
e. Timely and relevant disclosures and financial reporting to our shareholders and other stakeholders for a clear understanding of our business operations and performance
f. Ensuring execution of strong audit procedures and audit independence

The Group is committed to open, clear, and timely communications with its shareholders. The Group has a Shareholder Communications Policy and investor relations program in place that encompasses the Group's commitment to providing transparent two-way communications with all shareholders through several channels.

These include:
a. the Group's website at www.cic.co.ke;
b. the Group's AGM;
c. the Group's Annual Report, which is available in hard copy and on the Group's website;
d. Continuous disclosure reporting to the Capital Markets Authority in line with the Capital Markets Disclosure requirements;
e. The Group holds press briefings to provide both institutional and corporate investors with an accurate account of the Group financial state of affairs upon which they can make an informed buy or sell decision;
f. The Group has established a fully-fledged Customer Service Department to respond to inquiries from shareholders and other stakeholders in relation to the Group, provided the information requested is already publicly available or mot price sensitive Further the Group has, as a matter of policy, entrenched in its employees a culture of treating customers and other stakeholders fairly.

The Group values effective two-way communication with shareholders and recognizes that it is important not only to provide relevant information as quickly and efficiently as possible, but to listen, understand and respond to the perspectives of those shareholders. To promote this two-way dialogue, shareholders are encouraged to attend and ask questions at the AGM. For those shareholders who are unable to attend in person, they may nominate proxies to attend on their behalf.

The 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 Group seeks to provide shareholders with information that is timely, of high quality and relevant to their investment, and to listen and respond to shareholder feedback.

ACCOUNTABILITY, RISK MANAGEMENT, AND INTERNAL CONTROL

The Group recognizes that risk management is an important process as it empowers the Group with the necessary tools to adequately identify and deal with potential risks.

The Group has a Corporate Risk Management Policy and an Enterprise Risk Management framework which incorporate applicable principles and guidelines of the

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

ACCOUNTABILITY, RISK MANAGEMENT, AND INTERNAL CONTROL *(Continued)*

International Standard Risk Management. The Policy sets out the framework for risk management and compliance and at the Group.

The threshold of the Group's ultimate risk appetite is set by the Board through its Audit and Risk Committee and the Board, on a quarterly basis or on such routine manner it may deem necessary, monitors managements' adherence to the set risk management policy including implementation and establishment of internal controls to identify, assess and manage risks.

The Group has processes to systematically identify, assess and report on both financial and non-financial material business risks. Management routinely appraises that Board on the effectiveness of the Group's management of its material business risk and internal controls. With the support of the Audit, Risk and Compliance Committee, the Board carries out a regular review of the effectiveness of its risk management framework and internal control systems, covering all material controls including financial, operational and compliance controls.

INTEGRITY OF REPORTING

The Board and management have established controls that are designed to safeguard the Group's interests and the integrity of its reporting. These include accounting, financial reporting, sustainability and other internal control policies and procedures which are directed at monitoring whether the Group complies with regulatory requirements and standards.

In accordance with the sound accounting practices, the Board ensures that Group's financial statement for a relevant period, are a true and fair reflection of the Group's financial position by making inquiries and seeking the assurances from the Group CEO and the CFO that:

a. the financial records of the Group have been properly maintained;
b. the financial statements of the Group comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group; and
c. that the opinion has been formed based on a sound system of risk management and internal control that is operating effectively.

The Board also gets reasonable assurance from the external auditor whether the Groups financial statements are free from material misstatements every financial year.

The Group currently engages PricewaterhouseCoopers (PwC) as its independent external auditor. PwC attends the Group's AGM and is available to answer questions from shareholders relevant to their audit of the Group. The Audit and Risk Committee is responsible for overseeing the audit process on behalf of the Board.

RISK IDENTIFICATION AND MANAGEMENT

The Board has established policies for the oversight and management of material business risks and internal controls. The Audit and Risk Committee oversees the policies, internal controls, and procedures that the Group uses to identify business risks, manage those risks and enable compliance with relevant regulatory requirements. The design and implementation of the risk management and internal control systems to manage the Group's material business risks is the responsibility of management.

The risk management framework includes mechanisms for identifying and estimating risks, defining the corporate structure and areas of responsibility for managing risk as well as putting in place adequate control and reporting mechanisms. The Group continually upgrades its risk management infrastructure and analyzes the risk outlook, to enable informed decision-making.

The Board has adopted the following key elements for the oversight and management of material business risks:-

i. The Audit and Risk Committee reviews the Group's risk management policy and framework on an annual basis to seek to ensure that it remains sound. Such a review took place in the 2022 financial year.
ii. The Group's risk register, containing material financial and non-financial risks, is systematically and formally reviewed by the Board and/or the Audit and Risk Committee, the Group's Management, and risk champions of each the key business and functional units within the Group on (at least) an annual basis.
iii. Each of the key identified risks are then systematically reviewed by the management

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

RISK IDENTIFICATION AND MANAGEMENT
(Continued)

during the year to seek to ensure controls remain sound and improvement actions are progressed. The results of these risk reviews are then reported to the Board or to the Audit & Risk Committee.

iv. Formal risk reporting is then provided to the Board on an ongoing basis.
v. Risk assessments are also performed for individual material projects, capital expenditure, products and country risks as required.

An in-depth analysis of the Group's Risk Management Framework is provided for in the risk management report in the integrated financial report.

INTERNAL AUDIT

The Group's Internal Audit function comprises a Group Chief Internal Auditor who functionally reports to the Group Board of Directors. The role that the Internal Audit function performs is to bring a systematic and disciplined approach to managing risk. This includes reviewing and recommending improvements to controls, processes and procedures used by the Group across its corporate and business activities.

The objective of the Internal Audit is to provide assurance and to support management in development of operational efficiency and effectiveness in risk management, control, and governance processes. While majority of Internal Audit work is conducted in-house, outsourcing is used for certain engagements needing specialized knowledge or resources.

Internal Audit is functionally independent from the operational management. The Internal Audit Charter is approved by the Board of Directors. The Audit & Risk Committee approves the annual Internal Audit Plan and any material changes to it. Results of audits are reported to the Audit & Risk Committee at least quarterly.

EXTERNAL AUDITOR

Messrs. PricewaterhouseCoopers LLP (PwC) are the Group's external auditor having been appointed by the shareholders in 2020. The Audit, Risk and Compliance Committee considers that its relationship with the auditor worked well during the period and was satisfied with their effectiveness.

LEGAL AND COMPLIANCE AUDIT

Legal and compliance audit is undertaken in compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015. The internal legal and compliance audit was carried out for the year under review with the objective of ascertaining the level of adherence to applicable laws, regulations, and standards. The findings from the audit confirmed that the Group was generally in compliance with the applicable laws and regulations. Implementation of the recommendations from the external legal and compliance audit conducted in 2022 are ongoing.

CODE OF CONDUCT

The Group's Code of Ethics and Conduct continues to be in place and is geared towards inculcating a culture of professionalism and integrity, in line with our Vision and Mission Statements.

The Board has implemented a Code of Ethics and Conduct which binds Directors and Employees and is subscribed to by all members of the Group. Initiatives to ensure its application include training, monitoring, mechanisms for whistle blowing, taking disciplinary action, etc.

The Code has been integrated into the Group's operations through the development of various policies and reporting mechanisms. Group directors and employees are expected to act with honesty, integrity and fairness in all their dealings with one another and with stakeholders. When joining the Group, every employee is provided with a copy of the Code and must commit to abide by its requirements as part of the employment contract with the Group.

CONFLICT OF INTEREST

All Directors of the Group must avoid any situation which might give rise to a conflict between their personal interest and that of the Group. The Directors are each responsible to notify the Chairman and the Company Secretary of any actual or potential conflict of interest situations as soon as they arise.

The Board has formal procedures for managing conflicts of interest in accordance with the Companies Act 2015. Directors are required to declare a conflict of interest or a material personal interest in any matter concerning the Group immediately for the Board to review. Declaration of conflicts of interest is also a

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

CONFLICT OF INTEREST *(Continued)*

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.

REGULATORY COMPLIANCE

The CIC Insurance Group plc continues to keep abreast with the constantly changing regulatory environment. Local and regional regulations and guidelines with significant impact are monitored, and guidance issued to business on interpretation and of the congruence of the organization's strategic objectives in line with its environmental adaptation of the business plans that it develops to achieve these objectives, resource allocation, and quality of implementation within the framework of applicable laws and regulations.

INSIDER TRADING RESTRICTION

In line with the approved CIC Insurance Group Plc's Insider Trading Policy, the Group has closed periods each quarter prior to the release of the Group's financials during which all related persons, Directors, employees and contractors (and their associates) must not trade in CIC Insurance Group Plc. Securities. Directors, employees and contractors (and their associates) are also prohibited from passing on inside information to others who may use the inside information to trade in the Group's securities.

CORPORATE SUSTAINABILITY

The Board and management are committed to ensuring that the Group's operations reflect sustainable business practices. The Group has put in place a culture of 'living the Group values' to its staff and in all aspects of its business operations. It conducts business according to the highest ethical and legal standards and employees are expected to basic ethical principles.

The Group, in its quest to maintain to uphold its status as the ultimate provider of insurance and other financial solution, constantly re-engineers its business process to align with the dynamic macro and micro economic environment. Further, the Group is leveraging on technology to bolster its operations and products distribution to keep pace with its competitors in this day and age of the digital economy. This presents enormous opportunities for increased retail business, improved customer experience and prudent cost management.

BOARD REMUNERATION

The Governance and Nomination Committee of the Board is responsible for setting and administering the non-executive Directors remuneration policy. The remuneration policy of the Group is an integral part of the governance and incentive structure overseen by the Board. The aim is to enhance performance, encourage acceptable risk-taking behaviour and reinforce the Group's risk culture. It is the Group's policy to fairly remunerate Directors for the role and responsibilities that they undertake for the Group. The remuneration is determined by the holding Group based on parameters such as performance targets, Group's profitability, and return on equity as well as reference to market average rate.

The Board Remuneration is subject to approval by the shareholders at the Annual General Meeting. The Director's Remuneration Report sets out the policy that the Group has applied to remunerate Directors.

CONTINUOUS DISCLOSURE

The Board in its mandate to promote timely and balanced disclosure of all material information concerning the Group has established a Continuous Disclosure Policy. The Group's Management has the discretion to determine what matter are potentially material and price sensitive and to determine whether those matters are required to be disclosed to the market.

The key overriding objectives of this policy are:

- All Group personnel are aware of the Group's obligations
- Accountability for timely disclosure of material information
- Shareholders and the market are kept informed of price sensitive information affecting the Group.

BOARD EVALUATION

The Board understands the importance of board performance and effectiveness in achieving the overall objectives and goals of the Group. The Board therefore reviews its performance and that of the Board committees and individual directors, the

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

BOARD EVALUATION *(Continued)*

chairman, the Group Chief Executive Officer and the Company Secretary every year.

A detailed Board evaluation questionnaire examines the balance of the skills of the directors, the operation of the Board in practice, including governance issues, and the content of the Board meetings. Feedback from the process is used to identify opportunities to improve the performance of the Board and the Directors. The questionnaire also includes a series of questions for each Director to assess their own performance and the performance of each other individual Director to identify development opportunities.

The feedback is also used explain why a re-appointment may or may not be appropriate while providing a forum through which directors can consider the ways in which the board contributes to the overall goals and strategy of the organization.

For 2021 financial year, an extensive board evaluation was undertaken by an independent consultant – the Leadership Group, as the consultants facilitated the Board Evaluation, Committees Evaluation, Group Chief Executive Officer Evaluation, peer to peer evaluation and evaluation of the Company Secretary. The recommendations therein were well implemented during the year 2022.

The assessments demonstrated that the Board and its committees, and executive management are effective in achieving business objectives.

Board evaluation for 2022 is underway and the outcome will be presented to the board in the first quarter meetings.

GOVERNANCE POLICIES IN PLACE AT THE GROUP

The Group has, as a matter of good practice, formulated and put in place a Board Charter and relevant policies to ensure that the Group is run on a sustainable business model that will ultimately yield valuable return to the shareholders and other stakeholders. Such policies formulated by the Board include:

- Code of Professional Conduct and Ethics for Members of the Board
- Trading Policy
- Continuous Disclosure Policy
- Communications Policy
- Risk Management Policy
- Diversity Policy
- Stakeholders Management and Tracking Policy
- Procurement Policy
- Dispute Resolution Policy

COMMUNICATION WITH STAKEHOLDERS

The Board aims to ensure that all stakeholders are informed of all material information relating to the Group by communicating to stakeholders through:

- Continuous disclosure reporting to the Capital Markets Authority in line with the Capital Markets Disclosure requirements;
- Its annual reports;
- Media releases and other investor relations publications on the Group's website; and
- Annual General Meetings.

The Board is keen on not only the importance of providing information but also of enabling two-way communication between the Group and its shareholders through the holding of the Annual General Meetings.

Shareholders are given an opportunity to participate at the meeting and those who cannot make it to the meeting are allowed to attend through proxies.

Further, the Group's external auditor attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and preparation and content of the auditor's report.

Annual General Meetings

The CIC Insurance Group plc recognizes the importance of shareholder participation in meetings. Shareholders are strongly encouraged to attend and participate in the AGM. The AGM provides an opportunity for shareholders to engage with the Group at a personal level. The board has always placed considerable importance on effective communication with its shareholders. It ensures that the rights of shareholders are always protected. Notice of meetings and all statutory notices and information are communicated to shareholders on time. 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.

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

Investor Briefings

The Group holds press briefings to provide both institutional and corporate investors with an accurate account of the Group financial state of affairs upon which they can make an informed buy or sell decision.

Customer service

The Group has established a fully-fledged Customer Service Department to respond to inquiries from shareholders and other stakeholders in relation to the Group, provided the information requested is already publicly available or not price sensitive Further the Group has, as a matter of policy, entrenched in its employees a culture of treating customers and other stakeholders fairly.

Information Technology

CIC Group's ICT infrastructure and information systems are a crucial aspect of its business operations providing technology platforms that ensure exceptional service delivery and customer experience. The Group's technologies, communication infrastructure and corporate data are governed by an ICT Policy comprising of standards that adhere to global best practices as well as local regulatory requirements.

These standards ensure all technology acquisitions are cost effective; the implemented systems are reliable, robust and scalable and that the infrastructure investments are secured from system failure, cyber threats and other technology risks. In the event of a major disaster, business continuity is assured through the availability of a Tier 1 disaster recovery site that provides standby mission-critical systems and backup data at a dedicated, remote and secure location outside the central business district.
CIC Group is committed to meeting the present and future customer needs with the use of digital technologies such as mobile applications, interactive web portals, social media, cloud and other ICT advancements. Our continued Investment in these areas provides all our customers, partners and stakeholders with secure access to our insurance and asset management products and services.

Procurement policies

Group has established procurement policy whose primary objective is to ensure that best total value is achieved when procuring goods, services and works while simultaneously ensuring it supports the Group procurement plan.

The policy promotes a fair and transparent procurement process, with emphasis on value for many and building mutually beneficial relationships with our suppliers. A Management Tender Committee oversees the award of tenders and there is appropriate risk assurance for procurement activities. The procurement policy is reviewed annually to ensure it is synchronized and benchmarked with emerging best practice in procurement and to address any emerging issues that may arise during implementation.

Whistle Blower Policy

CIC has a well-established policy that provides a platform for stakeholders to raise concern regarding any suspected wrongdoing. The whistle blowing platform is managed by on independent ombudsman to ensure anonymity. Through the hotline, anonymous reports on unethical/fraudulent behaviour can be made without fear of retaliation from the suspected individuals.

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED TOP TEN SHAREHOLDERS OF THE CIC INSURANCE GROUP PLC AS AT 31 DECEMBER 2022

			Year 2022	% Ownership	Year 2021	% Ownership	
	Account ID	Shareholder name	Shareholding		Shareholding		Category
1	100197319	Co-operative Insurance Society Limited - Immediate Parent	1,943,441,304	74.3%	1,943,441,304	74.3%	LC*
2	100101473	Gideon Maina Muriuki	137,865,204	5.3%	137,865,204	5.3%	LI**
3	100318324	Weda Welton	24,553,000	0.9%	24,553,000	0.9%	LI
4	100099345	Standard Chartered Nominees Non- Resident Ac 9011	24,422,040	0.9%	24,422,040	0.9%	FC***
5	100182627	Nelson Chege	15,730,200	0.6%	15,390,200	0.6%	LI
6	10003482	Nic Custodial Services A/C 077	15,481,560	0.6%	15,481,560	0.6%	LC
7	100072253	Patrick Njogu Kariuki	13,629,129	0.5%	13,629,129	0.5%	LI
8	100104921	Patrick Nyaga	12,897,400	0.5%	12,176,400	0.5%	LI
9	100446746	Mr Patel, Baloobhai; Patel, Amarjeet Baloobhai Patel	11,700,000	0.5%	11,700,000	0.5%	LI
10	100071305	John Njuguna Ngugi	11,332,100	0.4%	11,332,100	0.4%	LI

*LC – Local Company
**LI – Local Individual
***FC– Foreign Company

TOP TEN INDIVIDUAL SHAREHOLDERS OF THE CIC INSURANCE GROUP PLC AS AT 31 DECEMBER 2022

	Shareholder Name	2022 Shareholding	2022 % Ownership	2021 Shareholding	2021 % Ownership	Category
1	Gideon Maina Muriuki	137,865,204	5.3%	137,865,204	5.3%	LI
2	Welton Weda	24,553,000	0.9%	24,553,000	0.9%	LI
3	Nelson Chege Kuria	15,730,200	0.6%	15,390,200	0.6%	LI
4	Patrick Njogu Kariuki	13,629,129	0.5%	13,629,129	0.5%	LI
5	Patrick Nyaga	12,897,400	0.5%	12,176,400	0.5%	LI
6	Amarjeet Baloobha Patel; Baloobhai Chhotabhai Patel	11,700,000	0.5%	11,700,000	0.5%	LI
7	John Njuguna Ngugi	11,332,100	0.4%	11,332,100	0.4%	LI
8	Charles Ndonga Muchiri	6,953,648	0.3%	6,953,648	0.3%	LI
9	Nancy Wangari Ndungu	5,815,000	0.2%	5,815,000	0.2%	LI
10	Julius Micheuh Riungu	5,241,600	0.2%	5,241,600	0.2%	LI
	Total	**245,717,281**	**9.4%**	**244,656,281**	**9.4%**	

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

THE CIC INSURANCE GROUP PLC DIRECTORS' SHAREHOLDING AS AT 31 DECEMBER 2022

		2022	2021
	NAME	NO. OF SHARES	NO. OF SHARES
1	Nelson Kuria	15,730,200	15,390,200
2	Nyaga Patrick	12,897,400	12,176,400
3	Rosemary Githaiga	2,589,600	2,589,600
4	Gordon Owuor	264,000	264,000
5	Rogers Kinoti	52,320	52,320
6	James Njiru	48,000	48,000
7	Michael O. Wambia	36,000	36,000
8	Peter K. Nyigei	12,000	12,000
9	Julius Mwatu	-	-
10	Sharon Kisire	-	-
	TOTAL	**31,629,520**	**30,568,520**

THE CIC INSURANCE GROUP SHAREHOLDER DISTRIBUTION AS AT 31 DECEMBER 2022

SHAREHOLDING	NO OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
1-500	5,867	1,220,996	0.05
501-5,000	6,629	13,163,175	0.50
5,001-10,000	1,501	11,403,194	0.44
10,001-100,000	4,225	117,791,771	4.50
100,001-1,000,000	540	135,139,390	5.17
Above 1,000,000	58	2,336,820,002	89.34
TOTALS	**18,820**	**2,615,538,528**	**100**

THE CIC INSURANCE GROUP SHAREHOLDER DISTRIBUTION AS AT 31 DECEMBER 2021

SHAREHOLDING	NO OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
1-500	5,659	1,183,094	0.05
501-5,000	6,563	13,124,105	0.50
5001-10000	1,525	11,544,426	0.44
10,001-100,000	4,281	119,470,798	4.57
100,001-1,000,000	515	127,920,273	4.89
Above 1,000,000	61	2,342,295,832	89.55
TOTALS	**18,604**	**2,615,538,528**	**100.00**

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

CATEGORY SUMMARY OF SHAREHOLDERS AS AT 31 DECEMBER 2022

SHAREHOLDING	NO OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
FOREIGN COMPANIES	2	24,482,040	0.94
FOREIGN INDIVIDUALS	72	2,958,144	0.11
LOCAL COMPANIES	618	2,001,825,394	76.54
LOCAL INDIVIDUAL	18,128	586,272,950	22.41
TOTALS	**18,820**	**2,615,538,528**	**100.00**

CATEGORY SUMMARY OF SHAREHOLDERS AS AT 31 DECEMBER 2021

SHAREHOLDING	NO OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
FOREIGN COMPANIES	2	24,482,040	0.94
FOREIGN INDIVIDUALS	101	2,694,544	0.10
LOCAL COMPANIES	620	2,005,306,449	76.67
LOCAL INDIVIDUAL	17,881	583,055,495	22.29
TOTALS	**18,604**	**2,615,538,528**	**100.00**

The Group communicates open and closed periods for trading in its shares to its employees and directors on an annual basis.

Approved by the board of directors on 21 March 2023 and signed on its behalf by:

Nelson Kuria
Chairman

Patrick Nyaga
Group Chief Executive Officer

Julius Mwatu
Director

THE CIC INSURANCE GROUP PLC AND ITS SUBSIDIARIES
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2022

The Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of its financial performance for the year then ended. The directors are responsible for ensuring that the Group and its subsidiaries keep proper accounting records that are sufficient to show and explain the transactions of the Group; disclose with reasonable accuracy at any time the financial position of the Group; and that enables them to prepare financial statements of the Group 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

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

Having assessed the Group's and Company's abilities to continue as going concerns, 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 abilities to continue as going concerns.

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 21 March 2023 and signed on its behalf by:

Nelson Kuria **Chairman**	**Patrick Nyaga** **Group Chief Executive Officer**	**Julius Mwatu** **Director**

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF THE CIC INSURANCE GROUP PLC

Report on audit of the financial statements

Our opinion

We have audited the accompanying financial statements of The CIC Insurance Group Plc (the Company) and its subsidiaries (together, the Group) set out on pages 86 to 223, which comprise the consolidated statement of financial position at 31 December 2022 and the consolidated statement of profit or loss and other 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 2022, 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, which include significant 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 2022 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the 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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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF THE CIC INSURANCE GROUP PLC *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities As described in the accounting policies and notes 2, 46, 49 and 56 of the financial statements, the Group's insurance contract liabilities comprise long-term policyholder liabilities, outstanding claims and incurred but not reported reserves (IBNR). Valuation of these liabilities is an area of focus because it involves significant judgement in estimating the expected future outflows. Specifically, the actuarial assumptions and methodologies involve judgement about future events. The valuation results are also dependent on the quality, integrity and accuracy of the data used. For the long-term policyholder liabilities, both economic and non -economic assumptions are made. Economic assumptions such as discount rates, investment returns and inflation rates are benchmarked to available market information. Non-economic assumptions such as mortality rates, future expenses, investment returns, discount rates and lapse rates, are projected based on experience. For general insurance, the key assumptions employed in the reserving calculations include loss ratios and estimates of the frequency and severity of claims. Claims incurred but not reported (IBNR) are determined by projecting ultimate claim losses based on current loss rates or claim experience. Additional qualitative judgement is applied in assessing the extent to which past trends may or may not recur in the future. A margin for adverse deviation is included in the liability valuation. However, changes in the assumptions and methodology can result in a material impact to the valuation of insurance contract liabilities.	Evaluated and tested controls around claims handling, settling and reserving. Tested the reasonableness of claims outstanding balances by comparing the recorded amounts to the latest available information on source documents; Tested the reasonableness of the methodology and assumptions used by the external actuaries and management in estimation of reserves as at 31 December 2022, and performed reprojections for a sample of reserves to validate estimates; Performed sensitivity analysis of the insurance contract liabilities based on the significant assumptions; Performed reconciliations between the claims data used for the audit and that used by the appointed actuaries to calculate reserves; Compared the data used in the valuation to the existing policyholder data; Checked the consistency of the reserving methods year on year; and Assessed the adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF THE CIC INSURANCE GROUP PLC *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of receivables arising out of direct insurance arrangements and reinsurance arrangements	
As described in the accounting policies and note 28 of the financial statements, at 31 December 2022, the Group had gross insurance receivables amounting to KShs 2.4 billion and gross reinsurance receivables arrangements of KShs. 2.0 billion. The valuation of insurance and reinsurance receivables is a key audit matter because the assessment of the recoverability of the receivables involves significant judgement given uncertainty in estimating the expected future cash inflows. Specifically, the determination of loss rate applied on the gross receivables involves significant judgement about future events and the assumption that future collections of receivables will follow a similar pattern to past collections experience.	Tested, on a sample basis, the existence and completeness of receivable balances by obtaining independent confirmations of the balances; Tested the appropriateness of ageing of receivable balances by comparing recorded amounts and dates to the source documents; Evaluated the methodology applied by management in estimating the impairment losses for insurance and reinsurance receivables; Assessed the reasonableness of the loss allowance applied to insurance and reinsurance receivables; Evaluated evidence supporting the expectations of cash flows that were applied in the impairment provision computations; Tested mathematical accuracy of the impairment provisions computation; and Assessed the adequacy of the disclosures in the financial statements.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF THE CIC INSURANCE GROUP PLC *(continued)*

Other information

The other information comprises corporate information, report of the directors, directors' remuneration report, corporate governance report, statement of directors' responsibilities and supplementary information which we obtained prior to the date of this auditor's report and the rest of the other information in the Integrated Report which is 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 Integrated Report 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 International Financial Reporting 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.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF THE CIC INSURANCE GROUP PLC *(continued)*

Auditor's responsibilities for the audit of the financial statements *(continued)*

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.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF THE CIC INSURANCE GROUP PLC *(continued)*

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 53 to 55 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on page 56 to 58 has been properly prepared in accordance with the Companies Act, 2015.

Richard Njoroge

FCPA Richard Njoroge, Practicing certificate Number 1244
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

21 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

		Group	
	Notes	2022 KShs'000	2021 KShs'000
Gross written premiums	3(a)	23,679,562	19,689,202
Gross earned premiums	3(b)	22,685,957	19,535,577
Less: Reinsurance premiums ceded	3(c)	(5,216,665)	(4,832,849)
Net earned premiums		17,469,292	14,702,728
Fees and commission income	4(a)	2,387,467	2,137,010
Interest revenue calculated using the effective interest method	5(i)	1,850,882	1,472,883
Other investment income	5(ii)	204,355	193,524
Other gains	6	422,709	263,652
Foreign exchange gain		174,165	398,308
Other income		5,039,578	4,465,377
Total income		22,508,870	19,168,105
Net claims and policyholders benefits payable	7	(11,666,684)	(10,528,550)
Commission expense	4(b)	(2,865,424)	(2,480,013)
Operating and other expenses	8(a)		(4,742,963)
Allowance for expected credit losses	8(d)	(5,532,681)	(40,089)
Gain on monetary position	9	8,828	14,297
		12,895	
Total benefits and other expenses			(17,777,318)
		(20,043,066)	
Operating profit			1,390,787
		2,465,804	
Finance cost	10	(440,305)	(431,075)
Share of profit of associate company	18	4,670	-
Profit before income tax		2,030,169	959,712
Income tax expense	11	(936,784)	(291,275)
Profit for the year		1,093,385	668,437
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Fair value (loss) / gain on equity instruments at fair value through other comprehensive income	24	(426)	639
Gain on revaluation of building	13	100,028	3,242
Total items that will not be subsequently reclassified to profit or loss		99,602	3,881
Items that may be reclassified subsequently to profit or loss			
Foreign exchange currency translation differences		(234,224)	(116,057)
Fair value loss on debt instruments at fair value through OCI	b23	(442,397)	(236,752)
Deferred tax	17(a)	66,547	36,153
Total items that may be subsequently reclassified to profit or loss		(610,074)	(316,656)
Total other comprehensive loss for the year (net of tax)		(510,472)	(312,775)
Total comprehensive income for the year		582,913	355,662
Basic and diluted earnings per share (Kshs)	12	0.40	0.23

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 KShs'000	2021 KShs'000
PROFIT FOR THE YEAR ATTRIBUTABLE TO:		
ORDINARY EQUITY HOLDERS OF THE PARENT	1,057,933	589,380
NON - CONTROLLING INTERESTS	35,452	79,057
	1,093,385	668,437
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:		
ORDINARY EQUITY HOLDERS OF THE PARENT	581,888	310,244
NON-CONTROLLING INTERESTS	1,025	45,418
	582,913	355,662

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	2022 KShs'000	2021 KShs'000
ASSETS			
Property and equipment	13 (a)	987,924	923,753
Right of use-asset	14 (a)	209,218	145,754
Investment properties	15 (a)	7,761,640	7,477,939
Intangible assets	16 (a)	284,977	313,725
Deferred income tax	17 (a)	1,155,450	1,206,098
Investment in associate	18	108,694	104,024
Financial assets at amortised cost- Corporate bonds	20	97,031	65,692
Financial assets at amortised cost -Government securities	21	2,870,677	2,102,194
Financial assets at amortised cost -Loans receivable	22	737,658	675,476
Financial assets at fair value through other comprehensive income - Government securities	23 (a)	16,797,543	11,329,991
Financial assets at fair value through other comprehensive income - Unquoted equity instruments	24	21,647	15,763
Financial assets at fair value through profit or loss - Quoted equity instruments	25	1,060,004	1,218,065
Financial assets at amortised cost - Deposits and commercial paper	26 (a)	10,103	15,000
Investments in collective investment schemes at fair value through profit or loss	26 (b)	1,210,502	1,738,872
Receivables arising out of direct insurance arrangements	28 (a)	1,907,121	1,293,766
Receivables arising out of reinsurance arrangements	28 (b)	1,029,281	2,259,252
Reinsurers share of liabilities and reserves	29	2,822,503	2,735,267
Deferred acquisition costs	27	672,176	557,425
Current income tax	11(b)	2,000	46,655
Other receivables	30 (a)	466,631	467,582
Due from related parties	31	167,502	120,473
Deposits with financial institutions	32 (a)	5,908,104	6,506,081
Cash and cash equivalents	52	416,570	221,989
Total assets		46,704,956	41,540,836
EQUITY AND LIABILITIES			
Share capital	33	2,615,578	2,615,578
Share premium	34	162,179	162,179
Statutory reserve	35	1,441,433	1,128,818
Contingency reserve	36	110,828	83,604
Revaluation surplus	37	295,064	195,036
Foreign currency translation reserve	38	(556,566)	(356,769)
Fair value reserve	39	(641,688)	(265,412)
Retained earnings	40	5,125,027	4,406,933
Equity attributable the owners of the parent		8,551,855	7,969,967
Non-controlling interest	41	15,189	14,164
Total equity		8,567,044	7,984,131
LIABILITIES			
Deferred income tax	17	674,381	485,042
Non-life insurance contract liabilities	49	6,653,199	5,828,063
Deposits administration contracts	45	7,587,917	6,406,695
Long-term insurance contract liabilities	46	9,853,791	9,056,418
Unit linked contracts	47	578,422	546,552
Provisions for unearned premiums reserve and unexpired risks	48	5,468,949	4,489,335
Lease liability	14 (a)	263,183	167,025
Payables arising from reinsurance arrangements and insurance bodies	28 (c)	842,098	563,314
Borrowings	42	4,571,600	4,363,600
Other payables	43 (a)	1,538,795	1,435,566
Current income tax	11 (b)	105,577	215,095
Total liabilities		38,137,912	33,556,705
Total equity and liabilities		46,704,956	41,540,836

