Prime Bank

PUTTING YOU FIRST

ANNUAL REPORT

& FINANCIAL STATEMENTS

2024

Building Legacies by Putting You First.

www.primebank.co.ke

Welcome to Prime Bank's **Annual Report & Financial Statements 2024**

Building Legacies by Putting You First.

CONTENTS

ABOUT PRIME BANK

Who We Are

Established in 1992, Prime Bank has been a cornerstone of Kenya's financial landscape for over three decades. With a steadfast commitment to excellence, innovation, and customer-centric solutions, we have emerged as a trusted partner for individuals, businesses, and communities across the nation and region. In 2017, the group acquired 80.72% shareholding of Tausi Assurance Limited.

Over the years, the Bank has established presence in other African countries such as Malawi, Botswana, Mozambique, Zambia and Zimbabwe through our associate bank.

We pride ourselves in providing:

Comprehensive Product Portfolio:
Prime Bank offers a wide range of banking products and services tailored to meet the needs of individuals, businesses, and institutions. From personal banking to corporate finance, we provide holistic solutions to our clients.

Digital Transformation:
Embracing the digital revolution, we are committed to leveraging technology to enhance the banking experience for our customers. Our innovative digital platforms PrimeNet and PrimeMobi enable seamless transactions, secure access to banking services, and personalized financial management tools.

Corporate Social Responsibility:
We believe in giving back to society and are dedicated to making a positive impact in the communities we serve. Through our corporate social responsibility initiatives, we support education, healthcare, environmental sustainability, and community development projects, striving to create a more inclusive and equitable society.

Our Commitment:
At Prime Bank, we are committed to upholding the highest standards of corporate governance, transparency, and ethical conduct. Our team of seasoned professionals is dedicated to delivering superior service, building lasting relationships, and earning the trust and confidence of our customers and stakeholders.

Our Value System

Our Vision

To be the financial service provider of first choice

Our Mission

To provide quality and acceptable personalized financial services to our customers while observing compliance, growth and shareholder value.

Our 5 Core Values

Integrity

We practice the highest standard of personal and corporate ethics in all our dealings.

Respect

We respect the unique contributions of every employee, valuing the diversity of their experiences, ideas and initiatives.

Teamwork

We become stronger as an organization through teamwork with our associates from all of our business areas.

Quality

We are committed to upholding the highest standards of professionalism, service and performance.

Social Responsibility

We care for and contribute to our communities.

Product Portfolio

CORPORATE BUSINESS & PERSONAL LOANS	TRANSACTIONAL BANKING	CASH MANAGEMENT SOLUTIONS
TRADE FINANCE	DIGITAL SOLUTIONS	INVESTMENTS

Core Strengths

Quality Loan Book

2nd Largest Tier II Bank

11th in the Banking Industry

Market Share of 2.7%

Local Network

BRANCHES

NAIROBI

- Baba Dogo, Kenafric Business Park
- CBD, Biashara Street
- CBD, Kenindia House, Loita Street
- Head Office, Riverside Drive
- Hurlingham, Adlife Plaza
- Industrial Area, Enterprise Road
- Kamkunji, Ukwala Road
- Karen, Karen Office Park
- Lavington, Lavington Mall
- Limuru Road, Village Market, Old Wing
- Mombasa Road, Capital Centre
- Parklands, Doctors Park
- Westlands, Sarit Centre, New Wing