The financial statements were approved by the Board of Directors on 21 March 2023 and signed on its behalf by:

Nelson Kuria
Chairman

Patrick Nyaga
Chief Executive Officer

Julius Mwatu
Director

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Company 2022 KShs'000	2021 KShs'000
Interest revenue calculated using the effective interest method	5(b)(i)	10,964	42,001
Other investment income	5(b) (ii)	340,000	1,122,131
Other gains	6	273,800	3,686
Total income		624,764	1,167,818
Operating and other expenses	8(c)	(200,799)	(127,348)
Allowance for expected credit losses	8(d)	(628)	(233)
Operating costs		(201,427)	(127,581)
Operating profit		423,337	1,040,237
Finance cost	10(b)	(439,165)	(459,997)
Share of profit of associate company	18	4,670	-
(Loss)/profit before income tax		(11,158)	580,240
Income tax (expense)/credit	11	(24,159)	65,915
(Loss)/profit for the year		(35,317)	646,155
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(35,317)	646,155

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	2022 KShs'000	2021 KShs'000
ASSETS			
Property and equipment	13 (b)	54,272	24,954
Investment properties	15(b)	4,046,000	3,800,000
Intangible assets	16 (b)	96,552	99,615
Deferred income tax	17 (b)	618,307	642,466
Investment in associate	18	108,694	104,024
Investment in subsidiaries	19	4,178,410	3,682,878
Financial assets at amortised cost -Loans receivable	22	12,381	11,603
Investments in collective investment schemes through profit or loss	26(c)	37,255	10,838
Current income tax	11 (b)	2,000	2,000
Other receivables	30 (b)	38,023	59,622
Due from related parties	31	332,758	242,157
Related party loan	31	4,500	531,943
Deposits with financial institutions	32 (b)	94,576	80,338
Cash and cash equivalents	52	42,452	-
Total assets		9,666,180	9,292,438
EQUITY AND LIABILITIES			
Equity			
Share capital	33	2,615,578	2,615,578
Share premium	34	162,179	162,179
Retained earnings	40	1,405,881	1,441,198
Total equity		4,183,638	4,218,955
LIABILITIES			
Bank overdraft	52	-	25,028
Due to related parties	31	566,070	447,875
Related party loan	31	238,016	206,851
Borrowings	42	4,571,600	4,363,600
Other payables	43 (b)	106,856	30,129
Total liabilities		5,482,542	5,073,483
Total equity and liabilities		9,666,180	9,292,438

The financial statements were approved by the Board of Directors on 21 March 2023 and signed on its behalf by:

Nelson Kuria
Chairman

Patrick Nyaga
Chief Executive Officer

Julius Mwatu
Director

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

	Share Capital KShs'000 (Note 33)	Share Premium KShs'000 (Note 34)	Statutory Fund KShs'000 (Note 35)	Revaluation surplus KShs'000 (Note 37)	Contingency reserve KShs'000 (Note 36)	Foreign Currency Translation Reserve Ksh'000 (Note 38)	Fair value reserve KShs'000 (Note 39)	Retained earnings KShs'000 (Note 40)	Due to equity holders of the parent KShs'000	Non-controlling interests KShs'000 (Note 41)	Total KShs'000
At 1 January 2022	2,615,578	162,179	1,128,818	195,036	83,604	(356,769)	(265,412)	4,406,933	7,969,967	14,164	7,984,131
Transfer from statutory reserve	-	-	(115,000)	-	-	-	-	115,000	-	-	-
Contingency reserve	-	-	-	-	27,224	-	-	(27,224)	-	-	-
Profit for the year	-	-	427,615	-	-	-	-	630,318	1,057,933	35,452	1,093,385
Other comprehensive loss for the year	-	-	-	100,028	-	(199,797)	(376,276)	-	(476,045)	(34,427)	(510,472)
Total comprehensive income for the year	-	-	427,615	100,028	-	(199,797)	(376,276)	630,318	581,888	1,025	582,913
At 31 December 2022	2,615,578	162,179	1,441,433	295,064	110,828	(556,566)	(641,688)	5,125,027	8,551,855	15,189	8,567,044

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share Capital KShs'000 (Note 33)	Share Premium KShs'000 (Note 34)	Statutory Fund KShs'000 (Note 35)	Revaluation surplus KShs'000 (Note 37)	Contingency reserve KShs'000 (Note 36)	Foreign Currency Translation Reserve Ksh'000 (Note 38)	Fair value reserve KShs'000 (Note 39)	Retained earnings KShs'000 (Note 40)	Due to equity holders of the parent KShs'000	Non-controlling interests KShs'000 (Note 41)	Total KShs'000
At 1 January 2021	2,615,578	162,179	1,183,825	192,799	61,924	(275,356)	(65,452)	3,784,226	7,659,723	(31,254)	7,628,469
Contingency reserve	-	-	-	-	21,680	-	-	(21,680)	-	-	-
Profit for the year	-	-	(55,007)	-	-	-	-	644,387	589,380	79,057	668,437
Other comprehensive income for the year	-	-	-	2,237	-	(81,413)	(199,960)	-	(279,136)	(33,639)	(312,775)
Total comprehensive income for the year	-	-	(55,007)	2,237	-	(81,413)	199,960)	644,387	310,244	45,418	355,662
At 31 December 2021	2,615,578	162,179	1,128,818	195,036	83,604	(356,769)	(265,412)	4,406,933	7,969,967	14,164	7,984,131

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

	Share Capital KShs'000 (Note 33)	Share premium KShs'000 (Note 34)	Retained Earnings KShs'000 (Note 40)	Total KShs'000
At 1 January 2022	2,615,578	162,179	1,441,198	4,218,955
Loss for the year	-	-	(35,317)	(35,317)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(35,317)	(35,317)
At 31 December 2022	2,615,578	162,179	1,405,881	4,183,638
At 1 January 2021	2,615,578	162,179	795,043	3,572,800
Profit for the year	-	-	646,155	646,155
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	646,155	646,155
At 31 December 2021	2,615,578	162,179	1,441,198	4,218,955

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KShs'000	2021 KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	51 (a)	4,971,374	2,065,672
Purchase of corporate bonds	20	(23,968)	(69,590)
Proceeds from maturity of corporate bonds	20	-	142,400
Purchase of government securities at amortised cost	21	(1,200,460)	(552,550)
Maturities of government securities at amortised cost	21	503,751	456,185
Mortgage loans advanced	22 (a)	-	(6,078)
Mortgage loan repaid	22 (a)	5,050	27,464
Other staff loans advanced	22 (b)	(307,950)	(251,764)
Other staff loan repaid	22 (b)	241,846	218,132
Purchase of government securities at fair value through other comprehensive income	23	(6,325,700)	(2,281,000)
Maturity of government securities at fair value through other comprehensive income	23	410,219	302,879
Purchase of unquoted equity investment at fair value through other comprehensive income	24	(6,067)	-
Purchase of equity investment at fair value through profit or loss	25	(32,279)	(60,837)
Proceeds from sale of equity investments at fair value through profit or loss	25	106,188	73,222
Proceeds from maturities in deposits with non-financial institutions	26(a)	4,899	17,612
Additions to collective investment schemes	26(b)	(1,736,002)	(1,841,347)
Proceeds from disposal of collective investment scheme	26(b)	2,340,154	2,045,749
Increase in deposits with financial institutions (excluding cash and cash equivalents)	32	567,039	450,104
Interest paid on leases	14(a)	(32,305)	(23,075)
Interest received	5(a)	1,850,882	1,475,262
Dividend received	5(a)	59,220	33,445
Income tax paid	11 (b)	(695,113)	(319,965)
Repayment of interest portion of borrowings	42	(200,000)	-
Net cash generated from operating activities		500,778	1,901,920
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	13	(55,692)	(63,334)
Proceeds from disposal of property and equipment		14,934	783
Purchase of intangible assets	16	(31,911)	(70,973)
Net cash used in investing activities		(72,669)	(133,524)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of principal portion of lease liability	14(a)	(53,429)	(78,443)
Net cash used in financing activities		(53,429)	(78,443)
INCREASE IN CASH AND CASH EQUIVALENTS		374,680	1,689,953
Effect of foreign exchange translations		(213,576)	(116,395)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		3,642,860	2,069,302
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	52	3,803,964	3,642,860

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2022 KShs'000	2021 KShs'000
Cash generated from operations	51 (b)	(9,910)	(62,326)
Additions to collective investment schemes	26 (b)	(32,000)	-
Maturity of collective investments	26 (c)	7,000	5,000
Mortgage loan repaid	22 (a)	545	550
Other staff loans repaid	22 (b)	-	523
Other staff loans advanced	22 (b)	(213)	-
Decrease in deposits with financial institutions (excluding cash and cash equivalents)	32	(14,247)	(80,375)
Interest paid on leases	14(a)	-	(1,642)
Interest received	5	10,964	42,001
Dividend received	5(b)	340,000	1,122,131
Repayment of interest portion of borrowings	(ii)	(200,000)	-
Net cash generated from operating activities	42	102,139	1,025,862
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	13	(45,058)	(3,709)
Purchase of intangible assets	16	(21,512)	(49,932)
Net cash used in investing activities		(66,570)	(53,641)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of intercompany loan	31(c)	-	(1,026,819)
Proceeds from repayment of intercompany loan receivable	31(c)	31,911	7,500
Repayment of principal portion of lease liability	14(a)	-	(8,645)
Net cash used in financing activities		31,911	(1,027,964)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		67,480	(55,743)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		(25,028)	30,715
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	52	42,452	(25,028)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards (IFRS)

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

(a) Basis of preparation

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

The financial statements have been prepared on a historical cost basis, except for debt instruments at fair value through other comprehensive income, equity investments at fair value through profit or loss, equity instruments at fair value through other comprehensive income, investments in collective investment schemes at fair value through profit or loss, building and investment properties which have been measured at fair value and actuarially determined liabilities at their present value. The consolidated and company financial statements are presented in Kenya Shillings which is also the functional currency. All values rounded to the nearest thousand (KShs '000), unless otherwise stated.

The financial statements comprise the statements of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows, and notes to the financial statements. Income and expenses, excluding the components of other comprehensive income, are recognised in profit or loss. Other comprehensive income comprises items of income and expenses (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in previous periods. Transactions with the owners of the Group and Company in their capacity as owners are recognised in the statement of changes in equity.

The Group presents its statement of financial position broadly in order of liquidity from the least liquid to the most liquid. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the accounting policies adopted by the Group. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in note 2 of these financial statements.

(b) New Standards, New Interpretations and Amendments to Standards

The section below provides a summary of (i) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2022 (i.e. years ending 31 December 2022), and (ii) forthcoming requirements, being standards and amendments that became or will become effective on or after 1 January 2023.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New Standards, New Interpretations and Amendments to Standards *(continued)*

(i) New standards and amendments – applicable 1 January 2022
The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2022:

International Financial Reporting Standards and amendments effective for the first time for December 2022 year-ends		
Number	Effective date	Executive summary
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 April 2021 (early adoption is permitted) (Published March 2021)	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient.
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022 (Published May 2020)	These amendments include minor changes to: • IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. • IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. • IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives. • IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.
Amendments to IAS 37 Onerous Contracts -Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New Standards, New Interpretations and Amendments to Standards *(continued)*

International Financial Reporting Standards and amendments effective for the first time for December 2022 year-ends		
Number	Effective date	Executive summary
Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendments above did not have a significant impact on the Company's and Group's financial statements.

(ii) Forthcoming requirements

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Number	Effective date	Executive summary
Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2023 (Published Jan 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (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.

Other than IFRS 17 whose implementation progress is disclosed in the succeeding pages, the above standards are no expected to have a significant impact on the Group's and Company's financial statements.

IFRS 17, Insurance Contracts

Oversight

IFRS 17 Steering Committee (Steer-co) exists comprising of Senior Management derived from all functional areas of the company that are impacted by IFRS 17 project. The Senior Management is assembled from Finance, Actuarial, ICT, Operations, Risk and Compliance and Internal Audit. The steering committee provides leadership and guidance on critical judgement areas as well as monitoring and overseeing the overall direction of the project.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New Standards, New Interpretations and Amendments to Standards *(continued)*
(ii) Forthcoming requirements *(Continued)*

IFRS 17, Insurance Contracts *(continued)*

The Steering Committee reports to the Board Audit Committee on a regular basis.

There is an IFRS 17 project team which was put in place during the year 2022. The project team is responsible for the actual work on the IFRS 17 project. The project team endeavors to remain up to date, and closely monitors, all technical developments from the International Aaccounting Standards Board and the industry to evaluate the effects of such developments.

The Journey

The IFRS 17 implementation project involves the following key stages;

1. Development of the accounting policy framework
2. Methodology specifications
3. Project resourcing
4. Acquisition of IFRS 17 engine
5. Live build up
6. Dry runs
7. Financial impact analysis
8. User acceptance testing
9. Parallel runs
10. Go live
11. Development of revised financial reporting, management reporting and budgeting templates.
12. Development of new Key Performance Indicators (KPIs)

The IFRS 17 journey started in year 2021 with the hiring of the implementation partner. Various preliminary works were undertaken by the implementation partner with support from the various business units such as:

i). Training on the technical guidance papers on various IFRS 17 standard requirements such as Separation and Combination, measurement models, level of aggregation, modification and derecognition, expense classification and allocation, contract boundary, risk adjustment, discount rate, Contractual Service Margin, Coverage Units, Reinsurance, Transition and presentation and disclosures.
ii). Training on methodology specifications – e.g. product components separation, combination and modification, level of aggregation, measurement models, contract boundary, expense classification and allocation.

Subsequently, the IFRS 17 project team was formed to spearhead the live buildup of the IFRS 17 project. The following activities have been undertaken by the project team.

i). Shortlisting and selection of IFRS 17 engine vendor.
ii). Layout of the projected project plan.
iii. Planning and facilitating the acquisition of the supporting ICT infrastructure
iv. Development of the technical guidance papers and methodology specifications

The project is now in the live build up stage. This stage involves workflow and controls definition; chart of accounts update; data collection and analysis; and the population of standard master data templates in accordance with IFRS 17 engine requirements.

The project will then evolve into the other stages as enumerated above.

Measurement models

IFRS 17 consists of 3 measurement models, namely General Measurement Model (GMM), Premium Allocation Approach (PAA) and Variable Fee Approach (VFA).

Under IFRS 17, measurement is not carried out at the level of individual contracts, but on the basis of groups of contracts. To allocate individual insurance contracts to groups of contracts, we classified portfolios based on their risk profile and nature of management. Portfolios where contracts have similar risks and which have similar management were grouped together. These

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New Standards, New Interpretations and Amendments to Standards *(continued)*
(ii) Forthcoming requirements *(Continued)*

IFRS 17, Insurance Contracts *(continued)*

portfolios were then subdivided into groups of contracts on the basis of profitability and annual cohorts.

The portfolios were then classified into the 3 measurement models as indicated below.

General Measurement Model

The general measurement model, also known as the building block approach, consists of the fulfillment cash flows and the contractual service margin.

The model will be used for measurement of the following portfolios in the life business;

1. Individual Life portfolio
2. Annuity portfolio

Premium Allocation Approach

All products for which coverage period is one year or less qualifies automatically for PAA in line with the standard.

This will apply for all general business products and group life and group credit portfolios within the life business.

Some of the general business product lines e.g. engineering, fire and marine include contracts with coverage period greater than one year. However, since there is no material difference in the measurement of the liability for remaining coverage between PAA and the general measurement model, these contracts also qualify for PAA.

Liability for incurred claims

The measurement of the liability for incurred claims is identical under all three measurement models, apart from the determination of locked-in interest rates used for discounting. An explicit risk adjustment for non-financial risk is estimated separately from the other estimates for the liability for incurred claims. This risk adjustment represents compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The risk adjustment forms part of the fulfilment cash flows for a group of insurance contracts.

Reinsurance contracts held

The Group applies the premium allocation approach (PAA) to all the reinsurance contracts that it holds as the coverage period is one year with 3 months' notice for cancellation.

Revenue recognition

Insurance revenue and the related insurance service expenses are recognised in the statement of profit or loss and other comprehensive income based on the concept of services provided during the period. The standard requires losses to be recognised immediately on contracts that are expected to be onerous. For insurance contracts measured under the PAA, it is assumed that contracts are not onerous at initial recognition, unless facts and circumstances indicate otherwise. The Group's focus is to grow a profitable and sustainable business and does not anticipate the recognition of onerous contracts except where the following have been identified:

- Relevant pricing decisions.
- Initial stages of a new business acquired where the underlying contracts are onerous.
- Any other strategic decisions the board considers appropriate.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New Standards, New Interpretations and Amendments to Standards *(continued)*
(ii) Forthcoming requirements *(Continued)*

IFRS 17, Insurance Contracts *(continued)*

Accounting policy choices

Title	IFRS 17 options	Adopted approach
Insurance acquisition cash flows	Provided that the coverage period of each contract in the group at initial recognition is no more than one year, IFRS 17 allows an accounting policy choice of either expensing the insurance acquisition cash flows when incurred or amortising them over the contract's coverage period.	Insurance acquisition cashflows will be expensed when incurred except for commission expense which will be amortised on a linear basis over the coverage period.
Liability for Remaining Coverage ("LRC") adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC.	Under the PAA approach, there will be no accretion of interest to the LRC since the time between providing each part of the services and the related premium due date is no more than a year. Interest will however be accreted to the LRC under the GMM model due to the long-term nature of the contracts under this model.
Liability for Incurred Claims ("LIC") adjusted for time value of money.	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	Medical claims incurred are expected to be paid out in less than one year. Hence, no adjustment is made for the time value of money. For all other business lines, the LIC will be adjusted for the time value of money since these typically have a settlement period of over one year.
Insurance finance income and expenses	IFRS 17 provides an accounting policy choice to recognise the impact of changes in discount rates and other financial variables in profit or loss or in OCI. The accounting policy choice (the PL or OCI option) is applied on a portfolio basis.	The Group will include all insurance finance income or expenses for the period in profit or loss.
Disaggregation of risk adjustment	An insurer is not required to include the entire change in the risk adjustment for non-financial risk in the insurance service result. Instead, it can choose to split the amount between the insurance service result and insurance finance income or expenses.	The Group will disaggregate the change in risk adjustment for non-financial risk between the insurance service result and the insurance finance result.

Areas of significant judgements

The following are key judgements and estimates which the Group expects to apply as a result of IFRS 17:

Discount rates

The bottom-up approach will be used to derive the discount rate. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The risk-free rate was derived using government bonds yield curve available in the market denominated in the same currency as the product being measured.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New Standards, New Interpretations and Amendments to Standards *(continued)*
(ii) Forthcoming requirements *(Continued)*
IFRS 17, Insurance Contracts *(continued)*
Areas of significant judgements *(continued)*

Management uses judgement to assess liquidity characteristics of the liability cash flows.

Risk adjustment

The Group has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Group has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Group has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

Transition

On the date of initial application i.e., 1 January 2023, IFRS 17 should be applied retrospectively. Where the full retrospective approach is impracticable, IFRS 17 allows for alternative transition methods.

The Group has adopted the following approach with respect to transition.

Under GMM, the Group has determined that reasonable and supportable information is available for all contracts in force at the transition date that were issued with effect from 1 January 2015. A full retrospective approach will therefore be adopted for all portfolios of contracts issued from 2015 up to the transition date of 1 January 2023 and that qualify for GMM as indicated elsewhere in this disclosure note. The contracts will be grouped into annual cohorts and data transformation will be done on annual roll over basis using estimates and assumptions that would have been applicable retrospectively if IFRS 17 had always existed in each of those reporting periods. Fair value approach will be used for contracts that are older than 2015.

Under PAA, only current and prospective information is required to reflect circumstances at the transition date. In light of this, no retrospective work will be done.

Impairment of insurance and reinsurance receivables

The Group deferred the application of IFRS 9 on the impairment of direct insurance receivables and reinsurance receivables pending the implementation of IFRS 17. Effective 1 January 2023, the Group has adopted the IFRS 9 for assessing impairment of its direct insurance receivables and reinsurance receivables. Since the receivables in question are generally short term in nature and have no financing component, the effect of discounting (if any) would not be material and therefore the Group has elected to use the simplified approach permitted under IFRS 9.

In developing the simplified approach model, the Group has developed a provisional matrix by tracking historical receivables balances over the last 5 years disaggregated based on credit risk characteristics and further by geographical segments. The receivables are divided further into delinquency categories i.e. 0 to 30 days, 31 – 60 days, 61 – 90 days, 91 – 120 days, 121 – 360 days and over 360 days.

Using the 5-year historical information, the rates at which debtors move into a write off category as time passes was determined for each delinquency category and the risk-based life time ECL ratios calculated in accordance with IFRS 9 requirements.

The model will also include forward-looking estimate. This forward-looking estimate is not static and will be evaluated at the end of each reporting period considering changes in macro-economic conditions that impact the ability and continuation of debtors to pay.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New Standards, New Interpretations and Amendments to Standards *(continued)*
(ii) Forthcoming requirements *(Continued)*
IFRS 17, Insurance Contracts *(continued)*

Financial impact on transition to IFRS 17

As noted elsewhere in this note, the Group is at the live build up stage of the IFRS 17 model at the time of presentation of these financial statements. Once the live build up is done, the systems dry run will be done and subsequently the financial impact analysis. We are therefore not able to reliably provide any financial impact analysis data at this point of the IFRS 17 project.

Impact on presentation and disclosures on transition to IFRS 17

In the statement of financial position, deferred acquisition costs and insurance related receivables will no longer be presented separately but as part of the insurance liabilities. This change in presentation will lead to a reduction in total assets of the Group, offset by a reduction in total liabilities.

The amounts presented in the statement of financial performance (statement of profit or loss and other comprehensive income) will be disaggregated into an insurance service result, consisting of the insurance revenue and the insurance service expenses, and insurance finance income and expenses. Income or expenses from reinsurance contracts held will be presented separately from the expenses or income from insurance contracts issued.

The presentation of the income statement will change as follows:

Insurance revenue
Insurance service expense
Net expense from reinsurance contracts held
Insurance service results
Interest revenue from financial assets not measured at FVTPL
Net change in investment contract liabilities
Net credit impairment losses
Net investment income
Finance expenses from insurance contracts issued
Finance income from reinsurance contracts held
Net insurance finance expenses
Other finance costs
Other operating costs

Profit before income tax

IFRS 17 has introduced additional disclosures which would need to be provided.

The Group will be required to provide disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts issued and reinsurance contracts held within the scope of IFRS 17;
- Significant judgements, and changes in those judgements, when applying the standard; and
- The nature and extent of the risks from contracts within the scope of the standard.

(c) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls a subsidiary if, and only if, the Group has:

- Power over the subsidiary (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(c) Basis of consolidation *(continued)*
(i) Subsidiaries *(Continued)*

expenses of a subsidiary acquired or disposed of during the year are included/excluded in the consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

At company level, the investment in subsidiary is presented as an asset in the statement of financial position and measured at cost.

Profit or loss and each component of OCI are attributed to the owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

The Group financial statements reflect the result of the consolidation of the financial statements of the group and its subsidiaries, CIC General Insurance Limited, CIC Life Assurance Limited, CIC Asset Management Limited, CIC Africa Insurance (SS) Limited, CIC Africa (Uganda) Limited and CIC Africa Co-operatives Insurance (Malawi) Limited details of which are disclosed in note 19, made up to 31 December 2022.

(ii) Changes in ownership interests in subsidiaries without change of control

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

(iii) Associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint arrangement. The Group's investment in its associate is accounted for using the equity method of accounting while the Company's investment in associate is accounted for using the cost method.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's and company's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity, either directly or through other comprehensive income. Profits or losses resulting from transactions between the Group and the associate are eliminated to the extent of

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(c) Basis of consolidation *(continued)*
(iii) Associates *(Continued)*

the interest in the associate.

The share of profit of the associate is shown on the face of the statement of profit or loss. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates after factoring in other comprehensive income.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring its accounting policies in line with the Group. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the statement of profit and loss.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. Any interest in the equity of the associate that was recorded directly in other comprehensive income of the investor is recycled to the profit or loss and is included in the calculation of the gain or loss on disposal.

(d) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group's identifiable assets and liabilities are measured at their acquisition-date fair value.

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's net identifiable assets. Non-controlling interests that are not present ownership interests are measured at fair value. This accounting policy choice can be made on an individual business combination basis.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(d) Business combinations and goodwill *(continued)*

interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the amount recognised for non-controlling interests, and any previous interest held, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

(e) Insurance contracts

Classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Insurance contracts are classified into two main categories depending on the duration of risk and as per the provisions of the Insurance Act:

Long term insurance business

Includes insurance business of all or any of the following classes namely; Ordinary life, Group life, Annuities and Pension and business incidental to any such class of business.

Life assurance business means the business of, or in relation to, the issuing of, or the undertaking of liability to pay money on death or on the happening of any contingency dependent on the termination or continuance of human life (either with or without provision for a benefit under a continuous disability insurance contract), and includes a contract which is subject to the payment of premiums for a term dependent on the termination or continuance of human life and any contract securing the grant of an annuity for a term dependent upon human life.

Short term insurance business

This is insurance business of any class or classes that is not long-term insurance business. Classes of general Insurance include Engineering insurance, Fire insurance – domestic risks, Fire insurance – industrial and commercial risks, Liability insurance, Marine insurance, Motor insurance – private vehicles, Motor insurance – commercial vehicles, Personal accident insurance, Theft insurance, Workmen's Compensation and Employer's Liability insurance and Miscellaneous insurance. Miscellaneous insurance refers to other classes of business not included under those listed above. Motor insurance business means the business of affecting and carrying out contracts of insurance against loss of, or damage to, or arising out of or in connection with the use of motor vehicles, inclusive of third-party risks but exclusive of transit risks.

Personal Accident insurance business means the business of affecting and carrying out contracts of insurance against risks of the persons insured sustaining injury as the result of an accident or of an accident of a specified class or dying as the result of an accident or of an accident of a specified class or becoming incapacitated in consequence of disease or of disease of a specified class.

Fire insurance business means the business of affecting and carrying out contracts of insurance, otherwise than incidental to some other class of insurance business against loss or damage to property due to fire, explosion, storm and other

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(e) Insurance contracts *(continued)*

occurrences customarily included among the risks insured against in the fire insurance business.

Revenue recognition

(i) Gross written premiums

For long term insurance business, gross recurring premiums on life contracts are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective. In both instances, premium revenue is recognized after settlement of premiums.

For shorter term insurance business, gross written premiums under insurance contracts comprise the total premiums receivable for the whole period of the cover provided by the contract and are recognised on the date on which the policy incepts.

Gross earned premiums comprise the total premiums receivable for the respective accounting period which is under consideration and are recognised up to the end of the reporting period. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. Premiums are presented gross of commission and any taxes or duties levied on premiums.

(ii) Reinsurance premiums ceded

The gross reinsurance premiums are recognised as an expense when payable or on the date on which the policy is effective. The Group's gross general written premiums under reinsurance contracts comprise the total premiums payable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

(iii) Net claims and policyholders benefits payable

For long term insurance business, gross benefits and claims include the cost of all claims arising during the year, including: internal and external claims handling costs that are directly related to the processing and settlement of claims. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured using the gross premium method in accordance with the Insurance Regulatory Authority (IRA) guidelines. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income (for non-market linked insurance contracts this item is excluded) from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included.

Furthermore, the liability for life insurance contracts comprises the provision for claims outstanding which includes an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(e) Insurance contracts *(continued)*
(iii) Net claims and policyholders benefits payable *(Continued)*

each reporting date are recorded in the profit or loss.

General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. The reserve for outstanding claims is computed on the basis of the best information available at the time the records for the year are closed; and includes additional provisions for claims incurred but not reported ("IBNR") at the end of each reporting period based on the Group's experience, and as per the requirement of the regulatory requirements in our countries of operation. This is in line with the requirements of IFRS 4.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. These costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property. Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

Claims ceded to reinsurers

Claims ceded to reinsurers are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

(iv) Deferred acquisition costs

Deferred acquisition costs represent the proportion of commission expense in the periods up to the reporting date which relates to the unexpired terms of policies in force at the end of the reporting period, and are calculated on the 1/365th method on gross commissions. The 1/365th is a time apportionment method of premium whereby the unearned premium reserve is the aggregate of unearned premium calculated on a pro-rata basis, in respect of the premiums relating to the unexpired periods of the respective insurance policies at the end of the reporting period. These commissions are recognised over the period in which the related revenues are earned.

The deferred acquisition costs for reinsurers are amortised in the same manner as the underlying asset amortisation and are recorded in the statement of profit or loss.

DACs are derecognised when the related contracts period elapses.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to the risks that have not yet expired at the reporting date.

(v) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer are included with insurance contracts.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(e) Insurance contracts *(continued)*
(v) Reinsurance contracts held *(Continued)*

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Gains or losses on buying reinsurance are recognised in the statement of profit or loss immediately at the date of purchase and are not amortised.

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer are included with insurance contracts.

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Gains or losses on buying reinsurance are recognised in the statement of profit or loss immediately at the date of purchase and are not amortised.

These assets consist of short-term balances due from reinsurers as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss for the year. Included in this category are receivables arising from reinsurance arrangements.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

(vi) Receivables arising out of direct insurance arrangements

Receivables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

Insurance receivables are derecognised when the de-recognition criteria for financial assets are met.

(f) Unit linked contracts

The Group issues investment contracts without fixed terms (unit-linked) and investment contracts with fixed and guaranteed terms (fixed interest rate). The investment contracts include funds administered for several retirement benefit schemes. Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial assets and are designated at inception as at fair value through profit or loss. The Group designates these investment contracts to be

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(f) Unit linked contracts *(continued)*

measured at fair value through profit or loss because it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The best evidence of the fair value of these financial liabilities at initial recognition is the transaction price (i.e. the fair value received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profit at inception. The fair value of financial liabilities for investment contracts without fixed terms is determined using the current unit values in which the contractual benefits are denominated. These unit values reflect the fair values of the financial assets contained within the Group's unitized investment funds linked to the financial liability. The fair value of the financial liabilities is obtained by multiplying the number of units attributed to each contract holder at the financial reporting date by the unit value for the same date.

(g) Income

(i) Investment income

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the effective interest rate (EIR) method. Interest income is recognised using EIR method for all financial assets measured at amortised cost. Interest income on interest bearing financial assets measured at fair value through OCI is also recorded using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore the amortised cost of the financial asset) is calculated taking into account transaction costs and any discount or premium on acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using the EIR method.
The group calculates interest income on financial assets, other than those considered credit impaired, by applying the EIR to the gross carrying amount of the asset.

Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument. Investment income also includes dividend income which is recognised when the right to receive the payment is established.

(ii) Rental income

Rental income is recognised on a straight-line basis over the lease term. The excess of rental income on a straight-line over cash received is recognised as an operating lease liability/asset. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(iii) Dividend income

Dividend income is recognised on the date when the Group's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes which is included as part of investment income.

(iv) Fees and commission income

Commission income

Commissions earned from reinsurance premium ceded is recognised in profit or loss in the period in which it is earned. If the fees are for services provided in future periods, they are deferred and recognised over those future periods

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Income *(continued)*

(iv) Fees and commission income *(Continued)*

Realised / unrealised gains and losses

Realised / unrealised gains and losses recorded in the statement of profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transactions. More details on the on how the gains have been arrived has been discussed in the specific policies relating to the assets.

Revenue from contract with customers

Fund management fees

The Group recognizes revenue only when it satisfies a performance obligation by transferring control of the service to its customers. The performance obligation is satisfied over time as the customer simultaneously consumes the benefits provided by the Group as the Group performs.

The Group provides fund management services. The agreement for fund management services specifies the performance obligation as to carry out the management and administration of the fund, be responsible for investing and re-investing the assets. Accordingly, the Group allocates the transaction price based on the value of the asset portfolio managed.

This financial services income includes income from investment management and related activities. This is based on the value of the assets managed on behalf of clients such as fund management fees, collective investment and linked product administration fees. Initial fees that relate to the future rendering of services are deferred and recognised as those future services are rendered.

(h) Operating and other expenses

Expenses are recognised in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably and is independent from transactions with equity participants. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment).

(i). When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined expenses are recognised in the statement of profit or loss on the basis of systematic and rational allocation procedures. This is often necessary in recognising the equipment associated with the using up of assets such as property and equipment. In such cases the expense is referred to as a depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.

(ii). An expense is recognised immediately in profit or loss when expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

(i) Taxation

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the respective countries' Income Tax Legislations. Income tax expense is the aggregate amount charged/ (credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Current income tax assets or liabilities are based on the amount of tax expected to be paid or recovered in respect of the taxation authorities in the future. Tax is recognised in profit or loss except when it relates to items recognised in other comprehensive income, in which case it is

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(i) Taxation *(continued)*
Current income tax *(Continued)*

also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.
Current income tax is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date. The prevailing tax rate and the amount expected to be paid are highlighted in note 11 of these financial statements.

The group offsets current tax assets and current tax liabilities when:

- It has a legally enforceable right to set off the recognised amounts; and
- It intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The net amount of current income tax recoverable from, or payable to, the taxation authority is included on a separate line in the statement of financial position of these financial statements.

Deferred income tax

Deferred income tax is determined using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the reporting date and expected to apply when the related deferred income tax asset is realised, or the deferred tax liability is settled.

Deferred income tax is provided on temporary differences except those arising on the initial recognition of goodwill, the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit nor loss. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The accounting of deferred tax movements is driven by the accounting treatment of the underlying transaction that led to the temporary differences.

Deferred tax relating to items recorded in profit or loss is recognised in profit or loss, while deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss in other comprehensive income or equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(i) Taxation *(continued)*

Income Taxes

Value Added Tax (VAT) and premium taxes

Revenues, expenses, assets and liabilities are recognised net of the amount of VAT and premium taxes except:
when the VAT or premium tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, or
receivables and payables that are measured with the amount of VAT or premium tax included.

Outstanding net amounts of VAT or premium tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(j) Earnings per share

The Group calculates basic earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity and, if presented, profit or loss from continuing operations attributable to those equity holders. Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

For the purpose of calculating basic earnings per share, the amounts attributable to ordinary equity holders of the parent entity in respect of:

(i) profit or loss from continuing operations attributable to the parent entity; and
(ii) profit or loss attributable to the parent entity

are the amounts in (i) and (ii) adjusted for the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

(k) Translation of foreign currencies

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Group's presentation currency is the Kenyan Shilling ("KShs").

Monetary assets and liabilities are translated into each entity's functional currency at the applicable exchange rate at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of the transactions performed by the companies of the Group and from the translation of monetary assets and liabilities into each entity's functional currency are recognized in profit or loss. Effects of exchange rate changes on the fair value of equity instruments are recorded as part of the fair value gain or loss.

The results and financial position of each group entity (are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the applicable closing rate at the respective reporting date;
(ii) income and expenses for each statement of profit or loss and statement of other comprehensive income are translated either at the rates prevailing at the dates of the transactions or at average exchange rates (in case this average is a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates).

The results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy shall be translated into the group's presentation currency using the following procedure: all amounts (i.e. assets, liabilities, equity items, income and expenses) shall be translated at the closing rate at the date of the most recent statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(k) Translation of foreign currencies *(continued)*

When amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts shall be those that were presented as current year amounts in the relevant prior year financial statements (i.e. not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

Inflation accounting

With effect from 2016, the South Sudanese economy is considered to be hyperinflationary in accordance with the criteria of IAS 29. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the reporting date and that corresponding figures for previous periods be stated in the same terms to the latest balance sheet date. The restatement has been calculated by means of conversion factors derived from South Sudan Consumer Price Index (CPI) compiled by Trading Economics. The conversion factors used to restate the financial statements at 31 December 2022, using a 2014 base year, are as follows:

At 31 December	CPI	Conversion factor
2018	6,306	1.40
2019	10,657	1.69
2020	16,841	1.58
2021	15,405	0.91
2022	13,622	0.88
Average CPI 2022	15,663	

**The average CPI was obtained by calculating average of closing CPIs for the years 2021 and 2022.*

Exchange differences arising on the translation of results and financial position of each of the Group's consolidated entities are included in components of other comprehensive income and taken to a separate component of equity.

The comparative information of the Group has not been adjusted for subsequent changes in price level or subsequent changes in exchange rates because the impacts of such adjustment is immaterial.

(l) Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses except for buildings which are measured based on revalued amounts. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when the future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

Buildings are measured according to the revaluation model stated at fair value, which reflects market conditions at the reporting date.

Increases in the carrying amount of land and buildings arising on revaluation are dealt with through other comprehensive income and accumulated under a separate heading of revaluation surplus in the statement of changes in equity. Decreases that offset previous increases of the same asset are dealt with through other comprehensive income and reversed from revaluation surplus in the statement of changes in equity; all other decreases are charged to profit or loss for the year. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Depreciation is calculated on straight line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life as follows:

Buildings	40 years
Computers	4 years
Motor vehicles	4 years
Furniture, fittings and equipment	8 years
Leasehold improvements	10 years

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(l) Property and equipment *(continued)*

Property and equipment are reviewed for impairment as described in note (s) whenever there are any indications of impairment identified.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its continued use or disposal. Gains and losses on derecognition of property and equipment are determined by reference to the difference of the carrying amounts and disposal proceeds. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings. The date of disposal of an item of property, and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied. The amount of consideration to be included is the gain or loss arising from the derecognition of property and is determined in accordance with the requirements for determining the transaction price in IFRS 15.

The residual value, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end are adjusted prospectively, if appropriate.

(m) Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is initially recognised at cost including the transaction costs. The investment properties are subsequently carried at fair value, representing the open market value at the reporting date determined by annual valuations by independent valuers. Gains or losses arising from changes in the fair value are included in the profit or loss for the year to which they relate.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria is met; and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognised when either they have been disposed off (i.e., at the date the recipient obtains control) or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is charged or credited to profit or loss. The date of disposal of investment property is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under plant and equipment to the date of change in use.

(n) Intangible assets

Software licence costs and computer software that are not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Group are recognised as intangible assets.

Softwares under implementation are recognised

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(n) Intangible assets *(continued)*

as work in progress at historical costs less any accumulated impairment loss. The cost of such softwares includes professional fees and costs directly attributable to the software. The softwares are not amortised until they are ready for the intended use.

The useful lives of intangible assets are assessed as either finite or indefinite. The group does not have assets with indefinite life and hence the amortisation is calculated using the straight-line method to write down the cost of each licence or item of software over its estimated useful life (four years).

Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, even when idle. Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Intangible assets have finite lives and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. The date of disposal of an item of intangible asset is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied. The amount of consideration to be included in the gain or loss arising from the derecognition of an intangible asset is determined in accordance with the requirements for determining the transaction price in IFRS 15.

(o) Accounting for leases

The Group leases rental office spaces. 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.

Group acting as a lessee

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

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Group is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used. The incremental borrowing rate is the internal cost of debt determined as the risk free borrowing rate adjusted for country premium.

For leases that contain non-lease components, the Group allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Accounting for leases *(continued)*

Group acting as a lessee *(continued)*

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

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Group at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value (such as leased electronic equipment) the total lease payments are recognized in profit or loss on a straight-line basis over the lease period.

Leases where the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease payment is allocated between the liability and finance cost using the interest rate implicit in the lease. The finance cost is charged to the profit and loss account in the year in which it is incurred. Property and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.

The changes in leases which do not fall under the scope of COVID 19 related concessions are treated as lease modifications. Right of use assets are re-measured and gains or losses thereof recognised in the statement of profit or loss.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases. The Group recognises the lease payments associated with these leases as an expense over the lease term.

A short-term lease in this context is defined as any arrangement which has a lease term of 12 months or less. Lease payments associated with such arrangements are recognised in the income statement as an expense on a straight-line basis. The Group's total short term and low value lease portfolio is not material. The Group also leases office equipment such as printers and for which certain leases are short term.

Determination

The determination of whether an arrangement is, (or contains), a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

When an operating lease is terminated, any payment required by the lessor by way of penalty is recognised as an expense in the period in which termination took place. The Group is both lessee and a lessor.

The Group as the lessor – Investment properties leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Accounting for leases *(continued)*

Group acting as a lessor *(continued)*

include Consumer Price Index (CPI) increases, but there are no other variable lease payments that depend on an index or rate.

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

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset. On a consolidated basis, the business evaluated the proportion of the properties that are owner occupied and reclassified them to Property and Equipment

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

(p) Provisions

General provisions

Provisions for liabilities are recognised when there is a present obligation (legal or constructive) resulting from a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.
Onerous contracts

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceeds the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

(q) Employee benefits

Defined contributions provident fund

The Group operates a defined contributions post-employment provident fund for eligible employees. The fund is funded by contributions from the employees and the Group. The assets of the fund are held and administered independently of the Group's assets.

Statutory pension scheme

The Group also makes contributions to the statutory defined contribution schemes in the four countries where operations are based. Contributions to defined contribution schemes are recognised as an expense in profit or loss as they fall due.

Leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the reporting date.

Bonus

An accrual is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal and constructive obligation to pay this amount as a result of past

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(q) Employee benefits *(continued)*
Bonus *(continued)*

service provided by the employee, the obligation can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
Termination Benefits

The Group recognises a liability and expense for termination benefits at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

(i) For termination benefits payable as a result of an employee's decision to accept an offer of benefits in exchange for the termination of employment, the time when the Group can no longer withdraw the offer of termination benefits is the earlier of when the employee accepts the offer and when a restriction (eg a legal, regulatory or contractual requirement or other restriction) on the entity's ability to withdraw the offer takes effect. This would be when the offer is made, if the restriction existed at the time of the offer.

(ii) For termination benefits payable as a result of the Group's decision to terminate an employee's employment, the Group then can no longer withdraw the offer when it has communicated to the affected employees a plan of termination meeting all of the following:

- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made;
- The plan identifies the number of employees whose employment is to be terminated, their job classifications or functions and their locations (but the plan need not identify each individual employee) and the expected completion date; and
- The plan establishes the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated.

(r) Segment reporting

An operating segment is a component of an entity:

(i) That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
(ii) Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
(iii) For which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the Group Chief Executive Officer). The Group Chief Executive Officer allocates resources to and assesses the performance of the operating segments of the Group. The operating segments are based on the Group's management and internal reporting structure.

Under IFRS 8, the Group's reportable segments are long-term business, general insurance business, asset management and other. Long-term business comprises the underwriting of risks relating to death of an insured person and includes contracts subject to the payment of premiums for a long-term dependent on the termination or continuance of the life of an insured person. General insurance business relates to all other categories of insurance business written by the Group and is analysed into several sub-classes of business based on the nature of the assumed risks. Asset management comprises fund management, advisory services businesses and investments. Others comprises of the regional companies; CIC Africa Uganda, CIC Africa Malawi and CIC Africa South Sudan. It also includes the holding company. The Group's main geographical segment of business is in Kenya, which contributes over 89% of the Group's total income.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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. In determining fair value less costs of disposal, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. The Group bases its impairment calculation on detailed budgets and forecast calculations which are detailed in its five-year strategic plan. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after fifth year.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss to the amount of an impairment already taken to profit or loss while the remainder will be a revaluation amount through other comprehensive income.

(t) Fair value measurement

The Group measures financial instruments classified as financial assets at fair value through OCI and financial assets at fair value through profit or loss including investment properties at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(t) Fair value measurement *(continued)*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Involvement of external valuers is decided upon annually by the Finance General Manager (GM), who discusses the basis and assumptions with the valuer. The Group Chief Financial Officer then approves this. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Fair value related disclosures have been set out in note 57.

(u) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition

Financial assets and liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Initial recognition and measurement

Financial assets are classified, at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

Financial assets

In order for a financial asset to be classified and measured at amortised cost or at fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(u) Financial instruments *(continued)*
Financial assets *(continued)*

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include loans receivable, cash and cash equivalents, deposits with financial institutions, commercial papers, corporate bonds, other receivables, government securities at amortised cost and due from related parties.

Business model assessment

The group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Group considers the timing, amount, and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development. The expected frequency, value, and timing of asset sales are important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms to identify whether they meet the SPPI test.

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(u) Financial instruments *(continued)*
Financial assets *(continued)*

make the SPPI assessment, the Group applies judgement and considers relevant factors such as the period for which the interest is set.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The classification of financial assets at initial recognition depends on the financial assets contractual cash flow characteristics and the Group's business model for managing them. Except for other receivables and amount due from related parties, which do not contain significant financing components, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

For a financial asset to be classified and measured at amortised cost or at fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The unquoted financial assets have been designated at fair value through OCI because the Group intends to hold the assets into perpetuity. The Group has designated its equity investments previously classified as available-for-sale as equity investments at FVOCI on the basis that these are not held for trading.

The Group's financial assets designated at fair value through OCI (equity instruments) are the unquoted equity investments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(u) Financial instruments *(continued)*
Financial assets *(continued)*

model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group has classified quoted equity instruments and investments in collective investment scheme in this category.

Derecognition

Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as derecognition gain or loss. When assessing whether or not to derecognise an instrument, amongst others, the Group considers the following factors: introduction of an equity feature, change in counterparty and if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result into cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss.

Impairment of financial assets

Overview of ECL principles

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(u) Financial instruments *(continued)*
Financial assets *(continued)*

events on a financial instrument that are possible within the 12 months after the reporting date.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The calculation of ECLs

The Group calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD: The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The Group does not have financial guarantees, loan commitments, letters of credit and financial assets which are purchased or originated credit impaired (POCI).

The maximum period for which the credit losses are determined is the contractual life of a financial asset at amortised cost unless the Group has the legal right to call it earlier.

The Group allocates its assets subject to ECL calculations into these categories determined as follows:

- **12MECL (Stage 1)** - The 12mECL is calculated as the portion of the LTECL that represents the ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring within 12 months following the reporting date.

- **LTECL (Stage 2)** - This is recorded when a financial instrument has shown a significant increase in credit risk since origination.

- **Impairment (Stage 3)** - For debt instruments considered credit-impaired, the Group recognises the lifetime expected credit losses for these instruments.

- **For other receivables**, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Collateral valuation

To mitigate its credit risk on financial assets (staff loans), the Group seeks to use collateral, where possible. The collateral is in form of real estate or motor vehicles. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculations of ECLs for staff loans. It is generally assessed, at a minimum, at inception and reassessed on annual basis.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(u) Financial instruments *(continued)*
Financial assets *(continued)*

Collaterals such as real estate, is valued based on data provided by third parties such as real estate valuers.

Collateral repossessed.

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for internal operations are transferred to their relevant asset category at the lower of the repossessed value or the carrying amount of the original secured asset. Assets for which selling is determined to be the better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Group's policy.

In its normal course of business, the Group does not physically repossess properties or motor vehicles but engages its procurement department to auction the asset to settle the outstanding debt. Any surplus funds are returned to the obligors. Because of this practice, the real estate properties and motor vehicles under legal repossession processes are not recorded in the balance sheet.

Write offs

Financial assets are written off either partially or in entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount Any subsequent recoveries are credited to credit loss expense. There were no write offs over the period reported in these financial statements.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, and payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include other payables, borrowings, payables arising out of reinsurance arrangements and amounts due to related parties.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial liabilities designated upon initial recognition at fair value through profit or loss are

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Financial instruments *(continued)*

Financial liabilities *(continued)*

designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Management only designates, on an instrument – by– instrument basis, an instrument at FVPL upon initial recognition when one of the following criteria are met:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis

The Group has designated unit linked contracts as financial liabilities at fair value through profit or loss.

Financial liabilities at amortised cost

After initial recognition, payables are subsequently measured at amortised cost using the EIR 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 effective interest rate 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 carrying amount on initial recognition. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

(v) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investment comprising of fixed deposits with financial institutions with original maturities of three months or less, and are subject to an insignificant risk of changes in value.

(w) Dividends

Dividends on ordinary shares are charged directly to equity in the period in which they are declared and approved. Dividend distributions to the shareholders are recognised as a liability in the financial statements in the year in which the dividends are declared and approved by the shareholders.

(x) Events after the reporting date

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events even after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable. Refer to note 61 for more details.

(y) Share capital and share premium

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

Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

(z) Statutory fund

This relates to CIC Life Assurance Limited. The Group matches the assets to liabilities, after which there is a surplus/deficit that is transferred to the statutory fund. The Insurance Act regulations

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(z) Statutory fund *(continued)*

stipulate that only a maximum of 30% of this can be transferred to the shareholders. The statutory actuary advises on the amount to be transferred to the shareholders. When a transfer is made to the shareholders, tax at the prevailing corporation rate 2022: 30% (2021: 30%) is incurred.

(aa) Discretionary Participation Features (DPF)

A DPF gives holders of these contracts the right to receive, as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio. The amount or timing of the additional benefits is contractually at the discretion of the Group. Under the terms of the contracts, surpluses in the DPF funds can be distributed to policyholders and shareholders based on recommendation by the statutory Actuary. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders.

All DPF liabilities including unallocated surpluses at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

(ab) Product classification

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur.

Insurance contracts can also transfer financial risk. Investment contracts are those contracts that transfer significant financial risk, but not significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Once a contract has been classified as an insurance contract (life and general), it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without DPF. The insurance contracts with DPF are majorly for Life Assurance, while the insurance contracts without DPF are both in general and life businesses. For investments contracts however, the group does not have investments contract with DPF. The investments contracts without DPF include the unit linked contracts.

DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that meet the following conditions:

- Likely to be a significant portion of the total contractual benefits; and
- The amount or timing of which is contractually at the discretion of the issuer.

That are contractually based on:

- The performance of a specified pool of contracts or a specified type of contract;
- Realised and/or unrealised investment returns on a specified pool of assets held by the issuer; and
- The profit or loss of the company, fund or other entity that issues the contract.

(ac) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes of presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the assets and liabilities of the Group. Management applies judgement in determining the best estimate of future experience. Judgements are based on historical experience and management's best estimate expectations of future events, taking into account changes experienced historically. Estimates and assumptions are regularly updated to reflect actual experience. Actual experience in future financial years can be materially different from the current assumptions and judgements and could require adjustments to the carrying values of the affected assets and liabilities.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group tracks changes in credit risk and recognises a loss allowance based on lifetime ECLs at each reporting date. See specific notes for financial assets that are subject to impairment assessment.

The Group measures ECL on an individual basis, or on a collective basis for class of assets that share similar economic risk characteristic. Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the staff loans and mortgages will cure and the value of collateral or the amount that might be received for selling the asset.

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

- Determining the criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determining the relevant period of exposure to credit risk; and
- sDetermining the appropriate business models and assessing the "solely payments of principal and interest (SPPI)" requirements for financial assets.

(b) Valuation of long-term insurance contract liabilities

Critical assumptions are made by the actuary in determining the present value of actuarial liabilities. The liability for life insurance contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(continued)*

(b) Valuation of long-term insurance contract liabilities *(continued)*

time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on standard industry and mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation adjustments if appropriate. Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders updated annually. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

(c) Valuation of non-life insurance contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liabilities in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using the chain ladder method. The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types.

Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims' development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect once-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(continued)*

(d) Revaluation of property and investment properties

The Group carries certain classes of property and equipment at fair value, with changes in fair value being recognised in other comprehensive income. Land and buildings were valued based on open market value by independent valuers. For investment properties valuation methodologies were used by reference to properties of similar nature, location and condition amongst other factors which are highly judgemental.

Investment property is classified as held for sale under IFRS 5 where its carrying amount will be recovered principally through a sale transaction rather than continuing use.

For a property to be classified as held for sale, the following conditions need to be met:

- the asset must be available for immediate sale in its present condition; and
- the sale must be highly probable.

The Kiambu land is accounted for as an investment property and is valued at KShs 4.05 billion (2021: KShs 3.8 billion). The land which measures 200 acres has been subdivided into 4 blocks (Blocks A, B, C and D) each with individual freehold titles. One of the Blocks (Block C) has been further subdivided into quarter-acre plots which generated 147 units whose sales launch was done in November 2022. Urban planners working under a consortium have been engaged for the subdivision of the remaining blocks A, B and D.

At 31 December 2022, deposits amounting to KShs 35.8 million have been received into an escrow account with Co-operative Bank of Kenya. The amounts have been recognized in the cash book against a contract liability account. The receipts are deferred on the balance sheet and revenue recognised when full consideration is paid and title to the property passed to the buyers.

(e) Impairment of Associate

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount to the statement of profit or loss. In the current year, the results of the impairment assessment tests performed on the investment in the associate resulted in no impairment (2021: Impairment of KShs 34,376,000) as detailed in Note 18.

(f) Impairment of subsidiaries

The Group determines at each reporting date whether there is any objective evidence that the investment in the subsidiaries is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the respective subsidiaries and its carrying value and recognises the amount to the statement of profit or loss. In the current and previous year, the results of the impairment assessment tests performed on the investment in the subsidiaries resulted in no impairment as detailed in Note 19.

(g) Recoverability of deferred income tax asset

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SEGMENT INFORMATION

In accordance with IFRS 8: Operating segments, the information presented hereafter by operating segment is the same as that reported to the Chief Operating Decision Maker (the Group Chief Executive Officer) for the purposes of making decisions about allocating resources to the segment and assessing its performance.

Under IFRS 8, the Group's reportable segments are long term business, general insurance business, asset management and other. Long-term business comprises the underwriting of risks relating to death of an insured person and includes contracts subject to the payment of premiums for a long-term dependent on the termination or continuance of the life of an insured person. General insurance business relates to all other categories of insurance business written by the Group and is analysed into several sub-classes of business based on the nature of the assumed risks. Asset management comprises fund management, advisory services businesses and investments. Others comprises of the regional companies; CIC Africa Uganda, CIC Africa Malawi and CIC Africa South Sudan. It also includes the holding company. The Group's main geographical segment of business is in Kenya, which contributes over 89% of the Group's total income.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the significant accounting policies. There are no intersegment revenues and no single customer accounts for more than 10% of the revenue.

Factors that management use to identify the entity's reportable segments

The CIC Insurance Group PLC segments are strategic companies that offer different products and are managed separately based on regulatory requirements.

Description of the types of products and services from which each reportable segment derives its revenues

The CIC Insurance Group PLC has reportable segments; general insurance business, long term insurance business, asset management and other business.

Group management internally evaluates its performance based upon:

- Reportable segment profits after tax.
- Capital employed (defined as the total of intangible and tangible assets and working capital).

The various products and services that the reporting segments derive their revenues from have been described as follows.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SEGMENT INFORMATION (continued)

The various products and services that the reporting segments derive their revenues from have been described as follows.

		2022 KShs'000	2021 KShs'000
(a)	Gross written premiums		
	General insurance business		
	Motor	4,976,115	4,243,325
	Medical	6,096,486	4,357,325
	Fire	1,198,797	1,056,155
	Personal accident	296,898	251,722
	Theft	655,677	746,084
	Public liability	135,073	115,977
	Marine	138,542	99,728
	Engineering	279,211	426,743
	Miscellaneous accident	785,296	615,387
	Workmen compensation	1,187,600	1,006,612
	Others	33,123	1,191
	Sub - total	15,782,818	12,920,249
	Long-term business		
	Ordinary life	1,162,825	1,182,908
	Group life	6,566,456	5,528,151
	Annuities	167,463	57,894
	Sub - total	7,896,744	6,768,953
	Total gross written premiums	23,679,562	19,689,202
(b)	Gross earned premiums		
	General insurance business		
	Motor	4,602,503	4,322,679
	Medical	5,549,546	4,303,582
	Fire	1,108,047	1,014,030
	Personal accident	288,118	252,996
	Theft	645,704	742,693
	Public liability	138,083	111,653
	Marine	130,603	97,690
	Engineering	363,912	427,454
	Miscellaneous accident	782,040	614,112
	Workmen compensation	1,173,915	877,863
	Others	6,745	1,872
	Sub – total	14,789,216	12,766,624
	Long-term business		
	Ordinary life	1,162,825	1,182,908
	Group life	6,566,456	5,528,151
	Annuities	167,460	57,894
	Sub – total	7,896,741	6,768,953
	Total gross earned premiums	22,685,957	19,535,577

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SEGMENT INFORMATION *(continued)*

(b) Gross earned premiums *(continued)*

Reconciliation between gross written premiums and gross earned premiums:

	2022 KShs '000	2021 KShs '000
Gross written premiums	23,679,562	19,689,202
Movement in Unearned Premium Reserve	(993,605)	(153,625)
Gross earned premiums	22,685,957	19,535,577

(c) Reinsurance premiums ceded

	2022 KShs'000	2021 KShs'000
General insurance business		
Motor	247,706	4,322,679
Medical	688,799	4,303,582
Fire	123,280	1,014,030
Personal accident	192,099	252,996
Theft	272,932	742,693
Public liability	121,490	111,653
Marine	283,820	97,690
Engineering	63,133	427,454
Miscellaneous accident	689,127	614,112
Workmen compensation	775,453	877,863
Others	5,289	1,872
Sub – total	3,463,128	3,082,228
Long-term business		
Ordinary life	15,864	1,738,321
Group life	1,737,673	12,300
Sub – total	1,753,537	1,750,621
Total reinsurance premiums ceded	5,216,665	4,832,849

(d) Investment income:

General insurance business class

(i) Interest revenue calculated using the effective interest method	2022 KShs '000	2021 KShs'000
Government securities at amortised cost – debt instruments	175,669	88,568
Financial assets at amortised cost - corporate bonds	251	(1,049)
Debt instruments at FVOCI	488,321	355,722
Staff loan receivables	2,996	3,227
Deposits with financial institutions at amortised cost	208,055	152,495
Deposits and commercial papers	5,593	88,568
Sub – total	880,885	598,963

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SEGMENT INFORMATION *(continued)*

(d) Investment income: *(continued)*

	2022 KShs'000	2021 KShs'000
(ii) Other investment income		
Dividend income from equity instruments at FVPL	36,599	16,637
Rental income from investment properties	124,558	110,031
Sub – total	161,157	126,668
Long term business		
(i) Interest revenue calculated using the effective interest method		
Government securities at amortised cost – debt instruments	104,663	201,337
Corporate bonds at amortised cost	985	-
Financial assets at fair value through other comprehensive income - debt instruments	597,424	480,887
Deposits with financial institutions at amortised cost	124,179	-
Staff loan receivables	58,035	-
Sub – total	885,286	682,224
(ii) Other investment income		
Dividend income	12,553	16,416
Rental income from investment properties	20,577	26,363
Sub – total	33,130	42,779
Asset management business		
(i) Interest revenue calculated using the effective interest method		
Government securities at amortised cost	40,044	31,360
Financial assets at amortised cost - corporate bonds	2,058	807
Deposits with financial institutions	31,645	29,849
Staff loan receivables	-	28
Sub – total	73,747	62,044
(ii) Other investment income		
Interest on deposits and commercial papers	-	242
Dividend income	540	392
Sub – total	540	634
Other businesses		
(i) Interest revenue calculated using the effective interest method		
Government securities at amortised cost	1,350	48,838
Deposits with financial institutions	9,614	51,997
Staff loan receivables	-	2,121
Sub – total	10,964	102,956
(ii) Other investment income	9,528	50,139
Total investment income (i&ii)	2,055,237	1,666,407

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SEGMENT INFORMATION *(continued)*

(e) Claims and policy holders' benefits expenses

	2022 KShs'000	2021 KShs'000
General insurance business		
- Gross benefits and claims paid	7,858,800	7,530,802
- Claims ceded to reinsurers	(1,119,946)	(968,259)
- Gross change in insurance contract liabilities	805,797	18,428
- Change in contract liabilities ceded to reinsurers	11,796	(160,193)
Sub – total	7,556,447	6,420,778
Long-term business		
- Gross benefits and claims paid	4,159,356	4,958,512
- Reinsurance recoveries	(1,213,938)	(1,633,864)
- Gross change in actuarial reserves	1,166,143	990,020
- Reinsurer's share of change in actuarial reserves	(1,324)	(206,896)
Sub – total	4,110,237	4,107,772
Total claims and policy holders' benefits expenses	11,666,684	10,528,550

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SEGMENT INFORMATION *(continued)*

(f) Other disclosures:

31 December 2022	General Insurance business KShs'000	Long-term Assurance business KShs'000	Asset Management KShs'000	Other businesses KShs'000	Total KShs'000
Reportable segment profits after tax	436,750	579,294	112,657	(35,316)	1,093,385
Reportable segment total assets	18,730,432	21,823,338	1,405,985	9,666,178	51,625,933
Less intrasegment balances:					
: Related party balances	(127,341)	(501,155)	(42,649)	(71,422)	(742,567)
: Investment in subsidiaries	-	-	-	(4,178,410)	(4,178,410)
Reportable segment total assets - net	18,603,091	21,322,183	1,363,336	5,416,346	46,704,956
Reportable segment total liabilities	14,161,668	19,211,712	113,580	4,916,469	38,403,429
Less: related party balances	(193,378)	(72,139)	-	-	(265,517)
Reportable segments total liabilities - net	13,968,290	19,139,573	113,580	4,916,469	38,137,912
Interest and other investment income	1,042,042	918,416	74,287	20,492	2,055,237
Interest expense	14,691	10,893	-	414,721	440,305
Income tax charge/(credit)	517,434	200,842	194,349	24,159	936,784
Fees and commission income	915,510	342,166	1,129,791	-	2,387,467
Depreciation of property and equipment	29,537	18,495	2,076	13,577	63,685
Amortisation of intangible assets	32,906	9,611	187	13,930	56,634
Property and equipment additions	4,551	4,818	1,266	45,057	55,692
Intangible assets additions	9,341	1,058	-	21,512	31,911
31 December 2021					
Reportable segment profits after tax	463,788	(55,006)	369,698	(110,043)	668,437
Reportable segment total assets	15,440,310	18,831,190	1,387,562	9,636,511	45,295,573
Less intrasegment balances:					
: Related party balances	29,337	414,914	33,464	(357,242)	120,473
: Investment in subsidiaries	(1,700,000)	(800,000)	(311,000)	(1,064,210)	(3,875,210)
Reportable segment total assets - net	13,769,647	18,446,104	1,110,026	8,215,059	41,540,836
Reportable segment total liabilities	10,116,528	16,508,531	93,794	6,870,063	33,588,916
Less: related party balances	(26,836)	(5,375)		-	(32,211)
Net assets	10,089,692	16,503,156	93,794	6,870,063	33,556,705
Interest and other investment income	755,479	730,606	62,678	153,095	1,701,858
Interest expense	-	-		430,071	430,071
Income tax charge/(credit)	(179,770)	23,574	(153,748)	18,669	(291,275)
Fees and commission income	688,455	406,004	916,185	126,366	2,137,010
Depreciation of property and equipment	40,956	14,873	8,791	49,489	114,109
Amortisation of intangible assets	4,439	713	188	22,004	27,344
Property and equipment additions	31,647	20,025	1,083	10,579	63,334
Intangible assets additions	2,415	526	-	46,537	49,478

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SEGMENT INFORMATION *(continued)*

31 December 2022	Kenya KShs'000	Sudan KShs'000	Uganda KShs'000	Malawi KShs'000	Inter segment eliminations	Total KShs'000
Net earned premium	15,775,720	301,592	610,494	781,486	-	17,469,292
Profit before tax	2,135,759	66,625	68,305	99,480	(340,000)	2,030,169
Total assets	47,196,307	1,343,739	1,295,168	1,119,574	(4,249,832)	46,704,956
31 December 2021						
Net earned premium	13,246,371	191,415	537,733	727,209	-	14,702,728
Profit before tax	1,668,664	211,433	(19,427)	202,453	(1,103,411)	959,712
Total assets	42,594,468	1,465,206	1,326,920	1,073,946	(4,919,704)	41,540,836

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

4. (a) FEES AND COMMISSIONS

	2022 KShs'000	2021 KShs'000
General insurance business		
Engineering	43,226	114,830
Fire	288,587	239,449
Liability	11,168	7,745
Marine	24,637	9,515
Miscellaneous	209,483	151,925
Personal accident	29,577	24,063
Theft	74,503	127,365
Workmen's compensation	231,057	117,720
Others	-	2,326
	912,238	794,938
Long-term business		
Group life	262,589	359,529
Ordinary life	7,845	6,867
Pension fund fees	75,004	42,790
	345,438	409,186
Asset Management business		
Fund management fees	1,129,791	840,704
Other businesses		
Administration fee	-	92,182
Other income	-	-
	-	92,182
Total	2,387,467	2,137,010

(b) COMMISSION EXPENSE

	2022 KShs'000	2021 KShs'000
General insurance business		
Engineering	79,622	63,664
Fire	257,304	235,892
Liability	22,717	19,095
Medical	535,212	413,529
Motor	393,582	424,588
Marine	27,011	18,409
Miscellaneous	64,884	41,597
Theft	108,608	131,437
Personal accident	51,092	47,964
Workmen Injury Benefit Act (WIBA)	230,763	201,644
Others	38,692	1,079
	1,809,487	1,598,898
Long-term business		
Group life	591,778	511,318
Ordinary life	140,026	113,582
Pension fund fees	3,342	-
	735,146	624,900

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

4. (b) COMMISSION EXPENSE *(continued)*

Asset Management business	2022 KShs'000	2021 KShs'000
Asset Management business		
Fund management fees	320,791	256,215
Total	2,865,424	2,480,013

5. INVESTMENT INCOME

a) GROUP

(i) Interest revenue calculated using the effective interest method	2022 KShs'000	2021 KShs'000
Government securities at amortised cost	280,332	252,040
Corporate bonds at amortised cost	3,294	3,227
Deposit with financial institutions at amortised cost	373,493	323,679
Staff loan receivables	62,381	57,086
Government securities at OCI	1,125,789	836,609
Deposits and commercial papers	5,593	242
	1,850,882	1,472,883
(ii) Other investment income		
Dividend income	59,220	33,445
Rental income from investment properties	145,135	160,079
	204,355	193,524
Total	2,055,237	1,666,407
Investment income earned on financial assets analysed by categoty of assets:		
Financial asset at amortised cost	725,093	636,274
Financial asset at fair value through OCI	1,125,789	836,609
Dividend income	59,220	33,445
Investment income earned on non-financial assets	145,135	160,079
Total	2,055,237	1,666,407

Other fair value gains relating to financial assets classified as fair value through profit or loss are included in other income in note 6.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

5. INVESTMENT INCOME *continued)*

b) COMPANY

(i) Interest revenue calculated using the effective interest method	2022 KShs'000	2021 KShs'000
Interest on deposits with financial institutions	9,614	40,699
Interest on staff loans	1,350	1,302
	10,964	42,001
(ii) Other investment income		
Dividend income	340,000	1,122,131

6. OTHER GAINS

GROUP	2022 KShs'000	2021 KShs'000
Fair value gain on investment properties (note 15 (a))	281,833	10,788
Fair value (loss)/gain on quoted equity investments at fair value through profit or loss (note 25)	(84,152)	63,278
Fair value gain on investment in collective investment scheme (note 26(b))	75,782	112,830
Medical administration fee	10,120	9,222
Miscellaneous income*	139,126	67,534
	422,709	263,652
COMPANY		
Fair value gain on investment property (Note 15(b))	246,000	-
Fair value on investment in collective investment scheme (Note 26(c)	1,417	946
Miscellaneous income	26,383	2,740
	273,800	3,686

**Miscellaneous income includes exchange gains, medical administration fees, sale of scraps, medical card replacement fees and sale of tenders and branded merchandise.*

7. CLAIMS AND POLICYHOLDERS BENEFITS EXPENSES

	2022 KShs '000	2021 KShs '000
Claims and policyholders benefits payable:		
Gross benefits and claims paid	(12,012,988)	(12,489,314)
Claims ceded to reinsurers	2,262,760	2,453,674
Gross change in insurance contract liabilities	(1,834,416)	(1,008,448)
Change in contract liabilities ceded to reinsurers	(82,039)	515,538
Net benefits and claims	(11,666,684)	(10,528,550)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

8. OPERATING AND OTHER EXPENSES

(a) GROUP

	2022 KShs'000	2021 KShs'000
Staff costs (note 8 (b))	2,244,049	1,957,389
Auditors' remuneration	28,128	24,488
Directors' emoluments - fees	31,738	46,469
Directors' other expenses (travel and accommodation)	2,921	8,171
Depreciation of property and equipment (note 13 (a))	63,685	114,109
Amortisation of intangible assets (note 16 (a))	56,634	29,045
Impairment charge on direct premium receivables (note 28(a))	197,916	235,018
Impairment charge on reinsurance premium receivables (note 28(b))	521,874	456,692
Depreciation on the right of use (note 14(a)	77,136	75,380
Premium tax	167,124	137,081
Staff welfare	304,523	309,820
Utilities	218,392	201,571
Software licence costs	83,637	92,201
Printing and stationery	58,237	47,672
Business advertising and promotion	378,562	353,301
Professional fees	310,195	217,821
Statutory levies	118,697	97,795
Professional subscriptions	5,693	6,764
Staff loan write off	-	17,690
Impairment of investment in associate	-	15,656
Performance incentive	76,331	47,617
Other expenses*	587,209	251,213
	5,532,681	4,742,963

**Other expenses relate to tender costs, postage, donations, entertainment and other sundry expenses.*

(b) STAFF COSTS

	2022 KShs'000	2021 KShs'000
Staff costs include the following:		
- Salaries and allowances**	1,995,478	1,796,199
- Bonus provision	70,182	-
- Defined pension contribution expense	117,945	112,544
- Termination benefits expense	8,295	12,997
- Leave pay	52,149	35,649
	2,244,049	1,957,389
Number of employees	648	573

***Included in the staff costs is salary and allowances of KShs 64 million (2021: KShs 59 million) paid to the Group Chief Executive Officer, who is also a director.*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

8. OPERATING AND OTHER EXPENSES *(continued)*

(c) COMPANY

	2022 KShs'000	2021 KShs'000
Utilities	3,345	4,460
Depreciation of property and equipment (note 13 (b))	13,577	20,788
Amortisation of intangible assets (note 16 (b))	24,575	18,441
Auditor's remuneration	2,365	2,118
Annual General meeting expenses	2,378	2,552
Share registration cost	6,052	3,998
Depreciation on the right of use asset (note 13(b)	-	8,759
Amortisation of loan expenses	18,602	24,541
Impairment of investment in associate (note 17)	-	34,376
Printer leases	15,958	-
Kiambu land subdivision costs	49,322	-
Other expenses	64,625	7,548
	200,799	127,581

(d) The reconciliation of expected credit losses (ECL) is as follows

GROUP: 2022	ECL at 1 January KShs'000	Charge / (credit) through P&L KShs'000	ECL at 31 December KShs'000
Corporate bonds at amortised cost (note 20)	105,387	(7,279)	83,408
Loans receivable – Mortgage loans (note 22(a)	6,612	4,624	11,236
– Other Loans (note 22(b)	153	74	227
Deposits and commercial papers (note 26(a))	53	-	53
Deposits with financial institutions (note 32(a)	34,546	(2,539)	32,007
Government securities at FVOCI (note 23)	3,882	(3,882)	-
Government securities at amortised cost (note 21)	783	(3)	780
Other receivables (note 30(a)	6,752	1,994	8,746
Receivables from related parties (note 30)	3,652	(1,111)	2,541
Cash and cash equivalents	1,718	(706)	1,012
Total	163,538	(8,828)	140,010

GROUP: 2021	ECL at 1 January KShs'000	Charge / (credit) in P&L KShs'000	ECL at 31 December KShs'000
Corporate bonds at amortised cost (note 20)	83,359	22,028	105,387
Loans receivable – Mortgage loans (note 22(a)	-	6,612	6,612
– Other Loans (note 22 (b)	306	(153)	153
Deposits and commercial papers (note 26(a))	5	48	53
Deposits with financial institutions (note 32(a)	28,024	6,522	34,546
Government securities at FVOCI (note 23)	-	3,882	3,882
Government securities at amortised cost (note 21)	-	783	783
Other receivables (note 30 (a))	3,761	2,991	6,752
Receivables from related parties (note 31)	7,994	(4,342)	3,652
Cash and cash equivalents	-	1,718	1,718
Total	123,449	40,089	163,538

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

8. OPERATING AND OTHER EXPENSES *(continued)*

(d) The reconciliation of expected credit losses (ECL) is as follows:

COMPANY: 2022	ECL at 1 January KShs'000	Charge / (credit) in P&L KShs'000	ECL at 31 December KShs'000
Loans receivable – Mortgage loans (note 22(b)	171	117	288
Receivables from related parties (note 31)	1,281	502	1,783
Deposits with financial institutions (note 32(b)	73	9	82
Cash and cash equivalents	-	-	-
Total	1,525	628	2,153

The reconciliation of expected credit losses (ECL) is as follows:

COMPANY: 31 December 2021	ECL at 1 January KShs'000	Charge / (credit) in P&L KShs'000	ECL at 31 December KShs'000
Loans receivable – Mortgage loans (note 22(b)	-	171	171
Receivables from related parties (note 31)	1,255	26	1,281
Deposits with financial institutions (note 32(a)	37	36	73
Cash and Cash equivalents (note 51)	-	-	-
Total	1,292	233	1,525

9. GAIN ON MONETARY POSITION (CIC AFRICA SOUTH SUDAN)

IAS 29 Financial reporting in hyperinflationary economies requires financial statements that are prepared in the currency of a hyper-inflationary economy to be stated in terms of the value of money at the end of the reporting period. The IAS 29 approach is to restate all non-monetary balances recognised in the financial statements to the year-end general purchasing power of the functional currency and requires the use of a general price index to reflect changes in purchasing power.

The restatement procedures are summarised as follows:

- Selection of a general price index - Most governments issue periodic price indices.
- Segregation of monetary and non-monetary items - Monetary items do not need to be restated, because they represent money held, to be received or to be paid.
- Restatement of non-monetary items - Non-monetary assets and liabilities are restated in terms of the measuring unit current at the end of the reporting period.
- Restatement of shareholders' equity - All components of shareholders' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later
- Restatement of the income statement - All items in comprehensive income are restated by applying the change in the general price index from the dates when the items of income and expense were originally recorded.
- Tax - Current taxes are restated with reference to movements in the general price index.
- Calculation and proof of the monetary gain or loss – The difference between the historical cost amounts and the result from the restatement of non-monetary items, shareholders' equity, items in the statement of comprehensive income and the adjustment of index-linked items to year end purchasing power.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

9. GAIN ON MONETARY POSITION (CIC AFRICA SOUTH SUDAN) *(continued)*

Statement showing the net monetary result on account of price level changes:

	2022 KShs'000	2021 KShs'000
Monetary liabilities at 1 January	786,828	804,869
Increase in net monetary liabilities in the year	185,960	740,428
Effects of exchange rate changes	(257,195)	(483,078)
Monetary liabilities at 31 December	715,593	1,062,219
Expressed in purchasing power at 31 December	(798,680)	(1,001,809)
Loss on monetary liabilities (a)	(83,087)	(60,410)
Monetary assets at 1 January	922,968	1,129,823
Increase in net monetary assets in the year	168,162	774,166
Effects of exchange rate changes	(296,292)	(657,981)
Monetary assets at 31 December	794,838	1,246,008
Expressed in purchasing power at 31 December	890,820	(1,171,301)
Gain on monetary assets (b)	95,982	74,707
Net gain on monetary position (c=a+b)	12,895	14,297

10. FINANCE COST

(a) Group

	2022 KShs'000	2021 KShs'000
Interest expense on borrowings (note 42)	408,000	408,000
Interest expense on lease liability (note14 (a))	32,305	23,075
	440,305	431,075

(b) Company

	2022 KShs'000	2021 KShs'000
Interest expense on borrowings (note 42)	408,000	408,000
Interest expense on related party loan (note 31 (c))	31,165	50,355
Interest expense on lease liability (note 14 (b))	-	1,642
	439,165	459,997

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

11. TAXATION

GROUP	2022 KShs'000	2021 KShs'000
(a) Statement of profit or loss		
Current income tax	630,250	532,044
Deferred income tax (note 17(a))	306,534	(240,769)
Income tax expense	936,784	291,275
COMPANY		
Statement of profit or loss and other comprehensive income		
Current income tax	-	-
Deferred income tax (note 17 (b))	24,159	(65,915)
Income tax expense	24,159	(65,915)
(a) Statement of financial position - Group		
At 1 January	168,440	(43,639)
Current income tax	630,250	532,044
Prior year under provision	-	(367)
Income tax paid	(695,113)	(319,598)
At 31 December	103,577	168,440
Split as follows		
Tax recoverable	(2,000)	(46,655)
Tax payable	105,577	215,095
Net	103,577	168,440
Statement of financial position - Company		
At 1 January	2,000	2,000
Paid during the year	-	-
	2,000	2,000

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

11. TAXATION *(continued)*

(a) Reconciliation of income tax expense to expected tax based on accounting profit

GROUP	2022 KShs'000	2021 KShs'000
Profit before income tax	2,030,169	959,712
Tax calculated at a tax rate of 30% (2021:30%) for Kenya, 30% (2021:30%) for Uganda, O% for South Sudan (2021: 0%) and Malawi 30% (2021:30%)	562,641	547,381
Tax effect of expenses not deductible for tax*	159,247	278,291
Tax effect of income not taxable**	(57,516)	(534,397)
Tax effect on bad debts written off	272,412	-
Taxation charge through profit or loss	936,784	291,275

The effective income tax rate is 46% (2021: 30%).

COMPANY	2022 KShs'000	2021 KShs'000
(Loss)/profit before income tax	(11,158)	580,240
Tax calculated at a tax rate of 30% (2021: 30%)	(3,347)	174,072
Tax effect of income not taxable**	(102,000)	(493,144)
Tax effect of expenses not deductible for tax**	129,506	253,157
Current income tax charge through profit or loss	24,159	(65,915)

The effective income tax rate is (216%) (2021: 11%).
**These expenses are valuation fees, fringe benefit tax, excess pension contributions, loss on valuation of shares etc.*
***These incomes are dividend income and interest on the infrastructure bond.*

12. EARNINGS PER SHARE – BASIC AND DILUTED

Basic earnings per share is calculated based on the profit attributable to shareholders divided by the weighted average number of ordinary shares in issue in each period as follows:

	GROUP	
	2022 KShs'000	2021 KShs'000
Profit attributable to ordinary shareholders' (KShs'000)	1,057,933	589,380
Weighted average number of shares (in thousands)	2,615,578	2,615,578
Earnings per share (KShs) – Basic and diluted (KShs)	0.40	0.23

There were no dilutive shares during the year (2021: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

13. (a) PROPERTY AND EQUIPMENT – GROUP

2022	Buildings KShs'000	Motor Vehicles KShs'000	Computers KShs'000	Furniture fittings & equipment KShs'000	Leasehold improvements KShs'000	Total KShs'000
COST OR VALUATION						
At 1 January	743,251	91,841	282,895	995,263	3,782	2,117,032
Additions	-	14,267	11,331	29,475	619	55,692
Disposals	-	(12,976)	(816)	(1,142)	-	(14,934)
Gain on revaluation	100,028	-	-	-	-	100,028
Foreign exchange differences on translation	(12,456)	(6,062)	(4,263)	(15,374)	(521)	(38,676)
At 31 December	830,823	87,070	289,147	1,008,222	3,880	2,219,142
ACCUMULATED DEPRECIATION						
At 1 January	-	67,174	248,710	876,229	1,166	1,193,279
Charge for the year	-	10,669	15,060	37,555	401	63,685
Foreign exchange differences on translation	-	(4,142)	(3,714)	(14,427)	(318)	(22,601)
Elimination on disposal	-	(2,215)	(357)	(573)	-	(3,145)
At 31 December	-	71,486	259,699	898,784	1,249	1,231,218
CARRYING AMOUNT						
At 31 December	830,823	15,584	29,448	109,438	2,631	987,924

There are no property and equipment pledged as security for liabilities. There are no contractual commitments for the acquisition of property and equipment, except for CIC Plaza South Sudan which is under finance lease.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

13. (a) PROPERTY AND EQUIPMENT – GROUP *(continued)*

2021	Buildings KShs'000	Motor Vehicles KShs'000	Computers KShs'000	Furniture fittings & equipment KShs'000	Leasehold improvements KShs'000	Total KShs'000
COST OR VALUATION						
At 1 January	744,556	80,176	257,943	957,708	3,782	2,044,165
Additions	-	8,389	25,067	29,878	-	63,334
Disposal	-	-	(783)	-	-	(783)
Gain on revaluation	3,242	-	-	-	-	3,242
Foreign exchange differences on translation	(4,547)	3,276	668	7,677	-	7,074
At 31 December	743,251	91,841	282,895	995,263	3,782	2,117,032
ACCUMULATED DEPRECIATION						
At 1 January	-	52,237	233,161	785,825	791	1,072,014
Charge for the year (note 8)	5,125	11,203	14,802	82,604	375	114,109
Foreign exchange differences on translation		3,734	1,070	7,800	-	12,604
Elimination on disposal	(5,125)	-	(323)	-	-	(5,448)
At 31 December	-	67,174	248,710	876,229	1,166	1,193,279
CARRYING AMOUNT						
At 31 December	743,251	24,667	34,185	119,034	2,616	923,753

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

13. (a) PROPERTY AND EQUIPMENT – GROUP *(continued)*

An independent valuation of the buildings in Kenya was carried out at 31 December 2022 by Crystal Valuers Limited, registered valuers, on open market value basis. There were no revaluation movements during the year for the property in Kenya. CIC Plaza in South Sudan was revalued on 31 December 2022 by registered valuers, Kenval Realtors Limited on open market value basis. The fair value of property and equipment are assessed every year. The valuation was conducted by an independent valuer.

There were no borrowing costs related to the additions in property and equipment during the year and hence none has been capitalised. Additionally, none of the above assets was pledged as collateral for the group liabilities except South Sudan property that has been used as collateral on finance lease. The fair value disclosures for the measurement of the building has been disclosed in note 57.

(b) PROPERTY AND EQUIPMENT – COMPANY

2022	Motor Vehicles KShs'000	Computers KShs'000	Furniture fittings & Equipment KShs'000	Total KShs'000
COST				
At 1 January 2022	48,457	30,398	71,117	149,972
Additions	28,680	2,510	13,868	45,058
Disposals	(12,976)	-	-	(12,976)
At 31 December 2022	64,161	32,908	84,985	182,054
ACCUMULATED DEPRECIATION				
At 1 January 2022	38,293	26,809	59,916	125,018
Charge for the year	6,736	1,585	5,256	13,577
Eliminated on disposal	(10,813)	-	-	(10,813)
At 31 December 2022	34,216	28,394	65,172	127,782
CARRYING AMOUNT				
At 31 December 2022	29,945	4,514	19,813	54,272
2021				
COST				
At 1 January 2021	48,457	27,878	69,928	146,263
Additions	-	2,520	1,189	3,709
At 31 December 2021	48,457	30,398	71,117	149,972
ACCUMULATED DEPRECIATION				
At 1 January 2021	30,406	23,725	50,099	104,230
Charge for the year	7,887	3,084	9,817	20,788
At 31 December 2021	38,293	26,809	59,916	125,018
CARRYING AMOUNT				
At 31 December 2021	10,164	3,589	11,201	24,954

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

14. LEASES AS LEASEE

(a) Group

	2022 KShs'000	2021 KShs'000
Right of use asset		
At 1 January	145,754	181,606
Renewal/additions	149,587	41,944
Lease modification	-	(2,416)
Amortization	(77,136)	(75,380)
Lease remeasurement	(8,987)	-
At 31 December	209,218	145,754
Lease liability		
At 1 January	167,025	205,940
Renewal/additions	149,587	41,944
Accretion of interest	32,305	23,075
Payment of interest	(32,305)	(23,075)
Lease modification	-	(2,416)
Lease payments	(53,429)	(78,443)
At 31 December	263,183	167,025
Amounts recognised in profit or loss;		
Interest on lease liabilities	32,305	23,075
Depreciation expense	77,136	75,380
Amounts recognised in statement of cash flows;		
Payment of principal portion of the lease liabilities	53,429	78,443
Payment of interest	32,305	23,075
Total cash outflow for leases	85,734	101,518

(b) Company

	2022 KShs'000	2021 KShs'000
Right of use asset		
At 1 January	-	58,759
Modification	-	(2,416)
Amortization charge	-	(6,343)
At 31 December	-	-
Lease liability		
At 1 January	-	11,061
Interest expense	-	1,642
Modification	-	(2,416)
Lease payments	-	(10,287)
At 31 December	-	-
Amounts recognised in Statement of cashflows		
Payment of principal of lease liabilities	-	8,644
Payment of interest	-	1,642
Total cash outflow from leases	-	10,286

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

14. LEASES AS LEASEE *(continued)*

(b) Lease liability maturity analysis

Group	Due on demand KShs '000	Due within 3 months KShs '000	Due between 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Due after 5 years KShs '000	Total KShs '000
2022						
Lease liabilities	-	35,673	76,452	188,753	6,780	307,658
2021						
Lease liabilities	-	17,982	53,130	152,634	3,080	226,826

Company	Due on demand KShs '000	Due within 3 months KShs '000	Due between 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Due after 5 years KShs '000	Total KShs '000
2022						
Lease liabilities	-	-	-	-	-	-
2021						
Lease liabilities	-	-	-	-	-	-

15. INVESTMENT PROPERTIES

(a) GROUP

	CIC plaza in Kenya and South Sudan KShs'000	Kiambu Land KShs'000	Kajiado Land KShs'000	Total KShs'000
At 1 January 2021	1,933,411	3,800,000	1,732,000	7,465,411
Foreign exchange differences on translation	1,740	-	-	1,740
Fair value gains	10,788	-	-	10,788
At 31 December 2021	1,945,939	3,800,000	1,732,000	7,477,939
At 1 January 2022	1,945,939	3,800,000	1,732,000	7,477,939
Foreign exchange differences on translation	1,868	-	-	1,868
Fair value gains	35,833	246,000	-	281,833
At 31 December 2022	1,983,640	4,046,000	1,732,000	7,761,640

(b) COMPANY

	2022 KShs'000	2021 KShs'000
Kiambu Land		
At 1 January	3,800,000	3,800,000
Fair value gains (note 6)	246,000	-
At 31 December	4,046,000	3,800,000

Net rental income on CIC Plaza arising from operating lease arrangements has been disclosed in note 5 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

15. INVESTMENT PROPERTIES *(continued)*

The Group's investment properties include;

- CIC Plaza Kenya land and building valued at KShs 1.7 billion. The property was revalued at 31 December 2022 and 2021 by Crystal Valuers Limited who are registered professional valuers. The fair value of the investment property was determined on the basis of open market value.
- CIC Plaza South Sudan land and building valued at KShs 283 million. The property was revalued at 31 December 2022 and 2021 by Kenval Realtors Limited who are registered professional valuers. The fair value of the investment property was determined on the basis of open market value.
- Kajiado land valued at KShs 1.73 billion. The property was revalued at 31 December 2022 and 2021 by Crystal Valuers Limited who are registered professional valuers. The fair value of the investment property was determined on the basis of open market value.
- Kiambu land valued at KShs 4.05 billion. The property was revalued at 31 December 2022 and 2021 by Crystal Valuers Limited who are registered professional valuers. The fair value of the investment property was determined on the basis of open market value. The property has also been used as collateral on a bank loan with Cooperative Bank of Kenya.

The Company has begun disposing the Kiambu land. At 31 December 2022, deposits amounting to Kshs 34 million had been received and are included within other payables until revenue recognition criteria is met. Proceeds from sale of the land will be used to settle outstanding loan from Co-operative Bank (Note 42) whose repayment date is 30 Sep 2024.

The table below illustrates the information about significant unobservable inputs used at year end:

Valuation approach – assuming use of the asset in the highest and best use	Significant observable inputs	Inter-relationship between key observable inputs	Significant unobservable inputs
Valued using the Discounted Cash Flow method. Net income is determined by considering gross income less operating expenditure. Capitalization of the rental income using the year purchase method	The valuation is determined on the market weighted average cost of capital.	Increase in the discount and vacancy rate will decrease the fair value of the properties.	Discount rate; 13%
The discount rate is determined with reference to the current market conditions comparable market transactions.	Tenancy is based on projected occupancy of the property.	Similar changes in tenancy will increase/decrease the market value of the property.	Annual rent growth rate; 3%

Description of valuation techniques used and key inputs to valuation on investment properties:

Valuation technique	Significant unobservable Inputs	Average Kshs'000
Capitalized rent income (year purchase) method	Net annual rent	160,079

Considering the physical economic parameters in the country and the trends in property markets, management is of the opinion that there will not be significant change in the inputs to the valuation method during the year. The valuation takes into account recent prices of similar properties with adjustments made to reflect any changes in economic conditions since the date of the transactions at those prices.

Valuations are performed on an annual basis and the fair value gains and losses are recorded within the profit or loss. The Kiambu land property worth Kshs 4.05 billion has been pledged and charged as collateral on the bank loan with Cooperative Bank of Kenya. The value of the land is based on market value, that is price at which an interest in a property might reasonably be expected to be sold by a private treaty at the date of valuation assuming:

a). a willing seller;
b). a reasonable period within which to negotiate the sale by taking into account the nature of the property;
c). values will remain static throughout the period;
d). the property will be freely exposed to the market within reasonable publicity;
e). no account is taken of an individual bid by a special purchaser.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

16. INTANGIBLE ASSETS

(a) GROUP

2022	Computer Software Total KShs'000	Work in progress*	Goodwill KShs'000	Total KShs'000
COST				
At 1 January	383,977	147,998	98,148	630,123
Additions	29,256	2,655	-	31,911
Transfers	103,934	(103,934)	-	-
Hyperinflation adjustment	(352)	-	-	(352)
Effect of foreign currency translation	(260)	-	-	(260)
At 31 December	516,555	46,719	98,148	661,422
ACCUMULATED AMORTISATION				
At 1 January	316,398	-	-	316,398
Charge for the year	56,634	-	-	56,634
Foreign exchange differences on translation	3,413	-	-	3,413
At 31 December	376,445	-	-	376,445
CARRYING AMOUNT				
At 31 December	140,110	46,719	98,148	284,977

**work in progress relates to the underwriting and financial reporting software which is currently under implementation.*

2021	Computer Software Total KShs'000	Work in progress*	Goodwill KShs'000	Total KShs'000
COST				
At 1 January	334,499	126,503	98,148	559,150
Additions	49,478	21,495	-	70,973
At 31 December	383,977	147,998	98,148	630,123
ACCUMULATED AMORTISATION				
At 1 January	289,041	-	-	289,041
Charge for the year (note 8)	27,344	-	-	27,344
Foreign exchange differences on translation	13	-	-	13
At 31 December	316,398	-	-	316,398
CARRYING AMOUNT				
At 31 December	67,579	147,998	98,148	313,725

*work in progress relates to the underwriting and financial reporting software which is currently under implementation.