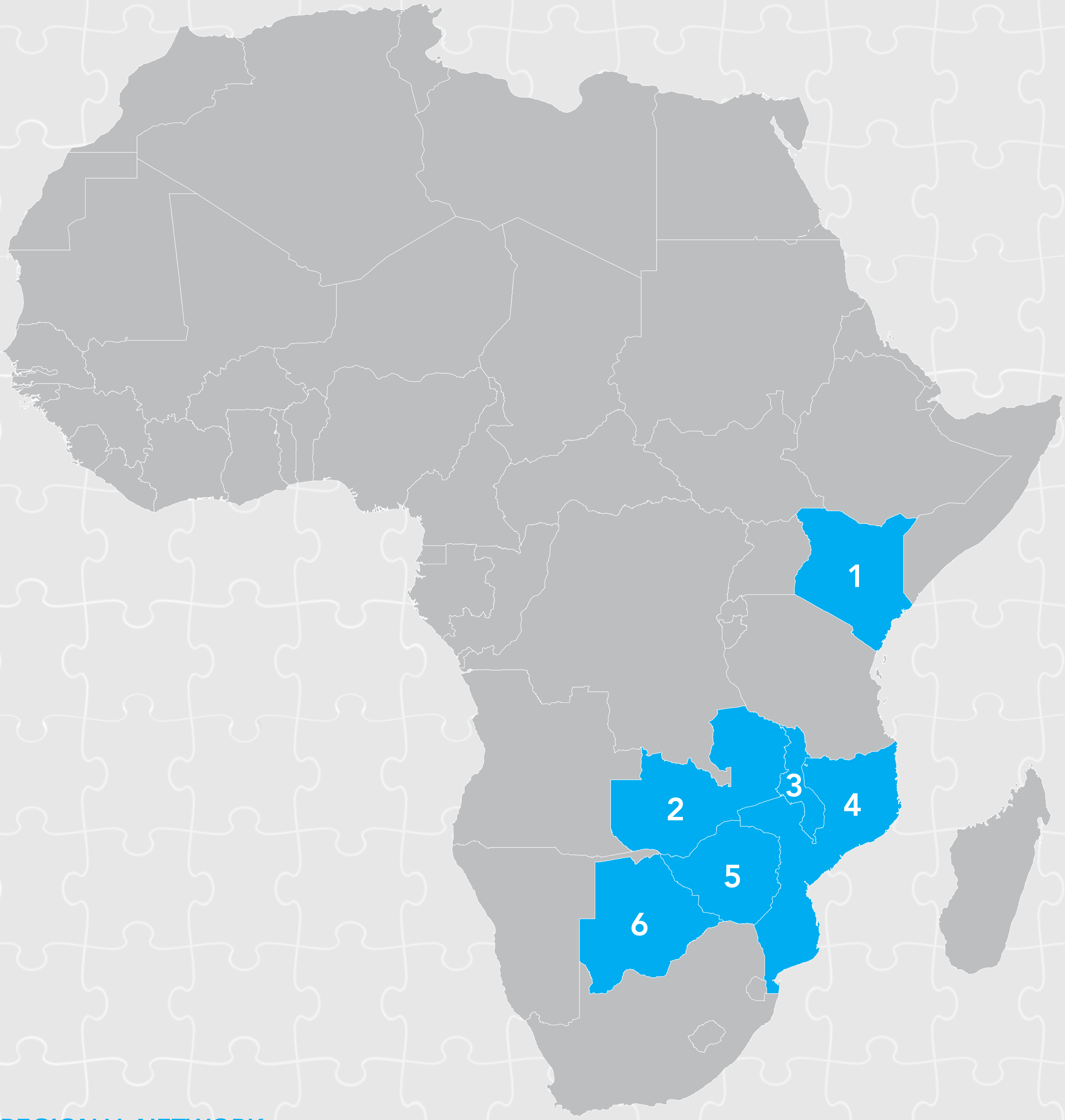
UPCOUNTRY

- Eldoret, Makasembo Road
- Kisumu, Oginga Odinga Street
- Kitale, Northern Business Park
- Mombasa, Dedan Kimathi Avenue
- Mombasa, Nyali, Palm Breeze, Links Road
- Meru, Njuri Njeke Street
- Nakuru, Westside Mall
- Thika, 80 - West Place, Kenyatta Road

PRIME EXPRESS CENTERS (NAIROBI & KIAMBU COUNTIES)

- Azalea Square, General Mathenge Drive
- New Muthaiga Mall, Thigiri
- Signature Mall, Mombasa Road
- Tatu City

Regional Presence



REGIONAL NETWORK

1. Kenya
2. Zambia
3. Malawi
4. Mozambique
5. Zimbabwe
6. Botswana

Our Partners

FIRST CAPITAL BANK

FMBcapital Holdings plc is the Mauritius-based holding company of the FMBcapital Group. It is listed on the Malawi Stock Exchange and has banking and finance operations in five SADC countries, namely Botswana, Malawi, Mozambique, Zambia and Zimbabwe.

The FMBcapital Group has consolidated its position as a leading regional commercial bank and its growing SADC footprint serves the cross-border banking needs of businesses operating in the sub-Sahara region.

AFRICINVEST

AfricInvest is an investment and financial services company based in Tunisia. Uniquely positioned as one of the most experienced private equity investors on the continent, AfricInvest has dedicated investment teams focused on Africa, and employs more than 100 professionals in eleven offices.