The goodwill arose from the acquisition of CIC Africa Limited Malawi. In line with the impairment provisions under IAS 36, management identified two clear cut cash generating units (CGUs); Life Business (Long term) and General Business (short term) for CIC Africa Ltd Malawi. This was consistent with the goodwill impairment assessment for the year ended 31 December 2021. IAS 36 paragraph 33 (b) "in measuring value in use an entity shall base cash flow projections on the most recent financial budgets/forecasts approved by management, which exclude any estimated future cash inflows or outflows expected to arise from future restructurings or from improving or enhancing the asset's performance.".

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

16. INTANGIBLE ASSETS *(continued)*

(a) GROUP *continued)*

The group tests whether goodwill has suffered any impairment on an annual basis. For the 2022 and 2021 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. Based on the results of the impairment test carried out, goodwill was assessed not to be impaired.

The sensitivities to the assumptions are not material.

The following table sets out the key assumptions applied in determining the value in use calculations of the CGUs to which goodwill was allocated:

	General	Life
Gross premiums growth:		
year 1	25%	28%
year 2	25%	20%
year 3	20%	30%
year 4	20%	30%
year 5	20%	30%
Terminal growth rate	4%	4%
Reinsurance rate	11%	7%
Discount rate	25%	21%
Benefits paid/claims ratio	55%	45%
Commission and selling costs	8%	18%
Commissions earned	21%	25%
Investment income	10%	10%

Management determined the values assigned to each of the above key assumptions as follows:

Gross premium growth	Average growth premium based on market expectation and in line with industry trend and experience. Management projects a conservative growth trajectory for the business for the coming years.
Long term growth rate	Based on Malawi's projected GDP growth in 2022. The rates are consistent with forecasts included in industry reports.
Reinsurance premiums growth	Based on company's historical experience
Benefits paid	Based on company's historical experience and management expectations
Discount rate	Weighted average cost of capital per CGU
Commission and selling costs	Based on company's historical experience and management expectations
Investment income	Based on Malawi's historical rate of return on investments
Commissions earned	Based on historical experience and management expectations.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

16. INTANGIBLE ASSETS *(continued)*

(b) COMPANY

2022	Computer software KShs'000	Work in progress	Total 2020 KShs'000
COST			
At 1 January	110,220	36,881	147,101
Additions	18,857	2,655	21,512
At 31 December	129,077	39,536	168,613
ACCUMULATED AMORTISATION			
At 1 January	47,486	-	47,486
Charge for the year	24,575	-	24,575
At 31 December	72,061	-	72,061
CARRYING AMOUNT			
At 31 December	57,016	39,536	96,552
2021			
COST			
At 1 January	66,206	30,963	97,169
Additions	44,014	5,918	49,932
At 31 December	110,220	36,881	147,101
ACCUMULATED AMORTISATION			
At 1 January	29,045	-	29,045
Charge for the year (note 8)	18,441	-	18,441
At 31 December	47,486	-	47,486
CARRYING AMOUNT			
At 31 December	62,734	36,881	99,615

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

17. DEFERRED TAXATION

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2021: 30%).

(a) GROUP

	2022 KShs'000	2021 KShs'000
Deferred tax asset	1,155,450	1,206,098
Deferred tax liability	(674,381)	(485,042)
Net deferred tax asset	481,069	721,056
Deferred tax charge analyzed as follows:		
Deferred tax recognized through profit or loss	(306,534)	240,769
Deferred tax recognized through OCI	(66,547)	36,153
	(239,987)	276,922

Deferred tax movement:

Arising from:	2021 KShs'000	Movement KShs'000	2022 KShs'000
Unutilised tax losses	804,303	(147,924)	656,379
Property and equipment	61,353	7,574	68,927
Provisions for doubtful premium receivables	444,427	(98,933)	345,494
Revaluation investment property	(189,331)	88,058	(101,273)
Life fund surplus	(485,042)	(189,339)	(674,381)
Fair value losses through OCI	36,153	66,547	102,700
Other deductible differences	49,193	34,030	83,223
Net deferred tax asset	721,056	(239,987)	481,069

GROUP	2020 KShs'000	Movement KShs'000	2021 KShs'000
Unutilised tax losses	738,388	65,915	804,303
Property and equipment	56,551	4,802	61,353
Provision for doubtful premium receivables	302,231	142,196	444,427
Revaluation investment property	(189,299)	(32)	(189,331)
Life fund surplus	(508,616)	23,574	(485,042)
Fair value losses through OCI	-	36,153	36,153
Other deductible differences	44,879	4,314	49,193
Net deferred tax asset	444,134	276,922	721,056

Deferred tax charge analyzed as follows:	2022 KShs'000	2021 KShs'000
Deferred tax recognized through profit or loss	(306,534)	240,769
Deferred tax recognized through OCI	66,547	36,153
	(239,987)	276,922

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

17. DEFERRED TAXATION *(continued)*

GROUP

	Net deferred tax asset/(liability)	
	2022 KShs'000	2021 KShs'000
The deferred tax asset/(liability) has been analysed as follows;		
CIC Asset Management Limited	15,216	14,865
CIC General Insurance Limited	431,549	507,618
CIC Life Assurance Limited	(674,381)	(485,042)
CIC Africa Malawi Limited	90,376	41,149
The CIC Insurance Group Limited – Company	618,309	642,466
	481,069	721,056

(b) COMPANY

	At 1 January KShs'000	Recognized in Profit or loss KShs'000	At 31 December KShs'000
2021			
Arising from:			
Unutilised tax losses	730,565	(125,176)	605,389
Provisions	7,509	29,568	37,077
Amortization of ROU	314	(314)	-
Deferred tax on capital gains	(161,837)	161,837	-
Net deferred tax asset	576,551	65,915	642,466
2022			
Arising from:			
Unutilised tax losses	605,389	50,990	656,379
Provisions	37,077	(1,349)	35,728
Fair value gains on revaluation of investment property	-	(73,800)	(73,800)
Net deferred tax asset	642,466	(24,159)	618,307

18. INVESTMENT IN ASSOCIATE

The investment in Takaful Insurance of Africa Limited represents 22% (2021 – 22%) of the issued ordinary share capital the associate, which is a limited liability company incorporated and domiciled in Kenya. Its principal activities are transaction of general insurance and life insurance business. The company, whose financial year end is 31 December, is not listed on any securities exchange.

The table below summarizes the changes in the investment in associate;

	GROUP		COMPANY	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
At 1 January	104,024	119,680	104,024	138,400
Share of profit after tax	4,670	-	4,670	-
	108,694	119,680	108,694	138,400
Impairment charge	-	(15,656)	-	(34,376)
At 31 December	108,694	104,024	108,694	104,024

Impairment assessment was performed which resulted in no impairment charges in the year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

18. INVESTMENT IN ASSOCIATE *(continued)*

Summarised financial information in respect of the associate is set out below:	2022 KShs'000	2021 KShs'000
Current assets	1,726,108	1,480,784
Non- current assets	224,105	241,058
Current liabilities	1,298,995	1,091,849
Non- current liabilities	159,230	159,230
Equity	491,988	470,763
Cash and cash equivalents	215,047	206,530
Net earned premiums	787,254	667,753
Investment and other income	119,538	209,012
Net claims and policy holder benefit payable	(409,213)	(366,352)
Operating and commissions expense	(467,257)	(490,936)
Profit from continuing operations for the year	30,322	19,477
Income tax expense	(9,097)	(21,551)
Profit / (loss) for the year	21,225	(2,074)
Group's share of profit /(loss)	4,670	(456)
Group's share of associate's contingent liabilities	Nil	Nil

The extent to which outflow of funds will be required on the Group's share of associate's contingent liabilities is dependent on the future operations of the associate being favourable than currently expected. In common practice with the insurance industry in general, the associate is subjected to litigation arising in the normal course of insurance business. There are no significant restrictions on the ability of associate to transfer funds to the entity in the form of cash dividend made by the group.

The are no commitments relating to the associate.

19. INVESTMENT IN SUBSIDIARIES

(a) COMPANY

	2022 KShs'000	2021 KShs'000
CIC Asset Management Limited: 15,550,000 ordinary shares of KShs 20 each at cost	311,000	311,000
CIC General Insurance Limited: 85,000,000 ordinary shares of KShs 20 each at cost	1,700,000	1,700,000
CIC Life Assurance Limited: 40,000,000 ordinary shares of KShs 20 each at cost	800,000	800,000
CIC Africa Insurance (South Sudan) Limited 690,000 ordinary shares of USD 5 each at cost (1 KShs =USD 0.93)	319,962	319,962
CIC Africa Co-operatives Insurance (Malawi) Limited 789,977 ordinary shares of MK 1,000 each at cost (1KShs = MK 7.2)	268,124	268,124
CIC Africa (Uganda) Limited* 720,093 ordinary shares of UShs 10,000 each at cost (1Kshs = Ushs 31.3)	779,324	283,792
	4,178,410	3,682,878

*The extent to which outflow of funds will be required on the Group's share of subsidiary's contingent liabilities is dependent on the future

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

19. INVESTMENT IN SUBSIDIARIES *(continued)*

Movement in investment in subsidiaries	2022 KShs'000	2021 KShs'000
As at 1 January	3,682,878	3,682,878
Acquisition of additional ordinary shares in CIC Africa (Uganda) Limited	495,532	-
As at January and 31 December	4,178,410	3,682,878

During the year, the Company converted its loan to CIC Africa (Uganda) Limited into ordinary share capital of the subsidiary in retirement of debt with the subsidiary. This resulted to increase in interest in the subsidiary from 93% to 95%. Refer to Note 31 (c).

(b) COMPANY	Country of Incorporation	Principal activity	Proportion of ordinary shares held		Proportion of Shares held by non-controlling interests	
			2022	2021	2022	2021
CIC Asset Management Limited	Kenya	Funds and assets management.	100%	100%	-	-
CIC General Insurance Limited	Kenya	Underwriting general insurance business.	100%	100%	-	-
CIC Life Assurance Limited	Kenya	Underwriting long-term business.	100%	100%	-	-
CIC Africa Insurance (SS) Limited	South Sudan	Underwriting general and life insurance business.	69%	69%	31%	31%
CIC Africa Co-operatives Insurance (Malawi) Limited	Malawi	Underwriting general and life insurance business.	91%	91%	9%	9%
CIC Africa (Uganda) Limited	Uganda	Underwriting general and life insurance business.	95%	93%	5%	7%

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

20. FINANCIAL ASSETS AT AMORTISED COST- CORPORATE BONDS

The credit quality of each corporate bond is assessed and is acceptable within the parameters used to measure and monitor credit risk.

	2022 KShs'000	2021 KShs'000
Real People Kenya Limited	15,898	22,051
Chase Bank	79,896	82,615
Kenya Mortgage Refinance Company Limited	16,763	-
East African Breweries Limited	8,984	7,445
Family Bank Limited	58,898	58,968
Total gross	180,439	171,079
Allowance for expected credit losses	(83,408)	(105,387)
	97,031	65,692
The movement in the corporate bonds is as follows:		
At 1 January	171,079	208,415
Additions	23,968	69,590
Maturities	-	(110,317)
Write-off	(14,700)	-
Amortisation of corporate bond	92	3,391
	180,439	171,079
Allowance for expected credit losses (note 8(d))	(83,408)	(105,387)
At 31 December	97,031	65,692
Maturity analysis		
Within 1 year	-	-
In 1-5 years	-	65,692
In over 5 years	97,031	-
	97,031	65,692

An analysis of changes in the gross carrying amount and corresponding ECL allowances in corporate bonds has been disclosed in note 56(b). There are no corporate bonds held under lien.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

21. FINANCIAL ASSETS AT AMORTISED COSTS: GOVERNMENT SECURITIES

GROUP	2022 KShs'000	2021 KShs'000
At 1 January	2,102,977	2,010,376
Additions	1,200,460	552,550
Discount	-	(8,431)
Maturities	(503,751)	(456,185)
Accrued interest	55,323	4,667
Effect of foreign currency translation	16,448	-
	2,871,457	2,102,977
Allowance for expected credit loss	(780)	(783)
At 31 December	2,870,677	2,102,194
Maturity analysis		
Within 1 year	294,741	432,793
In 1-5 years	1,148,663	461,898
In over 5 years	1,427,273	1,207,503
	2,870,677	2,102,194

Government securities at amortised cost of KShs 2.42 billion (2021: KShs 1.7 billion) relate to treasury bonds held by the Central Bank of Kenya under lien to the Commissioner of Insurance in accordance with the Kenyan Insurance Act. In addition, Government securities at amortised cost of KShs 384 million (2021: KShs 366 million) relate to treasury bonds held by the Bank of Uganda under lien accordance with the Ugandan Insurance Act 2017.

22. FINANCIAL ASSETS AT AMORTISED COST: LOANS RECEIVABLES

The loans refer to advances given to staff and have collateral held on them. Upon resignation the credit quality of each loan is assessed and is acceptable within the parameters used to measure and monitor credit risk. Impairment losses have been recognised on loans receivables and have been recorded in profit or loss.

Mortgage and other staff loans are advanced at an interest rate of 6%. Mortgage loans are repayable within 20 years, while other staff loans which include the car loans and study loans are repayable within 4 years and 5 years respectively.

(a) MORTGAGE LOANS

(i) GROUP	2022 KShs'000	2021 KShs'000
At 1 January	79,799	99,800
Loans advanced	-	6,078
Loan repayments	(5,050)	(27,464)
Accrued interest	5,826	1,385
	80,575	79,799
Allowance expected credit losses (note 8(d))	(11,236)	(6,612)
At 31 December	69,339	73,187

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

22. FINANCIAL ASSETS AT AMORTISED COST: LOANS RECEIVABLES *(continued)*

(a) MORTGAGE LOANS (continued)

(i) GROUP	2022 KShs '000	2021 KShs '000
Maturity profile:		
Within 1 year	-	1,239
In 1-5 years	11,780	14,630
In over 5 years	57,559	57,318
	69,339	73,187

(i) COMPANY		
At 1 January	11,177	10,342
Loan repayments	(545)	(550)
Accrued interest	1,227	1,385
	11,859	11,177
Allowance expected credit losses (note 8)	(288)	(171)
At 31 December	11,571	11,006
Maturity profile:		
Within 1 year	-	-
In 1-5 years	11,571	11,006
In over 5 years	-	-
	11,571	11,006

(b) OTHER LOANS

(i) GROUP	2022 KShs '000	2021 KShs '000
Staff loans	9,520	7,609
Policy loans	658,799	594,680
	668,319	602,289
Movement:		
At 1 January	602,442	580,165
Loans advanced	307,950	251,764
Loan repayments	(241,846)	(218,132)
Write offs	-	(11,661)
Effect of foreign exchange translation	-	306
	668,546	602,442
Allowance expected credit losses (note 8)	(227)	(153)
At 31 December	668,319	602,289
Maturity profile:		
Within 1 year	2,340	944
In 1-5 years	660,225	596,608
In over 5 years	5,754	4,737
	668,319	602,289
Subtotal (a(i))	69,339	73,187
Subtotal (b(i))	668,319	602,289
	737,658	675,476

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

22. FINANCIAL ASSETS AT AMORTISED COST: LOANS RECEIVABLES *(continued)*

(b) OTHER LOANS *(continued)*

(i) COMPANY	2022 KShs '000	2021 KShs '000
At 1 January	597	1,120
Loans advanced	213	-
Loan repayments	-	(523)
At 31 December	810	597
Maturity profile:		
Within 1 year	-	-
In 1-5 years	810	597
At 31 December	810	597
Subtotal (a(ii))	11,571	11,006
Subtotal (b(ii))	810	597
	12,381	11,603

An analysis of changes in the gross carrying amount and corresponding ECL allowances in loans has been disclosed in note 56(b).

The following table shows the maximum exposure to credit risk by of staff loans, the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk:

Group	Fair value of collateral and credit enhancements held			
31 December 2022 In KShs '000	Maximum exposure to credit risk	Total collateral	Net exposure	ECLs
Mortgage loans	69,339	133,458	-	11,236
Other loans	9,520	37,654	-	79)
31 December 2021				
Mortgage loans	79,799	139,451	-	6,612
Other loans	9,518	32,091	-	(153)

Company	Fair value of collateral and credit enhancements			
31 December 2022 In KShs	Maximum exposure to credit risk	Total collateral	Net exposure	ECLs
Mortgage loans	11,571	12,935	-	-
31 December 2021				
Mortgage loans	11,006	12,935	-	-

The property is charged on the Group and the group is able to sell the property in case of default.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GOVERNMENT SECURITIES

(a) GROUP	2022 KShs'000	2021 KShs'000
At 1 January	11,333,873	9,592,504
Additions	6,325,700	2,281,000
Disposals	(410,219)	(302,879)
Fair value loss through OCI	(442,397)	(236,752)
Effect of foreign exchange differences	(9,414)	-
Gross	16,797,543	11,333,873
Allowance for expected credit loss	-	(3,882)
At 31 December	16,797,543	11,329,991
Maturity analysis		
Within 1 year	-	-
In 1-5 years	1,521,933	892,614
In over 5 years	15,275,610	10,441,259
	16,797,543	11,333,873

An analysis of changes in the gross carrying amount and corresponding ECL allowances debt instruments at fair value through OCI and at amortised cost has been disclosed in note 56(b).

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – UNQOUTED EQUITY INSTRUMENTS

GROUP	2022 KShs'000	2021 KShs'000
Unquoted investments:		
Shares held in the Oil and gas consortium	6,310	-
Shares held in Co-op Holding Co-operative Society Limited	15,337	15,763
	21,647	15,763
The movement in the investments is as follows:		
At 1 January	15,763	15,124
Additions	6,067	-
Fair value (loss)/gain	(426)	639
Effect of foreign currency translation	243	-
At 31 December	21,647	15,763

The shares held in Co-op Holding Co-operative Society Limited were acquired before the initial public offer (IPO) in 2009 and are not listed at the Nairobi Securities Exchange Limited (NSE). These shares are not available to the public market; they can only be sold to other members of the Co-operative entity at a specified agreed value. Thus, the agreed price represents the exit price for these shares which are to be valued at the higher of 60% of the average of the month's quoted Co-operative Bank of Kenya Limited shares at the Nairobi Securities Exchange Limited or the value of the shares. In the current year the shares have been valued at KShs 7.40 which approximates the fair value. In 2022, the Group did not receive any dividends from its FVOCI equities. The Group did not dispose of or derecognise any FVOCI equity instruments in 2022.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS-QUOTED EQUITY INSTRUMENTS

	2022 KShs'000	2021 KShs'000
At 1 January	1,218,065	1,167,172
Additions	32,279	60,837
Disposal	(106,188)	(73,222)
Fair value (loss)/gain	(84,152)	63,278
At 31 December	1,060,004	1,218,065

At year end, these are valued at the weighted average price at the Nairobi Securities Exchange on the last day of trading in that year.

26. FINANCIAL ASSETS - DEPOSITS AND COMMERCIAL PAPERS

(a) GROUP

	2022 KShs'000	2021 KShs'000
DEPOSITS AT AMORTISED COST		
CIC Sacco Society Limited	10,154	15,000
Less: Allowance for expected credit losses	(51)	-
	10,103	15,000
Maturity analysis		
Maturing within one year	-	-
Maturing in over 5 years	10,103	15,000
Movement:		
At 1 January	15,053	32,660
Maturities	(4,899)	(17,607)
	10,154	15,053
Allowance for expected credit losses (note 8)	(51)	(53)
At 31 December	10,103	15,000

An analysis of changes in the gross carrying amount and corresponding ECL allowances in deposits and commercial paper has been disclosed in note 56(b). These assets are not held under lien.

26 (b) INVESTMENTS IN COLLECTIVE INVESTMENT SCHEMES THROUGH PROFIT OR LOSS

	2022 KShs '000	2021 KShs '000
At 1 January	1,738,872	1,830,444
Additions	1,736,002	1,841,347
Disposal	(2,340,154)	(2,045,749)
Fair value gain	75,782	112,830
At 31 December	1,210,502	1,738,872

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

26 (c) INVESTMENT IN COLLECTIVE SCHEMES AT FVPL - COMPANY

	2022 KShs'000	2021 KShs'000
At 1 January	10,838	14,892
Additions	32,000	-
Disposals	(7,000)	(5,000)
Fair value gain	1,417	946
At 31 December	37,255	10,838

27. DEFERRED ACQUISITION COSTS

	2022 KShs'000	2021 KShs'000
At 31 December	672,176	557,425

Deferred acquisition costs relate to insurance contracts as explained in note 3(b).

28. (a) RECEIVABLES ARISING OUT OF DIRECT INSURANCE ARRANGEMENTS

GROUP

Receivables arising out of direct insurance arrangements relate to premiums earned as a result of risks underwritten but whose amounts have not been received as at year end. The carrying amounts approximates the fair values.

	2022 KShs'000	2021 KShs'000
Gross receivables	2,445,751	2,577,707
Provision for impairment	(538,630)	(1,283,941)
31 December	1,907,121	1,293,766
Ageing		
0-60 days	594,291	696,308
61-120 days	331,252	326,662
Over 120 days	1,520,208	1,554,737
Total	2,445,751	2,577,707
**The movement in provision for impairment is as follows:*		
At 1 January	1,283,941	1,248,786
Charge through profit or loss (Note 8(a))	197,916	235,018
Bad debts written off	(908,039)	(134,317)
Translation difference	(35,188)	(65,546)
At 31 December	538,630	1,283,941

Provision for impairment is computed based on average loss rates for counterparties over the last three years.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

28. (b) RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

GROUP

Receivables arising out of reinsurance arrangements relates to premiums ceded, commission receivable, claims payment and recoveries which had not been recovered from reinsurers as at the reporting date. The carrying amounts approximates the fair values.

	2022 KShs'000	2021 KShs'000
Gross receivables	2,007,847	2,715,944
Provision for impairment	(978,566)	(456,692)
	1,029,281	2,259,252
Ageing		
0-60 days	578,298	599,143
61-120 days	267,350	505,892
Over 120 days	1,162,199	1,610,909
Total	2,007,847	2,715,944
The movement in impairment provisions is as follows:		
At 1 January	(456,692)	-
Charge through profit or loss (note 8(a))	(521,874)	(456,692)
At 31 December	(978,566)	(456,692)

28. (c) PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

Payables arising out of reinsurance arrangements relate to premiums ceded, which had not been paid to reinsurers as at the reporting date.	2022 KShs'000	2021 KShs'000
31 December	842,098	563,314

29. REINSURERS' SHARE OF LIABILITIES AND RESERVES

	2022 KShs'000	2021 KShs'000
Reinsurers' share of:		
• General insurance contract liabilities (note 49)	1,181,721	1,462,943
• Long-term contract liabilities (note 46)	988,120	734,233
• Unearned premium and unexpired risks (note 48)	652,662	538,091
Total	2,822,503	2,735,267

Amounts due from reinsurers in respect of claims already paid by the Group on contracts that are reinsured are included in receivables arising out of reinsurance arrangements in the statement of financial position. Movements in the above reinsurance assets are shown in note 50.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

30. OTHER RECEIVABLES

(a) GROUP

	2022 KShs'000	2021 KShs'000
Staff advances	12,661	15,166
Rent receivable	51,515	62,117
Prepayments	76,630	67,187
Other receivables	138,589	150,257
Administration fees receivable	73,203	120,043
Pension fund receivable	122,779	59,564
Allowance for expected credit losses	(8,746)	(6,752)
	466,631	467,582
Movement in ECL:		
1 January	6,752	3,761
Increase in expected credit losses (note 8(d))	1,994	2,991
At 31 December	8,746	6,752

(b) COMPANY

	2022 KShs'000	2021 KShs'000
Other receivables	4,295	7,540
Prepayments	33,728	52,082
	38,023	59,622

An analysis of changes in the gross carrying amount and corresponding ECL allowances in other receivables has been disclosed in note 56(b).
**The carrying amounts disclosed above reasonably approximate fair values at the reporting date.*

31. RELATED PARTIES

The ultimate parent company is Co-operative Insurance Society Limited. The Group has various related parties, most of whom are related by virtue of being the investor, and partly due to common directorships. The provisions for expected credit losses made on related party balances during the year was Kshs 2,541,000 (2021: Kshs 3,652,000). The amounts due from related parties are non- interest bearing and the balances are not secured.

The CIC Insurance Group being the majority shareholder in the various related parties; is committed to providing the necessary financial support to the related companies with capitalisation deficit to ensure they meet their financial obligations.

GROUP	2022 KShs'000	2021 KShs'000
Due from related companies:		
Co-operative Insurance Society Limited	147,699	104,990
CIC Foundation	22,344	18,230
CIC Trans coop Ltd	-	905
Allowance for expected credit losses	(2,541)	(3,652)
	167,502	120,473
Movement in ECL:		
1 January	3,652	7,994
Decrease in expected credit losses (note 8(d))	(1,111)	(4,342)
At 31 December	2,541	3,652

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

31. RELATED PARTIES *(continued)*

(a) Transaction with related parties during the year

The following transactions were carried out with related parties during the year:	2022 KShs'000	2021 KShs'000
Payments* to related party		
Co-operative Insurance Society Limited	45,672	39,951
CIC Africa Co-operatives Insurance Limited Malawi	4,872	4,174
Premium receipts from Co-operative Bank of Kenya Limited	3,558,273	2,846,618
Claims payment to Co-operative Bank of Kenya Limited	841,274	622,543

** In helping to reduce the administration burden there will be situations where one entity will pay expenses or receive premiums on behalf of its sister entities or subsidiaries. Therefore, these transactions relate to the receipts to and payments from related parties to reimburse the entity paying on behalf of the others or allocating the premiums received by the entity on behalf of the others.*

(b) Key management and director's remuneration

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

	2022 KShs'000	2021 KShs'000
Short-term employment benefits:		
Directors		
• Salaries	63,675	58,889
• Directors 'emoluments – Fees	31,738	46,469
• Others (travel and accommodation)	2,921	8,171
	98,334	113,529
Key management staff*:		
Salaries	258,443	246,136
Leave allowance	2,180	2,076
National Social Security Fund (NSSF)	48	46
Gratuity	9,623	9,165
Contribution to defined contribution scheme	14,113	13,441
	405,454	384,393

**Included in Kenya management staff is salary and allowances of KShs 64 million (2021: KShs 59 million) paid to Group Chief Executive Officer, who is also a director.*

COMPANY	2022 KShs'000	2021 KShs'000
Due from related parties:		
Co-operative Insurance Society Limited	147,699	104,990
CIC Asset Management Limited	-	905
Trans coop Insurance Ltd	96,400	92,798
CIC Africa (Uganda) Limited	40,103	22,412
CIC Africa Co-operatives Insurance (Malawi) Limited	27,995	4,103
CIC Africa Insurance (SS) Limited	22,344	18,230
CIC Foundation	(1,783)	(1,281)
	332,758	242,157

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

31. RELATED PARTIES *(continued)*

	2022 KShs'000	2021 KShs'000
Due to related parties:		
CIC Life Assurance Limited	393,879	393,310
CIC General Insurance Limited	135,931	29,455
CIC Asset Management Limited	36,260	25,110
	566,070	447,875

(c) COMPANY

	2022 KShs'000	2021 KShs'000
Related party loan receivable from:		
CIC Africa Limited-Uganda	-	527,443
CIC Sacco Society Limited	4,500	4,500
	4,500	531,943
Movement in intercompany loan receivable:		
At 1 January	531,943	501,657
Capitalisation of loan to investment in subsidiaries	(495,532)	-
Interest accrued	-	37,786
Repayment	(31,911)	(7,500)
At 31 December	4,500	531,943

In the year, the loan from CIC Africa Limited – Uganda was capitalized into investment in subsidiaries. Interest in the subsidiary increased from 93% to 95%. No goodwill arose from this transaction.

	2022 KShs'000	2021 KShs'000
Related party loan payable to:		
CIC Africa (SS) Limited	238,016	206,851
Total	238,016	206,851
Movement in intercompany loan payable:		
At 1 January	206,851	1,183,315
Repayment	-	(1,026,819)
Interest accrued	31,165	50,355
At 31 December	238,016	206,851

The loan from CIC Africa (SS) Limited is unsecured and attracts interest at the rate of 12.5% per annum. It is repayable on 1 January 2023. The loan was structured as single draw-down with a bullet repayment of principal sum at end of its tenure.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

31. RELATED PARTIES *(continued)*

The company has various related parties, most of whom are related by common shareholding.

(i) Transaction with related parties during the year – Company

	2022 KShs'000	2021 KShs'000
Receipts from related parties		
CIC Asset Management Limited	259,876	240,061
CIC General Insurance Limited	2,765,346	2,327,530
Payments to related parties		
CIC Asset Management Limited	182,500	175,000
CIC General Insurance Limited	873,456	947,131
CIC Africa (Uganda) Limited	9,056	9,949
CIC Africa Co-operatives Insurance Limited	8,535	7,986
CIC Africa Insurance (SS) Limited	28,057	28,056
Co-operative Insurance Society Limited	29,056	27,025

(d) Loans to directors of the group and the company

The Group and its subsidiaries did not advance loans to the directors in the years ended 31 December 2022 and 31 December 2021.

An analysis of changes in the gross carrying amount and corresponding ECL allowances in due from related parties has been disclosed in note 56(b).

The carrying amounts disclosed above reasonably approximate fair values at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

32. DEPOSITS WITH FINANCIAL INSTITUTIONS

(a) GROUP

	2022 KShs'000	2021 KShs'000
The Co-operative Bank of Kenya Limited	853,208	961,726
KCB Bank Kenya Limited*	1,763,854	1,732,011
Equatorial Commercial Bank	-	14,761
Nico Asset Managers Limited	180,229	183,627
Equity Bank of Kenya Limited	731,013	1,391,472
I and M Bank Limited	252,351	338,678
Middle East Bank of Kenya Limited	-	20,817
Family Bank Limited	82,248	239,702
Imperial Bank of Kenya Limited	23,200	23,200
Credit Bank Limited	12,795	65,642
FTB Bank Limited	109,986	89,042
Opportunity Bank Uganda Limited	-	28,868
Ugafode Microfinance Limited	8,429	7,315
Foundation for international assistance (Finca) Bank	44,307	57,961
Old mutual Limited (Malawi)	55,726	31,310
My bucks banking Corporation	67,438	112,681
NCBA Bank Kenya PLC	1,031,671	269,799
United Bank of Africa Limited	-	85,708
Kingdom Bank Ltd	182,105	436,482
Absa Bank Uganda Ltd	341	339
Postbank	73,447	67,024
Sidian Bank	9,010	85,637
Development Bank of Kenya Limited	90,171	79,864
National Bank of Kenya	50,677	
Bridge Path Capital	44,509	45,117
NBS Bank Ltd Malawi	45,337	47,532
First Discount House Bank Limited	100,021	124,312
Continental Asset Management Malawi	96,036	-
First Capital Bank Malawi	32,002	-
	5,940,111	6,540,627
Expected credit losses allowance	(32,007)	(34,546)
Net deposits	5,908,104	6,506,081
Maturity analysis:		
Maturing within three months	3,387,394	3,420,871
Maturing after 3 months	2,552,717	3,119,756
	5,940,111	6,540,627

(i) Movement in deposits maturing after 3 months

	2022 KShs'000	2021 KShs'000
As at January	3,119,756	1,441,404
Net decrease	(567,039)	1,416,332
As at December	2,552,717	2,857,736

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

32. DEPOSITS WITH FINANCIAL INSTITUTIONS *(continued)*

(ii) Movement in ECL:

(a) GROUP

	2022 KShs'000	2021 KShs'000
1 January	34,546	41,068
Decrease in expected credit losses (note 8)	(2,539)	(6,522)
At 31 December	32,007	34,546

(b) COMPANY

	2022 KShs'000	2021 KShs'000
KCB Bank Kenya Limited*	94,658	80,411
Expected credit losses allowance	(82)	(73)
Net deposits	94,576	80,338
Maturity analysis:		
Maturing within 3 months	-	-
Maturing after 3 months	94,658	80,411

** Except for deposits with KCB Bank Limited amounting KShs 559 million (group) and Nil for (company), which are under lien, all the other deposits are available for use by the Group.*

The carrying amounts disclosed above reasonably approximate fair values at the reporting date.