TAUSI ASSURANCE

Tausi Assurance Company limited is committed to providing individuals and businesses with a wide range of general Insurance products to protect the things they value most.

Tausi offers, Industrial all risks, Fire and Allied perils, Consequential Loss and Business Interruption, Engineering, Burglary, Marine, Contractors All Risks, Workmen's Compensation, Public Liability, Group Personal Accident, Political Violence and Terrorism, Money, Fidelity Guarantee, Domestic Package, Motor, Personal Accident and many more.

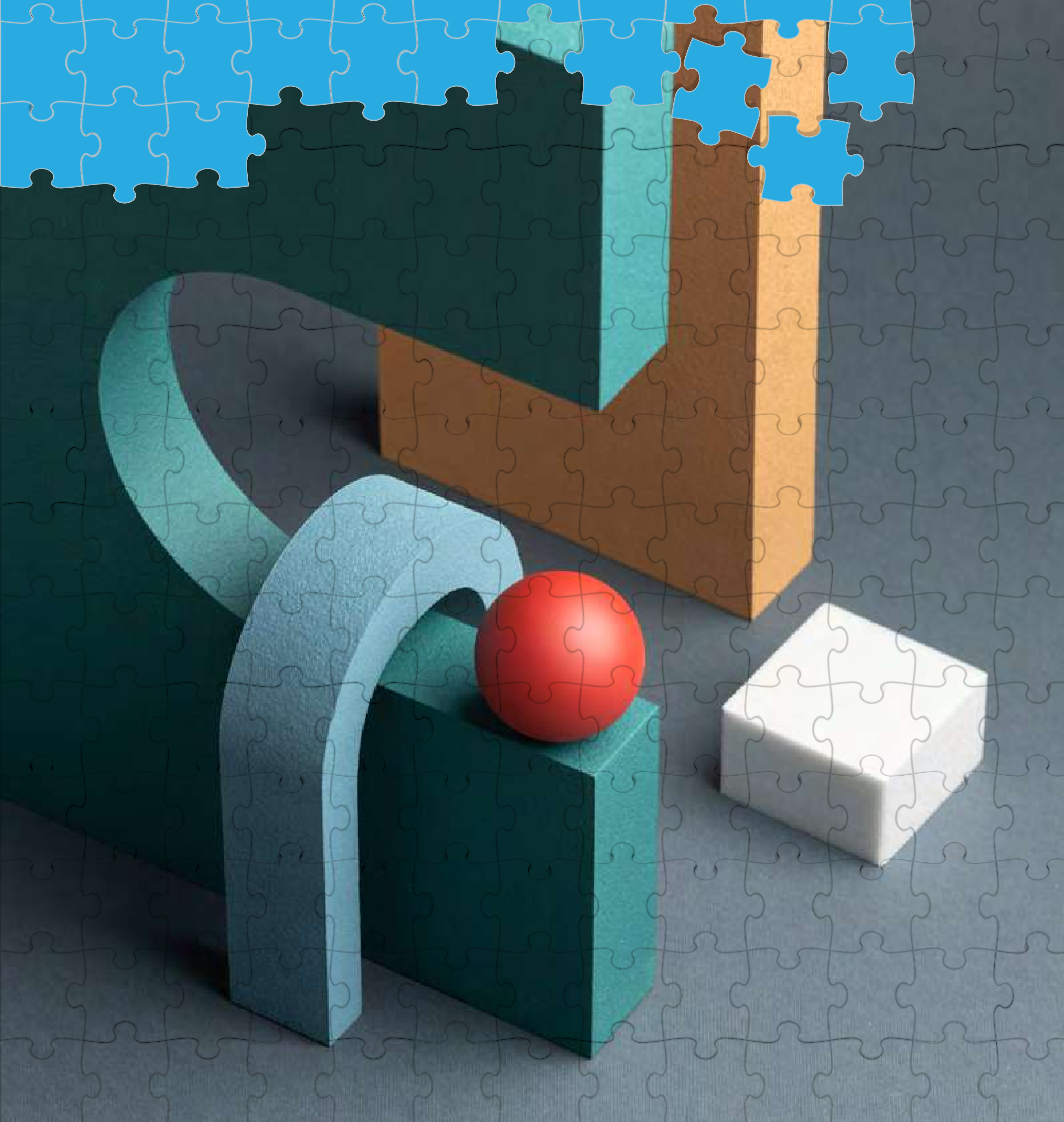
METIER

Metier is a South Africa based independent owner-managed private equity firm founded in 2003.

Metier operates two parallel investment practices, the Capital Growth practice that concentrates on mid-cap entrepreneurial businesses requiring growth capital in sectors which demonstrate emerging market growth, and the Sustainable Capital practice that targets investments in energy efficiency, renewables, water and waste management businesses and projects supporting Africa's development.

Since its formation, Metier has grown to comprise a team of over 40 professionals with offices in Johannesburg, Mauritius and Nairobi, representation in London.

CORPORATE INFORMATION



Board of Directors

DR. RASIK C. KANTARIA, HSC

CHAIRMAN

Dr. Rasik Kantaria is a distinguished banker, entrepreneur, and philanthropist, renowned for his leadership in the financial sector and dedication to humanitarian causes.

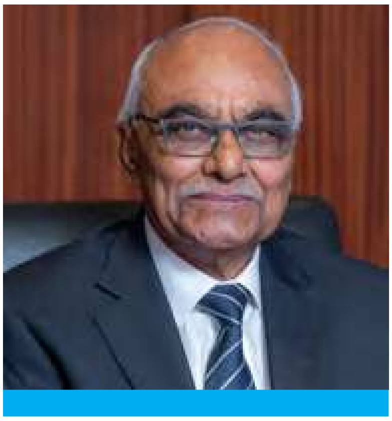
Dr. Kantaria is the founder and Chairman of Prime Bank Limited. He holds a BSc (Economics) degree from London.

He is also the founder and Chairman of Prime Capital Holdings Limited. He is a co-founder and former Chairman of First Capital Bank previously known as First Merchant Bank Limited Malawi and Tausi Assurance Company Limited.

Dr. Kantaria served as a director at the Deposit Protection Fund Board appointed by the Central Bank of Kenya. He is chairman and director of many other companies in the tourism, real estate, and manufacturing industries.

A committed philanthropist and longstanding Rotarian, Dr. Kantaria has made significant contributions to humanitarian efforts in the world. In recognition of his service, he was conferred an Honorary Doctor of Humanities Degree by The United Graduate College and Seminary, USA. His dedication to Rotary's various missions earned him induction into the prestigious Arch Klumph Society, honouring his generous contributions to The Rotary Foundation.

In 2023, H.E. President William Ruto, President of Kenya awarded Dr. Kantaria the Head of State Commendation (HSC), one of the nation's highest civilian honours, in recognition of his exemplary service to the country.



MR. SHANTILAL K. SHAH

VICE-CHAIRMAN

A Bachelor of Commerce (Honours) graduate and a practising Accountant, Mr. Shantilal Shah is a FCA (Chartered Accountant, UK), a FCPA (Certified Public Accountant, Kenya) and a CPS (Certified Public Secretary, Kenya).

For many years he has been providing assurance, corporate advisory and tax consultancy services, particularly to family owned enterprises.

Mr. Shah also serves on the board of several companies including as a director of Tausi Assurance Company Limited.

Board of Directors (Continued)

MR. AMAR KANTARIA, MBS
EXECUTIVE DIRECTOR

Mr. Amar Kantaria is a Bachelor of Arts (Honours) graduate and holds an MBA in International Management.

Mr. Amar Kantaria was appointed as the Executive Director of Prime Bank Limited in 2008 after serving as Deputy Chief Executive for over five years.

Mr. Amar Kantaria is also a Director at Tausi Assurance Company Limited since July 2010.

President of the Republic of Kenya H.E. Dr. William Samoei Ruto awarded Mr. Kantaria with the Head of States Commendation of Moran of the order of the Burning Spear (M.B.S) for his selfless service to humanity and serving the nation.

MR. TERRY DAVIDSON
DIRECTOR

Terry Davidson is a veteran banker having spent 3 decades with Citibank in various geographies and capacities including Region Head for East and Southern Africa.

He was also Chief Executive Officer of Kenya Commercial Bank (KCB) for 5 years.

For the past few years, Mr. Davidson has worked as an independent consultant and currently serves as Chairman of FMBcapital Holdings plc, the Mauritius-based holding company of the FMBcapital Group (FMBCH) and Chairman of First Capital Bank Ltd, Malawi, the Malawian subsidiary of the group.

In addition, he is also Chairman of the Maa Trust, a Trustee of Gertrude's Children's hospital and an independent director of Nawiri Ltd, a regional tourism group.