33. SHARE CAPITAL

	2022 Number of shares KShs'000	2022 Share capital KShs'000	2021 Number of shares KShs'000	2021 Share capital KShs'000
Authorised ordinary shares of KShs 1 each (2021: KShs 1 each):				
At 1 January and at 31 December	3,000,000	3,000,000	3,000,000	3,000,000
Issued and fully paid up share capital:				
At 1 January and at 31 December	2,615,578	2,615,578	2,615,578	2,615,578

34. SHARE PREMIUM

	2022 KShs'000	2021 KShs'000
At 1 January and at 31 December	162,179	162,179

Share premium arose out of private placement at a cost of KShs.22.50 which was KShs 2.50 above the nominal value of 20/- in 2011 resulting in a share premium of KShs 598 million. Subsequently, the share premium was capitalized through issuance of bonus amounting to 436 million shares of KShs 1 each.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

35. STATUTORY RESERVE

The statutory reserve represents the surplus on the long-term business which is not distributable as dividends as per the requirements of the Kenyan Insurance Act.

Transfer from statutory reserve relates to the proportion of the long-term business surplus which is distributable as dividends and therefore transferred to retained earnings. The Act restricts the amounts of surpluses of the long-term business available for distribution to shareholders to 30% of the accumulated surplus of the long-term business.

36. CONTINGENCY RESERVE

The contingency reserve represents at 2% of the gross premium for non-life insurance business and 1% for life business that is set aside as required by the Insurance Act in Uganda.

37. REVALUATION SURPLUS

The revaluation surplus represents the surpluses on the revaluation of buildings and is not distributable as dividends.

38. FOREIGN CURRENCY TRANSLATION RESERVE

The exchange differences arising on the translation of foreign operations to the presentation currency are transferred to the foreign currency translation reserve. On disposal of the net investment, the cumulative exchange differences relating to the operations disposed of are released to the statement of profit or loss.

39. FAIR VALUE RESERVE

The fair value reserve represents fair value gains / (losses) arising from financial assets at fair value through other comprehensive income and is not distributable as dividends.

40. RETAINED EARNINGS

The retained earnings balance represents the amount available for dividend distribution to the shareholders of the Group.

Retained earnings include fair value gains on revaluation of investment properties which are unrealised and whose distribution is subject to restrictions imposed by the Kenya Insurance Act 2015.

41. NON-CONTROLLING INTERESTS

	2022 KShs'000	2021 KShs'000
At 1 January	14,164	(31,254)
Profit for the year	35,452	79,057
Other comprehensive loss for the year	(34,427)	(33,639)
Total comprehensive income for the year	1,025	45,418
At 31 December	15,189	14,164

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

41. NON-CONTROLLING INTEREST *(continued)*

Summarised financial information has been presented below for CIC Africa (Malawi) Limited, CIC Africa (Uganda) Limited and CIC Africa (South Sudan) Limited subsidiaries with non-controlling interest.

	South Sudan		Malawi		Uganda	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Proportion of ownership held by NCI	31%	31%	9%	9%	5%	7%
Proportion of voting rights held by NCI	31%	31%	9%	9%	5%	7%
NCI share of retained earnings/loss (KShs '000)	59,221	65,647	15,551	5,693	(19,015)	(41,352)
NCI share of profit before income tax (KShs '000)	20,654	65,544	11,045	15,553	3,002	(1,360)
Dividends paid to NCI in the year (KShs '000)	-	-	-	-	-	-

Summarised financial information of the subsidiaries is provided below:

	South Sudan		Malawi		Uganda	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Total revenue	562,442	659,193	879,817	812,084	855,329	753,940
Profit for the year	66,625	211,432	122,717	172,813	60,044	(19,427)
Other comprehensive income	(99,534)	(105,323)	-	(5,898)	-	(6,358)
Total comprehensive income	(32,909)	106,109	122,717	166,915	60,044	(25,785)
Total non-current assets	475,918	412,146	101,417	50,627	56,655	375,851
Total current assets	867,821	1,050,537	1,018,157	1,023,319	1,238,513	951,069
Total non-current liabilities	-	-	-	-	-	-
Total current liabilities	851,402	947,934	694,604	719,267	869,615	960,657
Cash flows from operating activities	1,567	248,396	(44,306)	171,163	36,238	(26,573)
Cash flows from financing activities	(2,075)	(1,116)	6,540	(4,300)	10,873	15,326
Cash flows from investing activities	(1,920)	(95,893)	34,568	59,645	(40,424)	10,464

42. BORROWINGS – GROUP AND COMPANY

	2022 KShs'000	2021 KShs'000
1 January	4,363,600	3,955,600
Repayment	(200,000)	-
Interest accrued	408,000	408,000
31 December	4,571,600	4,363,600

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

42. BORROWINGS – GROUP AND COMPANY *(continued)*

The borrowings relate to a bank loan of Kshs 3.4 billion (2021: Kshs 3.4 billion) from Co-operative Bank at a fixed interest rate of 12% with a tenure of 5 years and is due for repayment on 30th September 2024. The loan was structured as single draw-down with a bullet repayment of principal sum at end of the tenure. Interest repayment is on tri – annual basis. During the year ended 31 December 2021, the Company obtained a moratorium of repayment of interest until October 2022. An interest repayment of Kshs 200 million was made during the year. The loan is secured by Kiambu land; LR No 28800/951, an investment property held by the Group whose fair value at 31 December 2022 was Kshs 4.05 billion (Note 14(b)).

The Company has begun disposing the Kiambu land which is an investment property. At 31 December 2022, deposits amounting to Kshs 36 million had been received and are included within other payables until revenue recognition criteria is met. Proceeds from sale of the land will be used to settle outstanding loan referred to above.

43. OTHER PAYABLES

(a) GROUP

	2022 KShs'000	2021 KShs'000
Sundry payables	1,120,005	1,033,119
Payroll creditors	68,070	13,732
Premiums received in advance	189,329	321,244
Staff annual leave pay provision	42,276	38,650
Payroll related accruals	38,059	-
Rent deposits	45,256	-
Contractual liabilities*	35,800	28,821
	1,538,795	1,435,566

(b) COMPANY

	2022 KShs'000	2021 KShs'000
Contractual liabilities	35,800	-
Sundry payables	70,013	29,855
Withholding tax payable	1,043	274
	106,856	30,129

- Contractual liabilities relate to deposit received from the sale of Kiambu land (Note 42). The carrying amounts disclosed above reasonably approximate fair values at the reporting date.

44. DIVIDENDS

	2022 KShs'000	2021 KShs'000
At 1 January, 31 December	-	-
Proposed for approval at the annual general meeting (not recognised as a liability)	345,000	-

Dividend on ordinary shares

a) Dividend per share is arrived at by dividing the total dividends by the weighted average number of shares in issue during the year.

b) Payment of dividend is subject to withholding tax at the rate of 5% for resident and 10% for non-resident shareholders respectively.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

45. DEPOSIT ADMINISTRATION CONTRACTS

The group administers the funds of several retirement benefit schemes. The liability of the group to the schemes is measured at amortised cost and is included in the statement of financial position. Deposits, withdrawals and investments returns are recorded directly as an adjustment to the asset and liability in the statement of financial position and are not recognised as gross premium and investments income in the statement of profit or loss and other comprehensive income of the group. Assets under the deposit administration contracts are registered in the name of the administrator and have therefore been accounted as financial instruments in the statement of financial position.

Analysis of movement in deposit administration contract liabilities:	2022 KShs'000	2021 KShs'000
Pension contributions	1,821,952	1,254,617
Investment income	403,233	417,614
Total additions in the year	2,225,185	1,672,231
Policy benefits (net)	(957,053)	(374,691)
Administrative expenses	(86,910)	(51,260)
Total outflow	(1,043,963)	(425,951)
Net movement for the year	1,181,222	1,246,280
At start of year	6,406,695	3,124,116
At end of year	7,587,917	4,370,396

46. LONG-TERM INSURANCE CONTRACT LIABILITIES

The actuarial valuation of the life fund was carried out by The Actuarial Services Company Limited, Actuaries and Consultants, as at 31 December 2022 and revealed gross actuarial liabilities of KShs 9,853,791,000 (2021: KShs 9,056,418,000). There was a transfer of Kshs 115,000,000 (net of tax) to the retained earnings in the current year. (2021: Nil).

	Ordinary Life KShs'000	Group Life KShs'000	Gross liabilities KShs'000	Reinsurance KShs'000	Net KShs'000
As at 1 January 2022	4,811,603	4,244,815	9,056,418	734,233	8,322,185
Actuarial adjustments	236,416	560,957	797,373	253,887	543,486
As at 31 December 2022	5,048,019	4,805,772	9,853,791	988,120	8,865,671
As at 1 January 2021	4,608,601	4,055,197	8,663,798	527,337	8,136,461
Actuarial adjustments	203,002	189,618	392,620	206,896	185,724
As at 31 December 2021	4,811,603	4,244,815	9,056,418	734,233	8,322,185

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

47. UNIT LINKED CONTRACTS

Unit linked contracts are designated financial liabilities at fair value through profit or loss. The benefits offered under these contracts are based on the return of a portfolio of equities and debt instruments. The maturity value of the financial liabilities is determined by the fair value of the linked assets. There will be no difference between the carrying amount and the maturity amount at maturity date.

	2022 KShs'000	2021 KShs'000
At 1 January	546,552	523,663
Contributions received	16,799	21,056
Surrenders	(1,036)	(2,384)
Maturities	(9,852)	(33,827)
Far value gain	25,959	38,044
Net fund value	578,422	546,552

48. PROVISIONS FOR UNEARNED PREMIUM AND UNEXPIRED RISKS

The unearned premiums reserve represents the portion of the premium written in years up to the reporting date which relates to the unexpired terms of policies in force as at the end of each reporting period for general insurance. The movement in the reserve is shown below

	Gross 2022 KShs'000	Reinsurance 2022 KShs'000	Net 2022 KShs'000	Gross 2021 KShs'000	Reinsurance 2021 KShs'000	Net 2021 KShs'000
At 1 January	4,489,335	(538,091)	3,951,244	4,335,710	(533,420)	3,802,290
Gross written premiums	15,782,818	(263,079)	15,519,739	12,920,249	(4,832,849)	8,087,400
Gross earned premiums	(14,789,216)	148,580	(14,640,636)	(12,766,624)	4,828,178	(7,938,446)
Increase/(decrease) in the year (net)	993,602	(114,499)	879,103	153,625	(4,671)	148,954
Effect of translation	(13,988)	(72)	(14,060)	-	-	-
At 31 December	5,468,949	(652,662)	4,816,287	4,489,335	(538,091)	3,951,244

			3,951,244			
At 1 January	4,489,335	(538,091)	15,519,739	4,335,710	(533,420)	3,802,290
Gross written premiums	15,782,818	(263,079)	(14,640,636)	12,920,249	(4,832,849)	8,087,400
Gross earned premiums	(14,789,216)	148,580	879,103	(12,766,624)	4,828,178	(7,938,446)
Increase/(decrease) in the year (net)	993,602	(114,499)	(14,060)	153,625	(4,671)	148,954
Effect of translation	(13,988)	(72)	4,816,287	-	-	-
At 31 December	5,468,949	(652,662)		4,489,335	(538,091)	3,951,244

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

49. NON -LIFE INSURANCE CONTRACT LIABILITIES

Gross claims reported, claims handling expense liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation for general insurance. The expected recoveries at the end of 2021 and 2022 are not material.

The Group uses chain-ladder techniques to estimate the ultimate cost of claims and the Incurred But Not Reported (IBNR) provision. Chain-ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development considering when the earliest material claim arose, factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claim cost for each accident year.

2022

Accident Year	2018 and prior KShs'000'	2019 KShs'000'	2020 KShs'000'	2021 KShs'000'	2022 KShs'000'	Total KShs'000'
Estimated ultimate claims cost						
at end of accident year	46,649,779	6,499,983	6,173,723	6,522,810	6,495,139	72,341,434
one year later	46,406,764	6,986,726	6,533,656	7,230,396	-	67,157,542
two years later	46,697,646	7,104,120	6,544,560	-	-	60,346,326
three years later	46,790,515	7,134,400	-	-	-	53,924,915
four years later	46,588,178	-	-	-	-	46,588,178
Current estimate of cumulative claims	46,588,178	7,134,400	6,544,560	7,230,396	6,495,139	73,992,673
Less: cumulative payments to date	(45,506,629)	(6,814,787)	(6,346,213)	(6,546,509)	(5,387,056)	(70,601,194)
Gross outstanding claims notified provision	1,081,549	319,613	198,347	683,887	1,108,083	3,391,479
Liability incurred but not reported claims	41,058	107,595	270,897	654,411	2,187,759	3,261,720
Total gross claims liabilities included in statement of financial position	1,122,607	427,208	469,244	1,338,298	3,295,842	6,653,199

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

49. NON -LIFE INSURANCE CONTRACTS LIABILITIES *(continued)*

2021

Accident Year	2017 and prior KShs'000'	2018 KShs'000'	2019 KShs'000'	2020 KShs'000'	2021 KShs'000'	Total KShs'000
Estimated ultimate claims cost						
at end of accident year	40,601,387	7,078,339	6,580,826	6,218,122	6,085,273	66,563,947
one year later	40,232,644	6,299,683	5,873,922	5,456,411	-	57,862,660
two years later	40,470,665	7,623,475	7,154,737	-	-	55,248,877
three years later	40,547,904	7,643,983	-	-	-	48,191,887
four years later	41,208,602	-	-	-	-	41,208,602
Current estimate of cumulative claims	41,208,602	7,643,983	7,154,737	5,456,411	6,085,273	67,549,006
Less: cumulative payments to date	(39,502,124)	(7,269,510)	(6,691,946)	(6,174,478)	(5,216,791)	(64,854,849)
Gross outstanding claims notified provision	1,706,478	374,473	462,791	(718,067)	868,482	2,694,157
Liability incurred but not reported claims	11,776	93,853	312,307	665,146	2,050,824	3,133,906
Total gross claims liabilities included in statement of financial position	1,718,254	468,326	775,098	(52,921)	2,919,306	5,828,063

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

49. NON-LIFE INSURANCE CONTRACT LIABILITIES *(continued)*

Net claims reported, claims handling expense liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2022 and 2021 are not material.

2022

Accident Year	2018 and prior KShs'000'	2019 KShs'000'	2020 KShs'000'	2021 KShs'000'	2022 KShs'000'	Total KShs'000
Estimated ultimate claims cost						
at end of accident year	26,767,256	3,850,685	3,657,403	3,864,209	3,847,816	41,987,369
One year later	27,492,046	4,139,039	3,870,633	4,283,394	-	39,785,112
Two years later	27,664,369	4,208,584	3,877,094	-	-	35,750,047
Three years later	27,814,254	4,226,522	-	-	-	32,040,776
Four years later	40,143,595	-	-	-	-	40,143,595
Current estimate of cumulative claims	40,143,595	4,226,522	3,877,094	4,283,393	3,847,816	56,378,420
Less: cumulative payments to date	(39,302,273)	(4,037,179)	(3,759,591)	(3,878,248)	(3,191,371)	(54,168,662)
Net outstanding claims	841,322	189,343	117,503	405,145	656,445	2,209,758
Liability incurred but not reported claims	41,058	107,595	270,897	654,411	2,187,759	3,261,720
Total net claims liabilities included in statement of financial position	882,380	296,938	388,400	1,059,556	2,844,204	5,471,478

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

49. NON -LIFE INSURANCE CONTRACTS LIABILITIES *(continued)*

2021

Accident Year	2017 and prior KShs'000'	2018 KShs'000'	2019 KShs'000'	2020 KShs'000'	2021 KShs'000'	Total KShs'000
Estimated ultimate claims cost at end of accident year	28,759,316	5,013,824	4,661,419	4,404,503	4,310,402	47,149,463
One year later	28,498,123	5,354,731	4,992,834	4,637,949	-	43,483,636
Two years later	28,666,721	5,399,962	5,067,939	-	-	39,134,621
Three years later	28,721,432	5,414,488	-	-	-	34,135,920
Four years later	28,750,812	-	-	-	-	28,750,812
Current estimate of cumulative claims	28,258,605	5,414,488	5,067,939	4,637,949	4,310,402	47,689,383
Less: cumulative payments to date	(27,980,671)	(5,149,236)	(4,740,129)	(4,373,588)	(3,695,227)	(45,938,852)
Net outstanding claims	277,934	265,252	327,810	264,361	615,175	1,750,532
Liability incurred but not reported claims	9,813	78,211	260,256	554,288	1,712,020	2,614,588
Total net claims liabilities included in statement of financial position	287,747	343,463	588,066	818,649	2,327,195	4,365,120

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

49. INSURANCE CONTRACT LIABILITIES *(continued)*

GROUP	2022 KShs '000	2021 KShs '000
Claims reported and claims handling expenses:		
At 1 January	5,828,063	5,889,628
Claims incurred in the year	7,942,024	7,673,090
Payments for claims and claims handling expenses (note 50)	(7,116,888)	(7,734,655)
At 31 December	6,653,199	5,828,063
Comprising:		
At 31 December:		
Gross amounts	6,653,199	5,828,063
Reinsurers share (note 29)	(1,181,721)	(1,462,943)
	5,471,478	4,365,120

50. MOVEMENTS IN NON-LIFE INSURANCE LIABILITIES AND REINSURANCE ASSETS

2022	Gross KShs'000	Reinsurance* KShs'000	Net KShs'000
Notified claims	2,694,157	(1,462,943)	1,231,214
Incurred but not reported	3,133,906	-	3,133,906
At 1 January 2022	5,828,063	(1,462,943)	4,365,120
Payments for claims and claims handling expenses in the year	(7,116,888)	1,462,943	(5,653,945)
Claims incurred in the year	7,942,024	(1,181,721)	6,760,303
At 31 December 2022	6,653,199	(1,181,721)	5,471,478
Notified claims	3,391,479	(1,181,721)	2,209,758
Incurred but not reported	3,261,720	-	3,261,720
At 31 December 2022	6,653,199	(1,181,721)	5,471,478

*Reinsurer share of IBNR is presented net of reinsurer share.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

50. MOVEMENTS IN NON-LIFE INSURANCE LIABILITIES AND REINSURANCE ASSETS *(continued)*

2021	Gross KShs'000	Reinsurance KShs'000	Net KShs'000
Notified claims	3,577,353	(1,012,280)	2,565,073
Incurred but not reported	2,312,275	-	2,312,275
At 1 January 2021	5,889,628	(1,012,280)	4,877,348
Payments for claims and claims handling expenses in the year	(7,734,655)	1,012,280	(6,722,375)
Claims incurred in the year	7,673,090	(1,462,943)	6,210,147
At 31 December	5,828,063	(1,462,943)	4,365,120
Notified claims	2,694,157	(1,462,943)	1,231,214
Incurred but not reported	3,133,906	-	3,133,906
At 31 December 2021	5,828,063	(1,462,943)	4,365,120

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

51. NOTES TO THE STATEMENT OF CASH FLOWS

(a) GROUP

Reconciliation of profit before taxation to cash generated from operations:	Notes	2022 KShs '000	2021 KShs '000
Profit before income tax	8(c)	2,030,169	959,712
ECL* on corporate bond	8(d)	(7,279)	22,028
ECL on other receivables	8(d)	1,994	2,991
ECL on related party balances	8(d)	(1,111)	(4,342)
ECL on deposits with financial institutions	8(d)	(2,539)	(6,522)
ECL on staff loans	8(d)	4,624	6,612
ECL on for other loans	8(d)	74	(153)
ECL on commercial paper	8(d)	(2)	48
ECL on government securities at fair value through OCI	8(d)	(3,882)	783
ECL on government Securities at amortised cost	8(d)	(3)	3,882
ECL on cash and bank balances	8(d)	(706)	1,718
Interest income	5	(1,850,882)	(1,481,314)
Dividend income	5	(59,220)	(33,445)
Discount on government securities at amortised cost	21	-	8,431
Amortisation of government securities and accrued interest	21	(55,323)	-
Provision for doubtful premium receivables	8	197,916	235,018
Provision for doubtful reinsurance receivables	8	521,874	456,692
Interest expense	42	408,000	408,000
Depreciation on property and equipment	13 (a)	63,685	114,109
Elimination of depreciation on disposal	13 (a)	(3,145)	(323)
Loans Impairment	22 (b)	-	11,661
Interest on leases	14(a)	32,305	23,075
Interest receivable on mortgage and other loans		(5,826)	-
Fair value gains on revaluation on investment property	15	(281,833)	(10,788)
Share of profits of associate	16(a)	(4,670)	-
Amortisation of intangible assets	16(a)	56,634	27,344
Impairment of associate	18	-	15,656
Amortisation of corporate bond	20	(92)	(3,227)
Fair value loss /(gains) on equity investment at fair value through profit or loss	25	84,152	(63,278)
Fair value gain on collective investment schemes	26(b)	(75,782)	(112,830)
Amortisation of right of use assets	14(a)	77,136	75,380
Working capital changes;			
Increase in receivables arising out of direct insurance arrangements		(811,271)	(34,677)
Increase in provision for unearned premium		979,614	153,625
Increase/(decrease) in non-life insurance contract liabilities		825,136	(126,828)
Decrease/(increase) in receivables arising out of reinsurance arrangements		708,097	217,866
Increase in reinsurance share of liabilities and reserves		(87,236)	(563,511)
Increase in other receivables		(1,043)	(152,039)
Increase in other payables		103,229	108,201
Increase in life insurance contract liabilities		797,373	990,020
Increase/(decrease) in payables arising from reinsurance arrangements		278,784	(302,953)
Increase in deposits administration contracts		1,181,222	1,072,137
Increase in unit linked contracts		31,870	22,889
Increase/(decrease) in deferred acquisition costs		(114,751)	1,146
Movement in related parties in related party balances		(45,918)	22,878
Cash generated from operations		4,971,374	2,065,672

**ECL – Expected Credit Losses*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

51. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

(b) Company

Reconciliation of profit before taxation to cash generated from operations:

	Notes	2022 KShs '000	2021 KShs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before income tax		(11,158)	580,240
Adjustments for:			
Expected credit losses (note 8(d))		628	234
Interest income	5	(10,964)	(42,001)
Interest expense	10	408,000	408,000
Depreciation on property and equipment	13(b)	13,577	20,788
Interest expense on leases	14	-	1,642
Related party loan interest expenses		31,165	50,355
Related party loan interest income			(37,786)
Interest receivable on mortgage and other loans		(1,227)	(1,385)
Fair value gain on Collective investment schemes	26 (c)	(1,417)	(946)
Fair value gain on investment properties		(246,000)	-
Share of profits of associate		(4,670)	-
Gain on disposal of property and equipment		2,162	-
Amortisation of intangible assets	16(b)	24,575	18,441
Amortisation of leases expense	14	-	6,343
Amortisation of Associate	18	-	34,376
Dividend income	5	(340,000)	(1,122,131)
Working capital changes;			
Increase in other receivables		21,599	16,966
Increase/(decrease) in related party balances		27,092	(2,746)
Increase in other payables		76,728	7,284
Cash generated from operations		(9,910)	(62,326)

c) Net debt reconciliation

This section sets out an analysis of net debt :

	Notes	2022 KShs '000	2021 KShs '000
Group			
Cash and cash equivalents	52	3,803,964	3,642,860
Gross debt - Lease liability	14 (a)	(263,183)	(167,025)
Gross debt - Borrowings	42	(4,571,600)	(4,363,600)
Net debt		(1,030,819)	(887,765)
Company			
Cash and cash equivalents	52	42,452	(25,028)
Gross debt – related party loan	31	(238,016)	(206,851)
Gross debt - Borrowings	42	(4,571,600)	(4,363,600)
Net debt		(4,767,164)	(4,595,479)

The movements in net debt for each of the periods presented have been included in notes 14 (a) and 42.

The Company has started selling of the investment properties it holds to generate cashflows for repayment of its outstanding debt. Refer to note 42.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

52. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of:

	Notes	2022 KShs '000	2021 KShs '000
GROUP			
Cash and bank balances		416,570	221,989
Deposits with banks – original maturity; maturing within 3 months	32	3,387,394	3,420,871
		3,803,964	3,642,860
COMPANY			
Cash and bank balances		42,452	(25,028)
Deposits with banks – original maturity; maturing within 3 months	32	-	-
		42,452	(25,028)

The cash and cash equivalents disclosed above and in the statement of cash flows include KShs 35,800,000 which are held by CIC Group. These deposits relate to amounts received into an escrow account with Co-operative Bank of Kenya for the ongoing sale of the Kiambu land and are therefore not available for general use by the other entities within the group.

53. WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

The table below summarises the weighted average effective interest rates realised during the year on the principal interest-bearing investments:

GROUP	Interest	2022 %	2021 %
Government securities	Fixed	12.50	12.00
Corporate bonds	Fixed	12.50	11.50
Mortgage loans	Fixed	6.00	6.00
Staff loans	Fixed	6.00	6.00
Policy loans	Fixed	8.00	8.00
Deposits with financial institutions	Fixed	9.95	9.25
Deposits and commercial papers	Variable	11.00	11.00
Cash and cash equivalents	Fixed	6.84	6.75

54. CONTIGENCIES AND COMMITMENTS

(a). Legal proceedings and regulations

The group operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

The group is also subject to insurance solvency regulations and has complied with all the solvency regulations except CIC Life Uganda which was below the minimum capital requirement as per the insurance regulatory commission of Uganda. There are no contingencies associated with the Group and the Company's compliance or lack of compliance with such regulations.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

54. CONTIGENCIES AND COMMITMENTS *(continued)*

(b). Commitments, operating leases and bank guarantees

Commitments

Capital expenditure committed at the end of the reporting period but not recognised in the financial statements is as follows:

	2022 KShs '000	2021 KShs '000
Committed but not contracted for	689,456	505,303

Operating leases

The group has entered into commercial property leases on its investment property portfolio, consisting of the group's surplus office buildings. These non–cancellable leases have remaining terms of between two and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions

Future minimum lease rentals receivable under non–cancellable operating leases as at 31 December are as follows:

	2022 KShs '000	2021 KShs '000
Within one year	91,324	88,106
After one year but not more than two years	87,435	85,603
After two year but not more than five years	92,345	89,329
Total operating lease rentals receivable	271,104	263,038

The group has entered into commercial leases on certain property and equipment. These leases have an average life of between three and five years, with no renewal option included in the contracts. There are no restrictions placed upon the group by entering into the leases.

Bank Guarantees	2022 KShs '000	2021 KShs '000
Bank guarantees	215,892	246,452

In common practice with the insurance industry in general, the company tenders for business. Such tenders require that a guarantee or performance bond is placed with a bank.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

55. RISK MANAGEMENT FRAMEWORK

(a). Governance framework

The primary objective of the group's risk and financial management framework is to protect the group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a group policy framework which sets out the risk profiles for the group, risk management, control and business conduct standards for the group's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the group.

The board of directors approves the group's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the group's identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

(b). Capital management objectives, policies and approach

The group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the group thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximize shareholders' value

The operations of the group are also subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy at 100%) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise. The Group has met all of these requirements throughout the financial year. All the subsidiaries met the capital adequacy provisions.

In reporting financial strength, capital and solvency are measured using the rules prescribed by the Kenyan Insurance Regulatory Authority (IRA). These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.
The group's capital management policy for its insurance and non–insurance business is to hold sufficient capital to cover the statutory requirements based on the IRA directives, including any additional amounts required by the regulator.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

55. RISK MANAGEMENT FRAMEWORK *(continued)*

(b). Capital management objectives, policies and approach *(continued)*

Approach to capital management

The group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the group in the light of changes in economic conditions and risk characteristics. An important aspect of the group's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the group is focused on the creation of value for shareholders.

The primary source of capital used by the group is total equity and borrowings. The group also utilises, where it is efficient to do so, sources of capital such as reinsurance and securitisation, in addition to more traditional sources of funding.

The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

The group has made no significant changes, from previous years, to its policies and processes for its capital structure.

	2022 KShs '000	2021 KShs '000
Share capital	2,615,578	2,615,578
Share premium	162,179	162,179
Statutory reserve	1,441,433	1,128,818
Contingency reserve	110,828	83,604
Revaluation surplus	295,064	195,036
Translation reserve	(556,566)	(356,769)
Fair value reserve	(641,688)	(265,412)
Retained earnings	5,125,027	4,406,933
Equity attributable the owners of the parent	8,551,855	7,969,967
Non-controlling interest	15,189	14,164
Total equity	8,567,044	7,984,131

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

55. RISK MANAGEMENT FRAMEWORK *(continued)*

(b). Capital management objectives, policies and approach *(continued)*

The Group had external borrowings at 31 December 2022 of KShs 4.6 billion (2021 – Kshs 4.4 billion).

Group		2022 KShs '000	2021 KShs '000
Cash and cash equivalents	52	3,803,964	3,642,860
Gross debt - Lease liability	14 (a)	(263,183)	(167,025)
Gross debt - Borrowings	42	(4,571,600)	(4,363,600)
Net debt		(1,030,819)	(887,765)
Total equity		8,567,044	7,984,131
Net debt to equity ratio		12%	11%
Company			
Cash and cash equivalents	52	42,452	25,028
Gross debt – related party loan	31	(238,016)	(206,851)
Gross debt - Borrowings	42	(4,571,600)	(4,363,600)
Net debt		(4,767,164)	(4,545,423)
Total equity		4,183,638	4,218,955
Net debt to equity ratio		114%	108%

(c). Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the group is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the group are subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

The group is also subject to insurance solvency regulations and has complied with all the solvency regulations except CIC Life Uganda Limited which did not meet the minimum capital requirement at 31 DECEMBER 2022 as per the insurance regulatory commission of Uganda. The Group is taking remedial action to ensure this is cured in 2022.