He was previously a founder member of the Kenya Capital Markets Authority, a member of the Capital Markets Tribunal, the Kenya Deposit Protection Fund, Chairman of the Kenya Bankers Association and past council member of the University of Nairobi.

Board of Directors (Continued)

MR. DAVID G.M. HUTCHISON

DIRECTOR

Mr. David G. M. Hutchison joined the Prime Bank Board as a director in 2006. He is a Certified Public Accountant and a former Senior Partner of Ernst & Young Eastern Africa.

He has many years of experience in audit, tax advice and financial management, reconstruction and consulting covering various industry sectors, in a number of African countries.

He is the current Chairman of Banda Group Educational and Property Groups.

He is a Non-Executive Director of ICEA Lion General Insurance Company Limited, ICEA Lion Life Assurance Company Limited, East Africa Reinsurance Company Limited, among others.

MR. JINARO K. KIBET, SC

DIRECTOR

Mr. Jinaro Kipkemoi Kibet was appointed to the board in 2014. An Advocate of the High Court of Kenya of 34 years standing.

He is one of the four founding Partners of TripleOKLaw LLP Advocates, a top tier City law firm where he is also the Senior Partner in the corporate and commercial department.

Prior to turning his attention to corporate- commercial work, he had a very successful career in litigation at which time he handled several landmark and high profile cases.

Mr. Kibet currently serves on several other boards including Unga Group PLC, Telkom Kenya, and Automobile Association of Kenya among others.

Board of Directors (Continued)

MR. PAUL BOTHA

DIRECTOR

Mr. Paul Botha is a co-founder and the Chief Executive Officer of Metier, a pan African private equity fund manager specialising in Growth Capital and Sustainable Capital investing. He is an Attorney and Notary Public by profession.

Paul specialises in mergers and acquisitions and cross-border investing across several industries and geographies.

Paul has an outstanding record in advising on and executing on many corporate transactions, of which the majority have involved private equity transactions and the entrepreneurial multi-disciplinary assignments which Metier targets.

He is a committed and effective deal-maker and board member with a reputation for getting things done to the highest standards of professionalism. He represents Metier as a board member in several portfolio companies.

Paul also serves as an active board member of the Africa Venture Capital Association and is the immediate past Chairman of the organisation having served out his 3-year tenure.

MR. FARID MOHAMED

DIRECTOR

Mr. Mohamed was appointed to the Board in 2016.

A financial advisor in the private sector, Mr. Mohamed has over 25 years experience in structuring and arranging finance for projects ranging from large infrastructure in Europe, South East Asia and Latin America, to projects in East and Southern Africa, covering finance, industrial, energy (generation and transmission), and transportation (ports and roads) sectors.

He has regularly acted as an advisor to development finance institutions including the World Bank, IFC, DEG and KfW and currently advises public and private companies in Eastern Africa on the development of corporate strategy and arrangement of project and structured financing for new projects and for privatization of infrastructure.

Mr. Mohamed holds a Master of Science (MSc.) and Masters of Business Administration (MBA).

Board of Directors (Continued)

MR. SKANDER KHALIL OUESLATI
DIRECTOR

Mr. Skander K. Oueslati joined the Prime Bank Board on 8th February 2020. He holds a Master's degree from Massachusetts Institute of Technology, USA, and Engineering degrees from France's Ecole Polytechnique and Ecole Nationale des Ponts et Chaussées.

Mr. Oueslati is currently the CIO and Deputy MD of AfricInvest Group. Prior to joining AfricInvest in 2008, Mr. Oueslati worked for BMCE Bank International in London and the International Finance Corporation in Washington DC, USA.

Mr. Oueslati has extensive investment management experience as well as board experience.

MRS. RUTH KINYANJUI
DIRECTOR

Ms. Ruth Kinyanjui is an accomplished Business Strategist, Technology and Financial Advisor, with a Master's in Business Administration (Strategic Management) and nearly two decades of top-tier experience in financial advisory, strategic development, and digital transformation.

A seasoned expert in driving organizational growth, she has previously held key roles at leading global firms, including PwC, KPMG East Africa, and PKF East Africa. Her advisory expertise spans Eastern Africa, Sub-Saharan Africa, Europe, the United States, and the Middle East, where she partners with financial institutions to achieve world-class leadership, innovation, and sustainable success.

Passionate about SME empowerment, Ms. Kinyanjui specializes in bridging the gap between SMEs and financial institutions through cutting-edge marketing strategies, digital transformation, and financial inclusion initiatives. Her insights have been instrumental in advising banks, microfinance institutions, and SACCOs, ensuring they adopt forward-thinking solutions to serve growing enterprises.

As an influential leader, Ms. Kinyanjui also serves on multiple boards, including Mhasibu SACCO and Oasis of Endless Hope Centre, and was previously a board member at Rafiki Microfinance Bank. Her strategic vision and commitment to financial excellence make her a valuable asset in shaping the future of Prime Bank and the broader financial sector.

MR. ARUN SHAH
COMPANY SECRETARY

Mr. Arun Shah has vast experience in accounting and secretarial practice spanning over 40 years. He was appointed Company Secretary of Prime Bank in 1992, having been involved in the formation of the Bank the same year. He is a fellow of the Institute of Chartered Accountants in England & Wales. He is also an Associate Member of Institute of Certified Public Accountants of Kenya and Institute of Certified Secretaries of Kenya.

MR. RAJEEV PANT
CHIEF EXECUTIVE OFFICER

Mr. Rajeev Pant was appointed Chief Executive Officer in March 2023.

With over 33 years of work experience, Mr. Pant has a wealth of expertise in Corporate Finance, International Banking, Financial Advisory Services, Business Development and Management cutting across the international banking arena.

He has previously worked for Mashreq Bank, First Abu Dhabi Bank, Credit Agricole, National Australia Bank, Development Bank of Singapore and HSBC.

Mr. Pant is an Associate Member of the Institute of Chartered Accountants of India and holds a Bachelor's Degree in Commerce.

Bank Information

PRINCIPAL PLACE OF BUSINESS:	L.R. 209/8571 Prime Bank Building Riverside Drive P.O. Box 43825 - 00100 Nairobi
REGISTERED OFFICE:	L.R. 209/8890 Kenindia House Loita Street P.O. Box 43825 - 00100 Nairobi
LAWYERS:	Kiruti & Company Advocates P. O Box 13160 - 00100 Nairobi Macharia Mwangi & Njeru Advocates P.O. Box 10627 - 00100 Nairobi A B Patel & Patel Advocates P. O. Box 80274 - 80100 Mombasa Mandla & Sehmi Advocates P. O. Box 48642 - 00100 Nairobi Mahinda & Maina Company Advocates P. O. Box 42508 - 00100 Nairobi
SECRETARY:	A.H. Shah Company Secretary P.O. Box 46559 - 00100 Nairobi
AUDITOR:	Ernst & Young LLP Certified Public Accountants Kenya-Re Towers Upper Hill, Off Ragati Road P. O. Box 44286 - 00100 Nairobi

Chairman's Statement

Introduction

On behalf of the Board of Directors, I am honoured to present the Prime Bank Group's Annual Report and Financial Statements for the financial year ended 31st December 2024.

Despite a challenging business environment, the Group's performance in 2024 reflected steady and resilient growth. This was driven by strategic initiatives focusing on domestic expansion, prudent credit and liquidity management, robust risk controls, and deliberate diversification across our revenue streams.

We also made significant progress in line with our digital transformation agenda, positioning the Group to better serve our customers and remain agile in a dynamic financial landscape.

Operating Environment

The year 2024 highlighted the global economy's resilience in the face of continued disruptions. Following several years of turbulence, signs of stabilisation began to emerge, particularly in advanced economies where inflation was brought under control and growth steadied.

In contrast, many developing economies including Kenya continued to face significant challenges due to heightened geopolitical tensions and policy uncertainty. Kenya recorded an average GDP growth rate of 5.3%, slightly lower than the 5.6% registered in 2023. This deceleration was primarily due to reduced private sector activity, fiscal consolidation by the government, and political unrest that affected investor confidence and disrupted economic activities.

Group Financial Performance

During the reporting period, the Group posted a profit after tax of KShs. 4.4 billion, maintaining stability in a fluctuating macroeconomic environment.

- Total assets grew from KShs. 168.7 billion to KShs. 191.8 billion.
- Shareholders' funds increased by 18%, from KShs. 38.1 billion to KShs. 45.1 billion.
- Total interest income rose by 26.2%, from KShs. 15.0 billion to KShs. 18.9 billion.