(d). Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the group faces, due to the nature of its investments and liabilities, is interest rate risk. The group manages these positions within an ALM framework that has been developed to achieve long–term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the group's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

55. RISK MANAGEMENT FRAMEWORK *(continued)*

The Group's ALM is:

- Integrated with the management of the financial risks associated with the group's other financial assets and liabilities not directly associated with insurance and investment liabilities
- As an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

56. INSURANCE AND FINANCIAL RISK

56.1 Insurance risk

The principal risk the group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by frequency of the claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the group is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines as well as the use of reinsurance arrangements.

The group purchases reinsurance as a part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and a non–proportional basis. The majority of proportional reinsurance is quota–share reinsurance which is taken out to reduce the overall exposure of the group to certain classes of business. Non–proportional reinsurance is primarily excess–of–loss reinsurance designed to mitigate the group's net exposure to catastrophe losses. Retention limits for the excess–of–loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the reporting date.

1. Life insurance contracts

Life insurance contracts offered by the group include: whole life and term assurance. Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value. . This includes group life and ordinary life premiums.

Pensions are contracts where retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the value of the fund accumulated or premiums. Most contracts give the policyholder the option at retirement to take a cash sum at guaranteed conversion rates allowing the policyholders the option of taking the more valuable of the two. Provision of additional death benefits may be provided by cancellation of units or through supplementary term assurance contracts. This includes the deposit administration contracts.

Guaranteed annuities are single premium products which pay a specified payment to the policyholder whilst they and/or their spouse are still alive. Payments are generally either fixed or increased each year at a specified rate or in line with the rate of inflation. Most contracts guarantee an income for a minimum period, usually of five years, irrespective of death.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.1 Insurance risk *(continued)*
1. *Life insurance contracts (continued)*

Death benefits of endowment products are subject to a guaranteed minimum amount. The maturity value usually depends on the investment performance of the underlying assets. For contracts with DPF the guaranteed minimum may be increased by the addition of bonuses. These are set at a level that takes account of expected market fluctuations, such that the cost of the guarantee is generally met by the investment performance of the assets backing the liability. However, in circumstances where there has been a significant fall in investment markets, the guaranteed maturity benefits may exceed investment performance and these guarantees become valuable to the policyholder.

The main risks that the Group is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Longevity risk – risk of loss arising due to the annuitant living longer than expected
- Investment return risk – risk of loss arising from actual returns being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry.

The group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims' handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the group to pursue third parties for payment of some or all costs. The group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the group.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Groupwide reinsurance limits of Kshs. 3,000,000 on any single life insured insured are in place.

For annuity contracts, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For contracts with DPF, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party. For contracts without DPF, the Group charges for death and disability risks on a yearly basis. Under these contracts the group has the right to alter these charges to take account of death and disability experience, thereby mitigating the risks to the group

The insurance risk described above is also affected by the contract holder's right to pay reduced premiums or no future premiums, to terminate the contract completely or to exercise guaranteed annuity options. As a result, the amount of insurance risk is also subject to contract holder behavior.

The following tables show the concentration of life insurance contract liabilities and investment contract liabilities with DPF by type of contract.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.1 Insurance risk *(continued)*
1. Life insurance contracts (continued)

31 December 2022

	Gross				Reinsurance*	
	Insurance contract liabilities with DPF Kshs'000	Investment contract liabilities Kshs'000	Insurance contract liabilities without DPF Kshs'000	Total Insurance and investment contract liabilities Kshs'000	Insurance liabilities without DPF Kshs'000	Net liabilities Kshs'000
Group life	-	-	552,821	552,821	(264,667)	288,154
Group credit	-	-	4,229,597	4,229,597	(723,453)	3,506,144
Endowment	2,827,823	-	-	2,827,823	-	2,827,823
Term assurance	-	-	119	119	-	119
Annuities	-	-	2,243,431	2,243,431	-	2,243,431
Total insurance liabilities	2,827,823	-	7,025,968	9,853,791	(988,120)	8,865,671
Unit linked	-	578,422	-	578,422	-	578,422
Total	2,827,823	578,422	7,025,968	10,432,213	(988,120)	9,444,093

31 December 2021

	Gross				Reinsurance*	
	Insurance contract liabilities with DPF Kshs'000	Investment contract liabilities Kshs'000	Insurance contract liabilities without DPF Kshs'000	Total Insurance and investment contract liabilities Kshs'000	Insurance liabilities without DPF Kshs'000	Net liabilities Kshs'000
Group life	-	-	510,393	510,393	(136,653)	373,740
Group credit	-	-	3,863,873	3,863,873	(597,580)	3,266,293
Endowment	2,610,792	-	-	2,610,792	-	2,610,792
Term assurance	-	-	110	110	-	110
Annuities	-	-	2,071,250	2,071,250	-	2,071,250
Total insurance liabilities	2,610,792	-	6,445,626	9,056,418	(734,233)	8,322,185
Unit linked	-	546,552	-	546,552	-	546,552
Total	2,610,792	546,552	6,445,626	9,602,970	(734,233)	8,868,737

**The Insurance contract liabilities with DPF features are not reinsured.*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*

56.1 Insurance risk *(continued)*

1. *Life insurance contracts (continued)*

Key Assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows

- Mortality and morbidity rates

  Assumptions are based on standard industry and national tables, according to the type of contract written. They reflect recent historical experience and are adjusted when appropriate to reflect the group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type. An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

- Longevity

  Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the group's own risk experience. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type. An increase in longevity rates will lead to an increase in the number of annuity payments to be made, which will increase the expenditure and reduce profits for the shareholders.

- Investment return

  The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long–term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to an increase in profits for the shareholders.

- Expenses

  Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

- Lapse and surrender rates

  Lapses relate to the termination of policies due to non–payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the group's experience and vary by product type, policy duration and sales trends. An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.1 Insurance risk *(continued)*

1. *Life insurance contracts (continued)*

Key Assumptions (continued)

- Discount rate

  Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the group's own risk exposure. A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

The assumptions that have the greatest effect on the statement of financial position and statement of profit or loss of the group are listed below

	Mortality and Morbidity rates		Discount rates Investment return				
	2022	2021		2022 and 2021		2022	2021
Insurance contracts			YR1 LAPSE	YR2 LAPSE	YR3 LAPSE		
Annuities*	KE 2007 – 2010 Tables for Assured Lives	KE 2007 – 2010 Tables for Assured Lives	-	-	-	13.2%	13.2%
Life assurance*	KE 2007 – 2010 Tables for Assured Lives	KE 2007 – 2010 Tables for Assured Lives	15%	10%	5%	Yield Curve	Yield curve

Valuation age is taken as the number of complete years of age "curtate age" at the date of valuation. The period of valuation has been taken as the original term to maturity less curtate duration at the valuation date

**The Annuities and life assurance balances are included in the life insurance contract liabilities.*

Sensitivities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

It should be noted that movements in these assumptions are non–linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities. The method used for deriving sensitivity information and significant assumptions made did not change from the previous period.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.1 Insurance risk *(continued)*

1. *Life insurance contracts (continued)*

Life insurance contracts

	31 December 2022		31 December 2021	
	KShs '000	% change	KShs '000	% change
Main basis	9,853,791		9,056,418	-
Expenses plus 10%	10,000,369	1.5%	9,098,444	0.46%
Mortality plus 10%	9,925,458	0.7%	9,074,212	0.2%
Discount rate/Investment return less 10%	10,147,680	3.0%	9,383,790	3.6%
Withdrawals plus 25%	9,880,681	0.3%	9,067,766	0.13%

2. *Non-life insurance contracts*

The Group principally issues the following types of general insurance contracts: motor, household, commercial and business interruption. Healthcare contracts provide medical expense coverage to policyholders and are not guaranteed as renewable. Risks under non–life insurance policies usually cover twelve months duration.

For general insurance contracts, {the most significant risks arise when there is fire, motor accidents, property losses or medical claims for longer tail claims that take some years to settle, there is also inflation risk. For healthcare contracts, the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements. These risks do not vary significantly in relation to the location of the risk insured by the group, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The group uses commercially available proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

The group has also Limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic.

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the group's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 50% of shareholders' equity on a gross basis and 10% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 2% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.1 Insurance risk *(continued)*

2. *Non-life insurance contracts* (continued)

The table below sets out the concentration of insurance contract liabilities by type of

	31 December 2022			31 December 2021		
	Gross liabilities KShs '000	Reinsurance share of liabilities KShs '000	Net liabilities KShs '000	Gross liabilities KShs '000	Reinsurance share of liabilities KShs '000	Net Liabilities KShs '000
Engineering	117,948	(20,950)	96,998	265,707	(37,300)	228,407
Fire	506,412	(89,947)	416,465	167,781	(124,128)	43,653
Liability	57,059	(10,135)	46,924	653,347	(482,238)	171,109
Marine	58,525	(10,395)	48,130	43,542	(1,981)	41,561
Motor	2,102,078	(373,365)	1,728,713	2,618,446	(268,210)	2,350,236
Medical	2,575,360	(457,428)	2,117,932	514,687	(4,456)	510,231
Others	1,235,817	(219,502)	1,016,315	1,564,553	(544,630)	1,019,923
Total	6,653,199	(1,181,722)	5,471,477	5,828,063	(1,462,943)	4,365,120

Key Assumptions

The principal assumption underlying the liability estimates is that the group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once–off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The non–life insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

It should be noted that movements in these assumptions are non–linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

	Change in assumptions	Increase/ (decrease) on gross liabilities	Increase/ (decrease) on net liabilities	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
31 December 2022					
Average Claim Cost	+10/-10	331,456	207,867	69,987	69,987
31 December 2021					
Average Claim Cost	+10/-10	325,046	204,310	65,610	65,610

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the group's exposure to credit risk:

- A Group credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's audit and risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each counterparty or group of counterparties, and industry segment (i.e., limits are set for investments and cash deposits, and minimum credit ratings for investments that may be held).
- The Group maintains strict control limits by amount and terms on net open derivative positions. The amounts subject to credit risk are limited to the fair value of "in the money" financial assets against which the Group either obtains collateral from counterparties or requires margin deposits. Collateral may be sold or repledged by the Group and is repayable if the contract terminates or the contract's fair value falls.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The credit risk in respect of customer balances incurred on non–payment of premiums or contributions will only persist during the grace period of 120 days specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.
- The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2022 and 2021 is the carrying amounts as presented in the statement of financial position.

The Group issues unit–linked investment policies in several its operations. In the unit–linked business, the policyholder bears the investment risk on the assets held in the unit–linked funds, as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Group has no credit risk on unit–linked financial assets.

The group actively manages its product mix to ensure that there is no significant concentration of credit risk.

The Group's internal rating process

The Group's investment team prepares internal ratings for financial instruments (Financial assets at amortised cost- Government securities, Financial Assets at amortised cost- Corporate Bonds, Financial Assets at amortised cost-Loan and Receivables, Financial Assets at amortised cost-Commercial Papers, Due from related party, Deposits with financial institutions, and Cash and bank balances) in which counterparties are rated using internal grades. The ratings are determined incorporating both qualitative and quantitative information from external party ratings supplemented with information specific to the counterparty and other external information that could affect the counterparty's behavior. These information sources are first used to determine whether an instrument has had a significant increase in credit risk.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*
a. Credit risk *(continued)*

The Group's internal credit rating grades for the above assets with exception of staff loans is as described below.

Internal rating grade	Internal rating description
0	High grade
1	High grade
2	Standard grade
3	Sub-standard grade
4	Past due but not impaired
5	Individually impaired

For staff loans, the credit rating is based on whether the staff is still in employment. The loan is given a 'high grade' rating if the staff is still in employment, and a 'past due but not impaired' rating in instances where the staff is no longer employed with the Group.

The Group's internal credit rating grades is as follows:

Asset class	Drivers of change in credit quality	Qualitative indicators assessed
Receivables arising from direct and reinsurance arrangements	30 days past due	Company closure, significant decline in the industry which the client operates, listing on credit reference bureau, inability to service debt, loss of income, among others.
Cash at bank and deposits with financial institutions	Downgrade to tie four	Bank closure, bank run, default on debt, credit rating downgrade, material adverse mention or investigation, change in bank tier, negative change in debt ratios, debt covenant breach, regulator actions among others.
Government Securities	Downgrade from investment grade to non-investment grade as per the external ratings	Credit rating downgrade, adverse political instability, military coup / attempt / civil turmoil, hyper inflationary trajectory, external war, significant fall in tax collection rates, significant natural disaster events, warnings from Bretton Woods Institutions, debt restructure, currency devaluation, unemployment rate growth among others
Corporate Debt	Default in contractual cash flows	Credit rating downgrades, significant adverse political turmoil in country of major operations, significant fall in revenue collection, significant natural disaster events, debt restructure, material Adverse change (Change in business model; significant change in priority staff), significant court process interference on business model, insolvency, government agency takeover, financial covenant breach, material representation inaccuracy or warranty breach, material adverse mention, investigation among others.
Equities - Dividend Income	Default in contractual cash flows	Company closure, default on debt, credit rating downgrade, adverse material mention, change in balance sheet debt composition, debt covenant breach, adverse change in business model, company insolvency among others.
Staff/ Non-Staff Loans	Default in contractual cashflows	Listing on credit reference bureau, inability to service debt, loss of income, death, permanent disability, imprisonment, number of months in arrears among others.

56. INSURANCE AND FINANCIAL RISK *(continued)*

56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

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. The Company 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.

Significant increase in credit risk, default and cure

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or portfolio of instruments (Financial assets at amortised cost- Government securities, Financial Assets at amortised cost- Corporate Bonds, Financial Assets at amortised cost-Loans, Due from related party, Deposits with financial institutions, Other receivables and Cash and cash equivalents) is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Group also considers a variety of instances that may indicate unlikeness to pay by assessing whether there has been a significant increase in credit risk. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. The Group considers a financial asset in default when contractual payments are 90 days past due. The Group may also consider an instrument to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. In such cases, the Group recognises a lifetime ECL. This more applicable to financial assets arising from investments with financial institution. Such events include

- Internal rating of the counterparty indicating default or near default for all asset classes
- The counterparty having past due liabilities to public creditors or employees for all asset classes except for staff loans.
- The counterparty filing for bankruptcy application for all asset classes
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts of financial difficulties for all asset classes except for staff loans.

The Group considers a financial instrument defaulted and, therefore, credit impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Group may also consider an instrument to be in default

when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. In such cases, the Group recognises a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Group's policy to consider the financial instrument as "cured" and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

The group actively manages its product mix to ensure there is no significant concentration of credit risk.

Collaterals and other credit enhancements

The amount and type of collateral required depends on assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each collateral, which applies only to staff loan advances. The main type of collaterals are as follows:

- For mortgages, legal charge over property to the extent of loan advanced.
- For car loans, the value of the motor vehicle.

Management monitors the market value of the collateral and may request additional collateral in accordance with underlying agreement.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

The Group does not physically repose properties but engages its legal department in collaboration with external agents to recover funds to settle outstanding debt. Because of this practice, the properties or motor vehicles are not recorded in the balance sheet and not treated as non-current asset held for sale.

The fair values of the collaterals equal to the outstanding loan balances at the end of each financial reporting period since the Group is only interested in recovering the loan balance.

Impairment losses on financial investments subject to impairment assessment.

i). Debt instruments measured at FVOCI

The table below shows the fair values of the group's debt instruments at FVOCI by credit risk, based on the group's internal credit rating system.

Internal rating grade	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2022 KShs'000	Total 2021 KShs'000
High grade	16,797,543	-	-	16,797,543	11,333,873
Standard grade	-	-	-	-	-
Total gross amount	16,797,543	-	-	16,797,543	11,333,873
ECL	-	-	-	-	(3,882)
Total net amount	16,797,543	-	-	16,797,543	11,329,991
Movement of ECL:					
ECL at start of year	3,882	-	-	3,882	-
Charge/(credit through P&L)	(3,882)	-	-	(3,882)	3,882
Movement between 12m ECL and LTECL	-	-	-	-	-
ECL at end of year	-	-	-	-	3,882

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

*Debt instruments at amortised cost**

The table below shows the credit quality and maximum exposure to credit risk based on the Group's internal credit rating system and year end stage classification. The amounts presented are gross of impairment allowances.

Details of the Group's grading system are explained above.

ii). Financial assets at amortised cost: Corporate bonds

a) GROUP

Internal rating grade	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021 KShs'000
Performing					
High grade	97,732	-	-	97,732	65,692
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing	-	-	-	-	
Individually impaired	-	-	82,707	82,707	105,387
Total Gross	97,732	-	82,707	180,439	171,079
ECL	(701)	-	(82,707)	(83,408)	(105,387)
Total Net Amount	97,031	-	-	97,031	65,692

An analysis of changes in ECLs is, as follows:

	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021 KShs'000
ECL as at 1 January	(701)	0	(104,686)	(105,387)	(83,359)
Charge /(credit) through profit or loss	-	-	7,279	7,279	(22,028)
Write off	-	-	14,700	14,700	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	(701)	-	(82,707)	(83,408)	(105,387)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

iii) Financial assets at amortised cost: Government securities

Internal rating grade	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021
Performing					
High grade	2,871,458	-	-	2,871,458	2,102,977
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					-
Individually impaired	-	-	-	-	-
Total Gross	2,871,458	-	-	2,871,458	2,102,977
ECL	(780)	-	-	(780)	(783)
Total Net Amount	2,870,678	-	-	2,870,678	2,102,194

Management assessed that there is low probability of default on these financial instruments as they are sovereign debts and there has been no history of default from the Government of Kenya. The movement in ECL is as follows:

	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021 KShs'000
ECL as at 1 January	783	-	-	783	-
Charge/(credit) through profit or loss	(3)	-	-	(3)	783
Movement between 12m ECL and LTECL	-	-	-	-	-
	780	-	-	780	783

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

iv) Financial Assets at amortised cost-Loan receivables

a) GROUP

Internal rating grade	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021
Performing					
High grade	749,121	-	-	748,815	647,729
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	34,512
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	749,121	-	-	748,815	682,241
(ECL)/Write backs	(11,463)	-	-	(11,157)	(6,765)
Total Net Amount	737,658	-	-	737,658	675,476

	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021 KShs'000
IECL at start of year	(6,765)	-	-	(6,765)	306
Charge/(credit) through P&L	(4,698)	-	-	(4,698)	6,459
Movement between 12m ECL and LTECL	-	-	-	-	-
	(11,463)	-	-	(11,463)	6,765

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

iv) Financial Assets at amortised cost-Loan Receivables

(b) COMPANY

Internal rating grade	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021
Performing					
High grade	12,669	-	-	12,669	11,774
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing	-	-	-	-	-
Individually impaired	-	-	-	-	-
Total Gross	12,669	-	-	12,669	11,774
ECL	(288)	-	-	(288)	(171)
Total Net Amount	12,381	-	-	12,381	11,603

Analysis of the ECL is as follows:

	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021 KShs'000
ECL as at 1 January	171	-	-	171	-
Charge through profit or loss	117	-	-	117	171
Movement between 12m ECL and LTECL	-	-	-	-	-
	288	-	-	288	171

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

v) Deposits with financial institutions

(a) Group

Internal rating grade	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021
Performing					
High grade	5,940,111	-	-	5,940,111	6,540,627
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing	-	-	-	-	-
Individually impaired	-	-	-	-	-
Total Gross	5,940,111	-	-	5,940,111	6,540,627
ECL	(32,007)	-	-	(32,007)	(34,546)
Total Net Amount	5,908,104	-	-	5,908,104	6,506,081

An analysis of changes in ECLs is, as follows:

	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021 KShs'000
ECL at start of year	34,546	-	-	34,546	(28,024)
Additional impairment	(2,539)	-	-	(2,539)	(6,522)
Unwind of discount	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
ECL at end of year	32,007	-	-	32,007	(34,546)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

v) *Deposits with financial institutions - Company*

(b)

Internal rating grade	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021
Performing					
High grade	94,658	-	-	94,658	80,411
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing	-	-	-	-	-
Individually impaired	-	-	-	-	-
Total Gross	94,658	-	-	94,658	80,411
ECL	(82)	-	-	(82)	(73)
Total Net Amount	94,576	-	-	94,576	80,338

An analysis of changes in ECLs is, as follows:

	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021 KShs'000
ECL at start of year	73	-	-	73	37
Additional impairment	9	-	-	9	36
Movement between 12m ECL and LTECL	-	-	-	-	-
ECL at end of year	82	-	-	82	73

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

vi) Financial assets at amortised cost -Deposits and commercial paper

Internal rating grade	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021
Performing					
High grade	10,154	-	-	10,154	15,053
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	10,154	-	-	10,154	15,053
ECL	(51)	-	-	(51)	(53)
Total Net Amount	10,103	-	-	10,103	15,000

An analysis of changes in ECLs is, as follows:

	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021 KShs'000
ECL as at 1 January	53	-	-	53	5
Charge /(credit) through P&L	(2)	-	-	(2)	48
Movement between 12m ECL and LTECL	-	-	-	-	-
	51	-	-	51	53

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

vii) Financial assets at amortised cost - Receivables from related parties

a) Group

Internal rating grade	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021
Performing					
High grade	170,043	-	-	170,043	15,053
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	170,043	-	-	170,043	15,053
ECL	(2,541)	-	-	(2,541)	(53)
Total Net Amount	167,502	-	-	167,502	15,000

An analysis of changes in ECLs is, as follows:

	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021 KShs'000
ECL as at 1 January	3,652	-	-	1,281	1,255
Charge/(credit) through profit or loss	(1,111)	-	-	502	26
Movement between 12m ECL and LTECL	-	-	-	-	-
	2,541	-	-	-	1,281

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

(b) Company

Internal rating grade	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021
Performing					
High grade	334,541	-	-	334,541	243,438
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	334,541	-	-	334,541	243,438
ECL	(1,783)	-	-	(1,783)	(1,281)
Total Net Amount	332,758	-	-	332,758	242,157

An analysis of changes in ECLs is, as follows:

	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021 KShs'000
ECL as at 1 January	1,281	-	-	1,281	1,255
Charge/(credit) through profit or loss	502	-	-	502	26
Movement between 12m ECL and LTECL	-	-	-	-	-
	1,783	-	-	-	1,281

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

An analysis of changes in ECLs is, as follows:

viii) *Financial assets at amortised cost - Other receivables*

a) Group

Internal rating grade	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021
Performing					
High grade	475,377	-	-	475,377	474,334
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	475,377	-	-	475,377	474,334
ECL	(8,746)	-	-	(8,746)	(6,752)
Total Net Amount	466,631	-	-	466,631	467,582

An analysis of changes in ECLs is, as follows:

	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021 KShs'000
ECL at start of year	6,752	-	-	6,752	3,761
Charge through profit or loss	1,994	-	-	1,994	2,991
Movement between 12m ECL and LTECL	-	-	-	-	-
ECL at end of year	8,746	-	-	8,746	6,752

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

x) *Financial assets at amortised cost – Cash and bank balances*

a) Group

Internal rating grade	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021
Performing					
High grade	417,582	-	-	417,582	223,707
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	417,582	-	-	417,582	223,707
ECL	(1,012)	-	-	(1,012)	(1,718)
Total Net Amount	416,570	-	-	416,570	221,989

An analysis of changes in ECLs is, as follows:

	STAGE 1 Kshs'000	STAGE 2 KShs'000	STAGE 3 Kshs'000	Total 2022 KShs'000	Total 2021 KShs'000
ECL as at 1 January	1,718	-	-	1,718	-
Charge/(credit) through profit or loss	(706)	-	-	(706)	1,718
Movement between 12m ECL and LTECL	-	-	-	-	-
	1,012	-	-	1,012	1,718

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

(a) Credit risk *(continued)*

The table below indicates the maximum exposure of assets bearing credit risk:

Group

	2022 KShs'000	2021 KShs'000
Corporate bonds at amortised cost	97,031	65,692
Government securities at amortised cost	2,870,678	2,102,194
Loans receivable	737,658	675,162
Government securities at fair value through OCI	16,797,543	11,329,991
Deposits and commercial paper	10,103	10,500
Receivables arising out of direct insurance arrangements	1,907,121	1,293,766
Receivables arising out of reinsurance arrangements	1,029,281	2,242,062
Other receivables	466,631	467,968
Due from related parties	167,502	122,559
Deposits with financial institutions	5,908,104	6,506,076
Cash and cash equivalents	416,570	221,989
Total	30,408,222	25,037,959

Company

	2022 KShs '000	2021 KShs '000
Loans receivable	12,381	11,603
Other receivables	38,023	59,622
Due from related parties	332,758	242,157
Related party loan	4,500	531,943
Deposits with financial institutions	94,576	80,338
Cash and cash equivalents	42,452	-
Total	524,690	925,663

Short term business

Impaired financial assets

At 31 December 2022, there are impaired insurance assets of KShs 1.5 billion (2021: KShs 1.9 billion).

For assets to be classified as" past–due and impaired" contractual payments must be in arrears for more than 120 days. No collateral is held as security for any past due or impaired assets.

The group records impairment allowances for receivables arising out of direct insurance arrangements and resinurance arrangements in a separate impairment allowance account. A reconciliation of the allowance for impairment losses for premium receivables is disclosed in note 28.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

(a) Credit risk *(continued)*

Collateral

No collateral is held in respect of the receivables that are past due but not impaired.

Financial assets neither past due nor impaired

There were no financial assets that are neither impaired nor past due as at 31 December 2022.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out–flows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the group's exposure to liquidity risk:
- A group liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the group. Compliance with the policy is monitored and exposures and breaches are reported to the group risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The group's catastrophe excess–of–loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Maturity profiles

The following table summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the group based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of cash outflows from the recognised insurance liabilities. Unearned premiums have been excluded from the analysis as they are not contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK (continued)Financial risks *(continued)*

(b) Liquidity risk *(continued)*

The table below provides a contractual maturity analysis of the group's financial assets and liabilities:

	31-Dec-22				31-Dec-21		
	6 months or on demand KShs '000	6 months and 1 year KShs '000	More than 1 year KShs '000	Total KShs '000	6 months or on demand KShs '000	6 months and 1 year KShs '000	More than 1 year KShs '000
Financial assets							
Financial assets at amortised cost- Corporate Bonds	-	-	160,692	160,692	-	-	108,494
Financial assets at amortised cost -Government securities	204,598	789,345	3,102,807	4,096,750	159,117	490,593	2,350,335
Financial assets at amortised cost -Loans receivable	-	4	966,988	966,992	47	3,064	882,363
Financial assets at fair value through other comprehensive income -Government securities	30,014	108,001	32,967,691	33,105,706	-	193,752	24,834,153
Financial assets at amortised cost -Deposits and commercial paper	-	10,103	-	10,103	15,000	-	
Investments in collective investment schemes at fair value through Profit or loss	1,210,502	-	-	1,210,502	1,738,872	-	-
Receivables arising out of direct insurance arrangements	1,907,121	-	-	1,907,121	1,293,766	-	
Receivables arising out of reinsurance arrangements	1,029,281	-	-	1,029,281	2,259,252	-	-
Other receivables	466,631	-	-	466,631	467,582	-	-
Due from related parties	167,502	-	-	167,502	120,473	-	-
Deposits with financial institutions	3,387,394	2,552,717	-	5,940,111	3,526,500	2,979,581	-
Cash and cash equivalents	417,582	-	-	417,582	221,989	-	-
Total financial assets	8,820,625	3,460,170	37,198,178	49,478,973	9,802,598	3,666,990	-
Financial liabilities							
Borrowings	-	-	4,761,600	4,761,600	-		28,175,345
Lease Liability	-	139,874	252,041	391,915	-	97,981	5,163,600
Other payables	1,538,795	-	-	1,538,795	1,435,566	-	150,742
Payables arising from reinsurance arrangements and insurance bodies	145,678	654,234	42,186	842,098	563,314	-	-
Deposits administration contracts	7,587,917	-	-	7,587,917	6,406,695	-	-
Non life insurance contract liabilities	6,653,199	-	-	6,653,199	5,828,063	-	-
Life insurance contract liabiliteis	9,853,791	-	-	9,853,791	9,056,418	-	-
Total financial liabilities	25,779,380	794,108	5,055,827	31,629,315	23,290,056	97,981	5,314,342
Net liquidity (gap)	(16,958,755)	2,666,062	32,142,351	17,849,658	(13,487,458)	3,569,009	22,861,003

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

- The group's market risk policy sets out the assessment and determination of what constitutes market risk for the group. Compliance with the policy is monitored and exposures and breaches are reported to the group risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.
- The group stipulates diversification benchmarks by type of instrument, as the group is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.

In the unit–linked business, the policyholder bears the investment risk on the assets held in the unit–linked funds as the policy benefits are directly linked to the value of the assets in the fund. The group's exposure to market risk on this business is Limited to the extent that income arising from asset management charges is based on the value of assets in the fund.

i. Currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate because of changes in foreign exchange rates.

The Group's principal transactions are carried out in Kenya Shilling and its exposure to foreign exchange risk arise primarily with respect to US Dollar (USD), Uganda Shillings (UGSH), Malawian Kwacha (MK) and South Sudan Pound (SSP).

The group's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities. This mitigates the foreign currency exchange rate risk for the overseas operations. Thus, the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance contract liabilities are expected to be settled.

The group has no significant concentration of currency risk.

		31st December 2022		31st December 2021	
Currency	Increase/ (decrease) in variables	Impact on PBT KShs'000'	Impact on Equity KShs'000'	Impact on PBT KShs'000'	Impact on Equity KShs'000'
SSP	10%	(29,456)	(75,678)	(19,221)	(47,025)
SSP	-10%	35,787	84,346	23,493	57,474
UGSH	10%	3,985	(2,567	2,021	(3,279)
UGSH	-10%	(4,092)	(42,784)	(2,403)	(39,825)
MK	10%	(15,678)	((30,234)	(18,405)	(34,002)
MK	-10%	20,567	33,869	22,495	37,259

The holding's s financial assets are primarily denominated in the same currencies as its liabilities hence not exposed to the currency risks.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

(c) Market Risk *(continued)*

ii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on floating rate instruments is re–priced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The Financial assets at amortised cost- Deposits and commercial papers and staff loans are not affected by interest rate risk because the rates are agreed at the beginning of the contract financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.