Dividends

The Bank paid final dividend of Kshs.165 per share for the year 2023 equivalent to a total sum of KShs.1,097 million (Interim dividend declared and paid was KShs. 153 per share).

During the year, the Bank paid an interim dividend of KShs.101 per share equivalent to KShs. 657 million (2023: KShs.153 per share equivalent to KShs.1, 017 million). The directors have proposed to pay a final dividend of KShs.221 per share for the year 2024 equivalent to a total sum of KShs.1, 470 million.

Corporate Governance

As a trusted financial institution, Prime Bank remains committed to upholding the highest standards of corporate governance. We continuously review and enhance our governance structures to remain aligned with regulatory expectations and global best practices.

The Board's role remains centred on providing strategic guidance, risk oversight, and promoting accountability. Our continued emphasis on sustainability, diversity, and long-term value creation reflects our unwavering commitment to delivering meaningful outcomes for all stakeholders.

Chairman's Statement (Continued)

Corporate Social Responsibility (CSR)

Korogocho Feeding and Women Empowerment Programme

In partnership with the Office of the First Lady and Provide International, we continued our support of the Korogocho Feeding Programme, which now reaches over 600 children daily - a 40% increase since its inception. A dedicated nutritionist and staff have been engaged, with an average monthly expenditure of KShs. 350,000.

The Carakana Cross-Stitch and Table Banking initiatives, also run in partnership with the Office of the First Lady, have empowered over 250 women through 21 groups, with a total disbursement of KShs. 5.41 million to date, following an initial seed capital injection of KShs. 1.6 million.

Gertrude's Hospital Executive Ward

We are proud to support Gertrude's Children's Hospital in the development of a new 19-bed state-of-the-art executive ward, with a personal contribution of KShs. 40 million from our Chairman, as part of a total project cost of KShs. 220 million. The ward is expected to be completed in 2025.

Emergency Relief – Flash Floods Donation

Prime Bank collaborated with community-based organisations and corporate partners to donate food items valued at KShs. 10 million to assist over 3,000 households affected by flash floods across three counties.

Educational Support – Student Bursaries

We remain committed to supporting education through bursaries and scholarships. In 2024, we awarded full-year scholarships valued at KShs. 450,000 to deserving students from Shree Cutch Satsang Swaminarayan Academy – Lang'ata.

Cancer Awareness – Be Bold, Go Gold Walk

Prime Bank actively participated in the "Be Bold, Go Gold" walk in support of Faraja Cancer Support Trust, reaffirming our commitment to the fight against childhood cancer.

Maternal and Child Health – Okoa Malaika Kenya Safari

In collaboration with the Office of the Spouse to the Prime Cabinet Secretary, the Bank donated six incubators and four infant warmer blankets valued at KShs. 2 million to hospitals in Trans Nzoia and Mombasa Counties.

We also joined hands with several community organisations to support empowerment initiatives, demonstrating our continued commitment to social impact.

Looking Ahead

Global economic growth is projected to rise marginally to 2.7% in 2025, supported by easing inflation and stabilising monetary policy. Domestically, Kenya's GDP growth is expected to reach 5.4%, despite earlier forecasts of 4.6%.

Prime Bank remains steadfast in its vision of becoming the financial services provider of choice, guided by a customer-centric strategy, digital transformation, and sustainable growth.

Appreciation

Our performance and progress would not have been possible without the unwavering dedication of our staff, led ably by Executive Director Amar Kantaria and Chief Executive Officer Rajeev Pant.

I also wish to express my sincere gratitude to my fellow Directors for their unwavering commitment, guidance and counsel.

I extend my appreciation to our regulators, particularly the Central Bank of Kenya, Capital Markets Authority, National Treasury, and Insurance Regulatory Authority for their guidance and support.

Finally, I extend my heartfelt thanks to our shareholders, customers, and partners for their trust and confidence in Prime Bank. Together, we shall continue to build a stronger, more resilient institution.

Dr. Rasik Kantaria
Chairman
Prime Bank Limited

Chief Executive Officer's Statement

Dear Stakeholders,

On behalf of the Management and Staff of Prime Bank, I am pleased to present the Bank's Annual Report for the financial year ended 31st December 2024.

Operating Environment

The Kenyan economy recorded subdued growth in 2024, primarily driven by reduced private sector activity. It was further impacted by social political factors—further dampened investor confidence and disrupted economic activities.

A notable regulatory shift was the Central Bank of Kenya's clearance of all 38 banks' risk-based pricing models. This marked a turning point, empowering institutions to price loans based on borrower risk profiles.