The Group's management monitors the sensitivity of reported interest rate movement monthly by assessing the expected changes in the different portfolios due to a parallel movement of plus 5% in yield curves of financial assets and financial liabilities. The Group is not exposed to interest rate risk as all financial assets are at fixed interest rates.

iii. Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in equity prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

The Group is exposed to equity securities price risk as a result of its holdings in equity investments, classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income investments. Exposure to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Investments held are listed and traded on the Nairobi Securities Exchange Limited (NSE).

The Group has a defined investment policy which sets limits on the Group's exposure to equities both in aggregate terms and by industry. This policy of diversification is used to manage the Group's price risk arising from its investments in equity securities.

Investment management meetings are held monthly. At these meetings, senior managers meet to discuss investment return and concentration of the equity investments.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

c. Market Risk *(continued)*

iii. Equity price risk *(continued)*

The Group has a defined investment policy which sets limits on the Group's exposure to equities both in aggregate terms and by industry. This policy of diversification is used to manage the Group's price risk arising from its investments in equity securities.

Investment management meetings are held monthly. At these meetings, senior managers meet to discuss investment return and concentration of the equity investments.

Equity investment through profit or loss represent 96% (2019: 96%) of total equity investments. If equity market indices had increased/ decreased by 5%, with all other variables held constant, and all the Group's equity investments moving according to the historical correlation with the index, the profit for the year would increase/decrease by KShs 2,487,400 (2019: KShs 2,487,400).

57. FAIR VALUE MEASUREMENT

The group specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

- **Level 1** – Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi securities exchange.
- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- **Level 3** – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components, property, equipment and investment property

This hierarchy requires the use of observable market data when available. The group considers relevant and observable market prices in its valuations where possible.

There were no transfers between Level 1 and level 2 during the year.

The table below shows an analysis the fair value of assets by level in the fair value hierarchy. However, it does not include instruments whose fair value approximates the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

57. FAIR VALUE MEASUREMENT *(continued)*

GROUP	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000	Carrying amounts
31-Dec-22					
Recurring fair value Measurements					
Equity investments classified:					
-at fair value through profit or loss	1,060,004	-	-	1,060,004	1,060,004
- at fair value through OCI	-	21,647	-	21,647	21,647
Government securities classified at fair value through OCI	16,797,543	-	-	16,797,543	16,797,543
Owner occupied property and equipment	-	-	830,823	830,823	830,823
Investment properties	-	-	7,761,640	7,761,640	7,761,640
Non-recurring fair value Measurements – fair value of assets not measured at fair value					
Corporate bonds	-	132,498	-	132,498	97,031
Government securities at amortised cost	2,924,568	-	-	2,924,568	2,870,678
Deposits and Commercial paper	-	10,103	-	10,103	10,103
Loan receivables	-	-	737,658	737,658	737,658
Total assets at fair value	20,782,115	164,248	9,330,121	30,276,484	30,187,127
Liabilities					
Unit linked contracts	-	578,422	-	578,422	578,422
Total liabilities at fair value	-	578,422	-	578,422	578,422

31-Dec-21	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000	Carrying amounts
Recurring fair value Measurements					
Equity investments classified:					
-at fair value through profit or loss	1,218,065	-	-	1,218,065	1,218,065
- at fair value through OCI	-	15,763	-	15,763	15,763
Government securities classified at fair value through OCI	11,329,991	-	-	11,329,991	11,329,991
Owner occupied property and equipment	-	-	306,695	306,695	306,965
Investment properties	-	-	7,477,939	7,477,939	7,477,939
Non-recurring fair value Measurements – fair value of assets not measured at fair value					
Corporate bonds	-	84,493	-	84,493	65,692
Government securities at amortised cost	2,106,336	-	-	2,106,336	2,102,194
Deposits and Commercial paper	-	15,000	-	15,000	15,000
Loan receivables	-	-	675,476	675,476	675,476
Total assets at fair value	14,654,392	115,256	8,460,110	23,229,758	23,207,085
Liabilities					
Unit linked contracts	-	546,552	-	546,552	546,552
Total liabilities at fair value	-	546,552	-	546,552	546,552

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

57. FAIR VALUE MEASUREMENT *(continued)*

COMPANY	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000	Carrying amounts
2022					
Recurring fair value measurements					
Investment properties	-	-	4,046,000	4,046,000	4,046,000
Fair value of assets not measured at fair value					
Loan receivables	-	-	12,381	12,381	12,381
Total assets at fair value	-	-	4,058,381	4,058,381	4,058,381
2021					
Recurring fair value measurements					
Investment properties	-	-	3,800,000	3,800,000	3,800,000
Fair value of assets not measured at fair value					
Deposits and Commercial paper	-	-	4,500	4,500	4,500
Loan receivables	-	-	11,603	11,603	11,603
Total assets at fair value	-	-	3,816,103	3,816,103	3,816,103

Valuation methods used in determining the fair value of assets and liabilities

Instrument	Applicable Level	Valuation methods	Inputs
Loans and receivables at amortised cost	2	Discounted cash flow model (DCF)	Average Market interest rates 13%
Corporate bonds at amortised cost	2	Discounted cash flow model (DCF)	Interest rates
Equity investments classified as fair value through OCI	2	Net Asset Value	Current unit price of underlying unitised assets and interest rates.
Investments in collective investment schemes at fair value through profit or loss	2	Net Asset Value	Current unit price of underlying unitised assets and interest rates.
Deposits and commercial paper	2	Net Asset Value and Discounted Cash Flow (DCF)	Current unit price of underlying unitised assets and interest rates.

The significant unobservable inputs used in the fair value measurements categorised in level 3 of the fair value hierarchy as at 31 December 2022 are as shown below.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

57. FAIR VALUE MEASUREMENT *(continued)*

Group					
Instrument	Level	Valuation basis	Rate	Significant unobservable Inputs	Sensitivity of input to the fair value
Investment properties	3	Discounted cash flow model (DCF)	13	Discount rate used, Net Annual Rent, Annual rent growth rate	Increase/(decrease) in discount by 5% would decrease/(increase) fair value by KShs 80.1 million
Owner occupied property and equipment	3	Discounted Cash Flow (DCF)	13	Discount rate used, Net Annual Rent, Annual rent growth rate	Increase/(decrease) in discount of 5% would decrease/(increase) fair value by KShs 1.9 million.
Unit Linked contracts	3	Number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price	N/A	Market value of assets of the fund	Increase/(decrease) in the market price by 5% of the assets in the fund would increase/ (decrease) fair value by KShs 25.7 million.
Deposits Administration contracts	3	Deposits, withdrawals and investment returns from the fund.	N/A	Market value of assets of the fund	Increase/(decrease) in the market price of the assets in the fund would increase/ (decrease) fair value by KShs 209 million.

58. GOING CONCERN STATUS OF THE SUBSIDIARIES AND THE COMPANY

The directors have assessed the going concern of the subsidiaries and are confident that they will continue as going concern.

59. INCORPORATION

The Company is incorporated in Kenya under the Companies Act 2015 and is domiciled in Kenya.

60. HOLDING COMPANY

The holding entity is Co-operative Insurance Society Limited which is incorporated and domiciled in Kenya.

61. CURRENCY

The financial statements are presented in Kenya shillings thousands (KShs '000') which is also the functional currency of the Company.

62. EVENTS AFTER REPORTING DATE

There are no events after the reporting date that would require adjustments to, or disclosure in, the financial statements.

APPENDIX I

CIC LIFE ASSURANCE LIMITED
REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

	Ordinary Life, Annuities & Pension Kshs '000	Group Life Kshs '000	Total 2022 Kshs '000	Total 2021 Kshs '000
Gross written premiums	1,290,666	5,868,912	7,159,578	6,117,113
Less: Reinsurance premiums ceded	(15,268)	(1,634,527)	(1,649,795)	(1,675,694)
Net earned premiums	1,275,398	4,234,385	5,509,783	4,441,419
Claims and Policyholders' benefits:				
Life and health claims	(20,176)	(1,837,624)	(1,857,800)	(2,208,090)
Maturities	(672,934)	-	(672,934)	(608,790)
Surrenders	(210,850)	-	(210,850)	(217,804)
Actuarial reserves	(223,278)	(868,239)	(1,091,517)	(771,583)
Net claims and policyholders' benefits	(1,127,238)	(2,705,863)	(3,833,101)	(3,806,267)
	-	-	-	-
Commissions paid	(99,488)	(231,049)	(330,537)	(136,928)
Expenses of management	(261,891)	(1,336,344)	(1,598,235)	(1,363,597)
Premium tax	(11,232)	(58,689)	(69,921)	(60,229)
Total expenses and commissions	(372,611)	(1,626,082)	(1,998,693)	(1,560,754)
Investment income	469,772	483,370	953,142	847,022
Profit before taxation	245,321	385,810	631,131	(78,580)
Taxation charge	-	(203,515)	(203,515)	23,574
Profit for the year	245,321	182,295	427,616	(55,006)
Increase in life fund for the year	245,321	182,295	427,616	(55,006)

The revenue account was approved by the board of directors on 21 March 2023 and was signed on its behalf by:

Nelson Kuria **Patrick Nyaga** **Julius Mwatu**

CIC GENERAL INSURANCE LIMITED
REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

APPENDIX II

	C.A.R & Engin-eering Shs.'000	Fire Domestic Shs.'000	Fire Industrial Shs.'000	Liability Insurance Shs.'000	Marine & Transit Shs.'000	Motor Private Shs.'000	Motor Com-mercial Shs.'000	Motor Pool Shs.'000	Medical insurance Shs.'000	Personal Accident Shs.'000	Theft Insurance Shs.'000	Work men's Comp. Shs.'000	Misc. Accident Shs.'000	Micro solutions Shs.'000	Total 2022 Shs.'000
Gross premium written	235,099	95,213	960,932	95,701	69,340	2,528,472	1,831,226	-	5,858,412	209,231	594,002	1,163,802	184,289	9,843	13,860,382
Unearned premium transferred in	175,978	39,047	305,573	36,976	19,318	951,478	758,621	-	1,343,308	37,740	141,273	242,741	34,731	572	4,078,868
Unearned premium c/f	87,148	36,441	394,569	32,547	10,819	1,164,305	895,715	-	1,868,920	39,014	162,093	258,385	45,961	3,670	5,007,266
Gross earned premium	323,929	97,819	871,936	100,130	77,839	2,315,645	1,694,132	-	5,332,800	207,957	573,182	1,148,158	173,059	6,745	12,931,984
Reinsurance premium	(219,713)	(26,654)	(660,976)	(27,686)	(19,325)	(164,679)	(84,917)	-	(170,430)	(92,493)	(261,859)	(770,804)	(141,126)	(15)	(2,666,048)
Net earned premium	104,216	71,165	210,960	72,444	58,514	2,150,966	1,609,215	-	5,162,370	115,464	311,323	377,354	31,933	6,730	10,265,936
Gross claims paid	98,092	6,495	177,571	79,758	12,913	1,703,291	1,184,830	-	3,646,139	61,331	46,739	53,563	37,226	1,590	7,113,738
Outstanding claims c/f	499,919	40,017	337,131	449,210	36,057	1,530,877	1,328,251	2,092	809,317	69,867	233,044	322,244	34,708	166	5,711,149
Outstanding claims transferred in	294,305	22,766	151,117	630,961	48,585	1,448,746	1,326,796	2,092	552,652	75,471	285,788	252,485	14,135	5,838	5,101,053
Gross claims incurred	303,706	23,746	363,585	(101,994)	385	1,785,422	1,186,285	-	3,902,804	55,727	(6,005)	123,322	57,799	(4,082)	7,723,833
Recoveries	(156,666)	(330)	(236,412)	58,671	(1,094)	(232,687)	(142,739)	-	(79,948)	(20,877)	(809)	(31,274)	(53,428)	(1,223)	(905,803)
Net incurred Claims	147,040	23,416	127,173	(43,323)	(709)	1,552,735	1,043,546	-	3,822,856	34,850	(6,814)	92,048	4,371	(5,305)	6,818,030
Commission receivable	38,373	7,396	253,460	5,600	4,674	13,872	11,925	-	-	23,721	69,427	229,946	90,292	-	763,459
Commissions payable	72,879	18,738	212,764	18,175	15,733	210,654	164,292	-	515,966	39,270	96,935	228,059	15,274	674	1,613,704
Net commission	34,506	11,342	(40,696)	12,575	11,059	196,782	152,367	-	515,966	15,549	27,508	(1,887)	(75,018)	674	850,245
Management expenses	55,037	28,431	165,291	19,524	49,197	520,218	506,987	-	892,586	64,862	165,470	84,569	47,880	2,066	2,577,653
Premium tax	2,941	1,191	12,019	1,197	835	31,626	22,904	-	73,276	2,617	7,430	14,557	2,305	124	173,364
Total	57,978	29,622	177,310	20,721	50,032	551,844	529,891	-	965,862	67,479	172,900	99,126	50,185	2,190	2,751,017
Total claims expenses and commissions	181,546	34,758	86,477	(31,388)	10,350	1,749,517	1,195,913	-	4,338,822	50,399	20,694	90,161	(70,647)	(4,631)	7,667,635
Underwriting profit/(loss)	(135,308)	6,785	(52,827)	83,111	(1,868)	(150,395)	(116,589)	-	(142,314)	(2,414)	117,729	188,067	52,395	9,171	(152,716)

The revenue account was approved by the board of directors on 21 March 2023 and was signed on its behalf by:

Nelson Kuria | **Patrick Nyaga** | **Julius Mwatu**

CIC GENERAL INSURANCE LIMITED
REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2021

APPENDIX II

	C.A.R & Engin-eering Shs.'000	Fire Domestic Shs.'000	Fire Industrial Shs.'000	Liability Insurance Shs.'000	Marine & Transit Shs.'000	Motor Private Shs.'000	Motor Com-mercial Shs.'000	Motor Pool Shs.'000	Medical insurance Shs.'000	Personal Accident Shs.'000	Theft Insurance Shs.'000	Work men's Comp. Shs.'000	Misc. Accident Shs.'000	Micro solutions Shs.'000	Total 2021 Shs.'000
Gross premium written	393,719	107,585	811,811	99,012	69,613	1,945,952	1,716,569	-	4,229,668	196,391	688,726	983,287	178,708	997	11,422,038
Unearned premium transferred in	177,567	37,692	266,536	33,829	10,819	968,126	820,238	-	1,266,917	41,112	141,563	107,516	33,635	1,352	3,906,902
Unearned premium c/f	175,978	39,047	305,573	36,976	10,830	951,478	758,621	-	1,343,308	37,740	141,273	242,741	34,731	572	4,078,868
Gross earned premium	395,308	106,230	772,774	95,865	69,602	1,962,600	1,778,186	-	4,153,277	199,763	689,016	848,062	177,612	1,777	11,250,072
Reinsurance premium	(358,860)	(27,688)	(613,636)	(34,179)	(14,699)	(69,667)	(63,377)	-	(132,210)	(84,502)	(467,489)	(399,312)	(179,500)	-	(2,445,119)
Net earned premium	36,448	78,542	159,138	61,686	54,903	1,892,933	1,714,809	-	4,021,067	115,261	221,527	448,750	(1,888)	1,777	8,804,953
Gross claims paid	62,219	53,691	97,860	178,059	35,822	1,753,530	1,479,573	-	2,984,192	38,874	60,474	130,679	29,988	351	6,905,312
Outstanding claims c/f	294,305	22,766	151,117	630,961	37,901	1,448,746	1,326,796	2,092	552,652	75,471	285,788	252,485	14,135	5,837	5,101,052
Outstanding claims transferred in	79,914	90,162	166,927	627,218	36,057	1,656,528	1,450,502	2,092	445,546	86,889	277,793	293,619	20,853	5,838	5,239,938
Gross claims incurred	276,610	(13,705)	82,050	181,802	37,666	1,545,748	1,355,867	-	3,091,298	27,456	68,469	89,545	23,270	350	6,766,426
Recoveries	(241,047)	11,811	(48,670)	(134,092)	(8,128)	(211,079)	(177,152)	-	(94,922)	(2,919)	(7,434)	(11,985)	(30,763)	(239)	(956,619)
Net incurred Claims	35,563	(1,894)	33,380	47,710	29,538	1,334,669	1,178,715	-	2,996,376	24,537	61,035	77,560	(7,493)	111	5,809,807
Commission receivable	107,944	8,691	203,983	6,985	5,269	7,320	6,768	-	-	21,653	124,115	116,686	79,041	-	688,455
Commissions payable	57,848	20,561	188,819	16,886	14,290	182,189	173,007	-	397,889	37,048	123,494	166,055	20,535	143	1,398,764
Net commission	(50,096)	11,870	(15,164)	9,901	9,021	174,869	166,239	-	397,889	15,395	(621)	49,369	(58,506)	143	710,309
Management Expenses	50,588	26,502	151,937	18,052	23,817	482,422	475,042	-	808,103	61,979	154,903	78,568	44,732	2,126	2,378,771
Premium Tax	4,923	1,345	10,152	1,238	871	24,334	21,465	-	52,891	2,456	8,613	12,296	2,235	12	142,831
Total	55,511	27,847	162,089	19,290	24,688	506,756	496,507	-	860,994	64,435	163,516	90,864	46,967	2,138	2,521,602
Total claims expenses and commissions	(14,533)	9,976	18,216	57,611	38,559	1,509,538	1,344,954	-	3,394,265	39,932	60,414	126,929	(65,989)	254	6,520,126
Underwriting profit/(loss)	(4,530)	40,719	(21,167)	(15,215)	(8,344)	(123,361)	(126,652)	-	(234,192)	10,894	(2,403)	230,957	17,134	(615)	(236,775)

CIC GENERAL INSURANCE LIMITED
GLOSSARY OF INSURANCE TERMS FOR THE YEAR ENDED 31 DECEMBER 2022

APPENDIX III

Assumptions	The underlying variables which are taken into account in determining the value of insurance and investment contract liabilities.
Benefits and claims experience variation	The difference between the expected and the actual benefit
Claims development table	A table that compares actual claims paid and current estimates of claims with previously reported estimates of the same claims, demonstrating the sufficiency or otherwise of those previous estimates.
Discretionary participation feature (DPF)	A contractual right to receive, as a supplement to guaranteed benefits, additional payout benefits: • That are likely to be a significant portion of the total contractual benefits • Whose amount or timing is contractually at the discretion of the issuer • That are contractually based on: • The performance of a specified pool of contracts or a specified type of contract • Realised and/or unrealised investment returns on a specified pool of assets held by the issuer • The profit or loss of the Group, fund or other entity that issues the contract
Deferred expenses – deferred acquisition costs (DAC)	Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts and/or investment contracts with DPF, which are deferred and brought to account as expenses of future reporting periods.
General insurance	An insurance contract which provides coverage other than life insurance to the policyholder. Examples include motor, household, third party liability, marine and business interruption. Short-term life and health insurance is also frequently classified as general insurance.
*Financial risk**	The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non–financial variable that the variable is not specific to a party to the contract.
*Insurance contract**	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
Incurred but not report (IBNR)	Claims to be made by a policyholder, but not yet reported to the insurance company.
I *nsurance risk**	Risk, other than financial risk, transferred from the holder of a contract to the issuer.
Investment contract	A contract, which contains significant financial risk and may contain insignificant insurance risk but does not meet the definition of an insurance contract.
Liability adequacy test	An annual assessment of the sufficiency of insurance to cover future insurance obligations.
Outstanding claims provision *Premiums earned*	Comprises claims reported by the policyholder to the insurance company, and IBNR claims.
Premiums written	In the case of general insurance business, earned premium is the proportion of written premiums (including, where relevant, those of prior accounting periods) attributable to the risks borne by the insurer during the accounting period. For non-life insurance contracts, the premium income attributable to the insurance risks borne by the insurer in the reporting period, that is, after adjusting for the opening and closing balances of unearned premium.
Reinsurance	Premiums to which the insurer is contractually entitled becoming due for payment in the accounting period.
Unit–holder/unit–linked	Insurance risk that is ceded to another insurer to compensate for losses, but the ultimate obligation to the policyholder remains with the entity who issued the original insurance contract. Investor in a unit–linked product, when the investment risk is borne by the policyholder and not by the insurance company.

NOTICE OF ANNUAL GENERAL MEETING OF THE CIC INSURANCE GROUP PLC

NOTICE IS HEREBY GIVEN that the Forty Fourth (44th) Annual General Meeting of the shareholders of The CIC INSURANCE GROUP PLC will be held via electronic means, on Friday 5th May 2023 at 10.00am to transact the business as set out below.

AGENDA

Constitution of the Meeting

1. The Company Secretary to read the notice convening the meeting and determine if a quorum is present.

Ordinary Business

2. To receive, consider and if thought fit, adopt the Annual Report and Financial Statements for the year ended 31st December 2022 together with the Directors' and Auditors Reports thereon.

3. To declare a first and final dividend of Kshs 0.13 per share in respect of the year ended 31st December 2022, to be paid on or before 26th May 2023, to shareholders appearing on the Register of Members at the close of business on 8th May 2023. The register will remain closed for one day on 9th May 2023 for the preparation of dividend warrants.

4. **Rotation, Election and Retirement of Directors.**

    a. **Appointment of Director:**
    Sharon Kisire being a Director appointed by the Board on 5th September 2022 to fill a casual vacancy in accordance with Article 132 of the Company's Articles of Association retires, and this being the first Annual General Meeting to be held since her appointment and being eligible offers herself for election.

    b. **Rotation of Director:**
    Dr. Nelson Kuria retires by rotation in accordance with Article 127 of the Company's Articles of Association, and being eligible offers himself for re-election.

    c. **Rotation of Director:**
    James Njue retires by rotation in accordance with Article 127 of the Company's Articles of Association, and being eligible offers himself for re-election.

    d. **Rotation of Director:**
    Michael Wambia retires by rotation in accordance with Article 127 of the Company's Articles of Association, and being eligible offers himself for re-election.

5. **Board Audit Committee**
    In accordance with the provisions of section 769 (1) of the Companies Act 2015, the following Directors, being members of the Audit Committee of the Board, be elected to continue serving as members of the said Committee:
    a. Julius Mwatu
    b. Peter Nyigei
    c. Rogers Kinoti

6. **Remuneration of Directors.**
    To approve the Directors Remuneration and the report thereof for the year ended 31st December 2022 and to authorize the directors to fix their remuneration for the year ending 31st December 2023.

NOTICE OF ANNUAL GENERAL MEETING OF THE CIC INSURANCE GROUP PLC

7. **Appointment of Messrs. PriceWaterhouseCoopers LLP, Certified Public Accountants.**

   To receive, consider and if thought fit appoint Messrs. PriceWaterhouseCoopers LLP, Certified Public Accountants, having expressed their willingness to continue in office as auditors of the company in accordance with section 721 (2) of the Companies Act. No 17 of 2015 and to authorize Directors to fix their remuneration.

Special Business
As ordinary resolutions

8. **Director above the Age of 70 Years**
   That Pursuant to paragraph 2.5.1 of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, the shareholders approve the continuation in office of Peter Nyigei, who has attained the age of seventy (70), until he next comes up for retirement by rotation.

9. **Sale of CIC Insurance Group Plc Kiambu Land L.R No. 28800/1022.**
   a. **THAT** the sale of L.R No. 28800/1022 measuring approximately two hundred (200) acres situated in Kiambu County be and is hereby approved.
   b. **THAT** the Board of Directors of the Company be and is hereby authorized to do all such things as may be necessary to give effect to the above resolution and any actions of any officer of the Company, in carrying out the terms and intentions of these resolution, whether taken prior to or subsequent to the passing of the aforementioned resolution, be and they are hereby in all respects ratified, confirmed and approved as the authorized actions of the Company.

10. **Any Other Business.**
    To transact any other business for which due notice has been received.

Dated at Nairobi this 12th day of April 2023
By Order of the Board,

GAIL ODONGO
GROUP COMPANY SECRETARY

NOTES:

1. In accordance with the Articles of Association and the Companies, Act, 2015, the Forty Fourth Annual General Meeting (AGM) of the CIC Insurance Group PLC ("the Company") will be held virtually on Friday 5th May 2023 at 10.00am.
2. Shareholders wishing to participate in the meeting should register for the AGM by doing the following:

i. Dialing * 483* 905# for all networks and follow the various prompts regarding the registration process; or
ii. Sending an email request to be registered to CICGROUPAGM@image.co.ke; or
iii. Shareholders with email addresses will receive a registration link via email through which they can use to register.

In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance shareholders (whether in Kenya or outside) should dial the following helpline number: (+254) 709 170 015 from 8:00 a.m. to 5:00 p.m. from Monday to Friday. A Shareholder domiciled outside of Kenya can send an email to Image Registrars via CICGROUPAGM@image.co.ke.

3. Registration for the AGM opens on 12th April 2023 at 9:00 am and will close on 3rd May 2023 at 5.00 pm.
4. In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the

NOTICE OF ANNUAL GENERAL MEETING OF THE CIC INSURANCE GROUP PLC *(continued)*

Company's website www.cic.co.ke (i) a copy of this Notice and the proxy form; (ii) the Company's audited financial statements for the year 2022.

The reports may also be accessed upon request by dialing 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 CICGROUPAGM@image.co.ke
b. shareholders who will have registered to participate in the meeting shall be able to ask questions via sms by dialing the USSD code above and selecting the option (ask Question) on the prompts
c. to the extent possible, physically delivering their written questions with a return physical address or email address to Image Registrars Limited, 5th Floor Absa Towers, Loita Street, Nairobi, or
d. sending their written questions with a return physical address or email address by registered post to the Company's address at P. O. Box 58485-00200 Nairobi.

Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

All questions and clarification must reach the Company on or before Thursday 4th May, 2023 at 11:00 am.

Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return physical address or email address provided by the Shareholder no later than 12 hours before the start of the general meeting. A full list of all questions received and the answers thereto will be published on the Company's website not later than 12 hours before the start of the general meeting.

6. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company. A proxy form is available on the Company's website via this link: http://www.cic.co.ke. 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. A proxy must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be under the hand of an officer or duly authorized attorney of such body corporate. A completed form of proxy should be emailed to CICGROUPAGM@image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers, Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than Wednesday 3rd May, 2023 at 10:00 a.m. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than Wednesday 3rd May 2023 at 10.00 am. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 4th May, 2023 to allow time to address any issues.
7. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies 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 ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' 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 by the Chairman) via the USSD prompts.
9. A poll shall be conducted for all the resolutions put forward in the notice.
10. The results of the AGM shall be published on the Company's website within 24 hours following conclusion of the Annual General Meetings.

PROXY FORM

THE COMPANY SECRETARY,
CIC INSURANCE GROUP PLC
CIC PLAZA, MARA ROAD, UPPERHILL NAIROBI,
P. O. BOX 59485 - 00200
NAIROBI, KENYA

I/WE ____

of ____

Being a shareholder of **CIC Insurance Group Plc** hereby appoint the Chairman of the Meeting or *(see notes 3 and 5)* ____________________________ *(Name of proxy)* in respect of my ____________________ *(Number of shares)*. Please indicate here if you are appointing more than one proxy ____________________ *(see note 5)* 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 5th May, 2023 at 10.00 am and at any adjournment thereof.

Signed this ____________ day of ____________________, 2023

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 authorize my/our proxy to vote (or withhold his or her vote) as he or she thinks fit in relation to any other matte which is properly put before the Meeting.

PROXY FORM *(continued)*

Please clearly mark the box below to instruct your proxy how to vote

RESOLUTION	FOR	AGAINST	WITHHELD
Approval of the Report and Financial Statements for the Year ended 31st December, 2022			
Declaration of a first and final dividend of Kshs. 0.13 per share for the year ended 31st December 2022			
Board Appointment /Rotation of Directors			
Board Appointment Appointment of **Mrs. Sharon Kisire** as a Director of the Group.			
Board Rotation of Director			
1. Director Dr. Nelson Kuria			
2. Director James Njue			
3. Director Michael Wambia			
Board Audit Committee Election of the following Directors, as members of the Audit Committee of the Board. a. Julius Mwatu b. Peter Nyigei c. Judith Oluoch			
Approval of the Directors' Remuneration Report for the year ended 31st December 2022.			
Appointment of **Messrs. PriceWaterhouseCoopers**, Certified Public Accountants, as the Auditors of the Company and authorize Directors to fix their remuneration.			
Special Business **As ordinary resolutions**			
Continuation in office of Peter Nyigei who has attained the age of seventy (70) until he next comes up for retirement by rotation.			
Approval of sale of CIC Insurance Group Plc land L.R No. 28800/1022 measuring approximately two hundred (200) acres situate in Kiambu County			
Approval and ratification of all actions of the Board of Directors of the Company to do all such things as may be necessary to give effect to the above resolution and any actions of any officer of the Company, in carrying out the terms and intentions of these resolution, whether taken prior to or subsequent to the passing of the aforementioned resolution, be in all respects ratified, confirmed and approved as the authorized actions of the Company.			

PROXY FORM *(continued)*

ELECTRONIC COMMUNICATIONS PREFERENCE FORM

Please complete in BLOCK CAPITALS

Full name of member(s): ______________________________

____

____

Address: ______________________________

____

CDSC No *(if known)* ______________________________ *(This can be found on your CDSC Statement)*

Mobile Number: | | | | | | | | | | |

Date: ____________________ Signature: ____________________

Please tick **ONE** of the boxes below 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 5th May, 2023. ☐

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:

4. If a member is unable to attend personally, this Proxy Form should be completed and returned to reach the Company's share registrar, **Image Registrars Limited**, 5th Floor, Barclays Plaza, Loita Street, P.O. Box 9287, GPO 00100, Nairobi, or via email to ***CICGROUPAGM@image.co.ke*** to arrive not later than **10:00 a.m.** on **3rd May, 2023** 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 under its common seal or under the hand of an officer or duly authorized 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 as a proxy any other person, 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 to be a shareholder of the Company

4. Completion and submission of the form of proxy 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. To be valid the form of proxy should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority) to Image Registrars, Barclays Plaza, 5th Floor, Loita Street and address P.O.Box 9287-00100 Nairobi not later than 10.00 am on 3rd May 2023 or, in the case of a poll taken subsequent to the date of the meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll which is taken more than 48 hours after the day of the meeting or adjourned meeting.

6. In the case of a company being a shareholder then this proxy form must be executed under its common seal or signed on its behalf by an officer of that company or an authorized attorney for that company.

7. A "vote withheld" option has been included on the form of proxy. 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.

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CIC OFFICES

KENYA: NAIROBI BRANCHES

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Reinsurance Plaza
Mezzanine Floor, Aga Khan Walk
Mobile: 0703 099 500
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townoffice@cic.co.ke

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KENYA: OTHER OFFICES

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CIC GROUP

THE CIC INSURANCE GROUP PLC

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