Bank Performance Highlights

The Bank's performance in 2024 reflected strong execution of our strategic initiatives, which focused on domestic expansion, robust risk and liquidity management, and operational excellence.

- Profit after tax stood at KShs. 4.2 billion for the year.
- Balance sheet grew by 14%, from KShs. 166.1 billion to KShs. 188.8 billion.
- Shareholders' funds increased by 18.2%, reaching KShs. 43.6 billion from KShs. 36.9 billion.
- Total interest income rose by 27%, from KShs. 14.7 billion to KShs. 18.6 billion.
- Customer deposits grew by 12.8%, closing the year at KShs. 143.8 billion compared to KShs. 127.5 billion in 2023.
- The loan book remained stable at KShs. 55.6 billion.
- Non-performing loans (NPLs) were well-managed at 2.9%, significantly below the industry average.
- Liquidity ratio stood at 71.7%, well above the CBK statutory minimum of 20%.
- Core Capital reached KShs. 29.8 billion, far exceeding the regulatory requirement of KShs. 1 billion.

Operational Milestones

Prime Bank achieved a number of milestones in 2024 aimed at enhancing customer experience and digital innovation:

- We entered a strategic partnership with Network International, a leading digital commerce enabler in the Middle East and Africa, to expand access to diverse digital payment options including card, mobile money, and QR code solutions for our corporate and enterprise customers.
- We launched a network of modern Prime Express Sales Centres—designed as one-stop hubs for digital banking services and personalised customer support—situated in convenient locations: Azalea Square (Nairobi), Tatu City (Kiambu), Signature Mall (Mombasa Road), and New Muthaiga Mall (Thigiri).

Chief Executive Officer's Statement (Continued)

- We enhanced our international remittance capabilities through a partnership with TerraPay, branded as Prime Remit on our Prime Mobi platform, enabling customers to transfer funds to over 57 countries worldwide.
- We partnered with Standard Chartered Bank Group to strengthen our USD correspondent banking capabilities, facilitating easier cross-border transactions across key markets.
- These developments were validated by industry recognition: We were awarded 2nd runner up Tier II Bank at the Think Business Awards 2024 and awarded 2nd Runner-Up for Best Bank in Customer Experience (Tier II) by the Kenya Bankers Association.

Looking Ahead

The global economic outlook for 2025 remains cautiously optimistic, with marginal improvements in GDP growth projected and easing inflation expected to support a more favourable macroeconomic environment.

Locally, we anticipate improved business conditions that will support private sector credit growth. At Prime Bank, we remain a strong, well-capitalised, and liquid institution committed to innovation and service excellence.

Our strategic priorities in 2025 include the introduction of new, customer-centric digital products and services to enhance our customer service and the expansion of our branch network.

These initiatives are aimed at addressing evolving customer needs, improving user experience, and positioning Prime Bank as a leading financial institution of choice.

Appreciation

The Bank's achievements in 2024 were made possible through the dedication and hard work of our exceptional team. I extend my sincere gratitude to our team for their passion, resilience, and unwavering commitment to customer service.

I also thank our customers, partners, and shareholders for their continued trust and loyalty, which remains the cornerstone of our success.

On behalf of the management team, I wish to express deep appreciation to our Board of Directors, led by Dr. Rasik Kantaria, for their wise counsel, strategic direction, and steadfast support throughout the year.

Rajeev Pant
Chief Executive Officer
Prime Bank Limited

Report of the Directors

FOR THE YEAR ENDED 31 DECEMBER 2024

The Directors have pleasure in submitting their annual report together with the audited consolidated and separate financial statements for the year ended 31 December 2024.

Incorporation

The Bank is domiciled in Kenya where it is incorporated as a private company limited by shares. It is governed by the Companies Act, 2015 of the Laws of Kenya. The address of the registered office is set out on page 15.

Directorate

The directors who held office during the year and to the date of this report are set out on page 23. In accordance with Article 91 of the Articles of Association, Mr. T.M Davidson and Mr. J.K Kibet retire by rotation and, being eligible, offer themselves for re-election.

Principal activities

The principal activities of the Bank are corporate and retail banking services while its subsidiaries provide general insurance services with the exception of aviation insurance services as well as Insurance agency services.

Dividend

The Bank paid final dividend of KShs.165 per share for the year 2023 equivalent to a total sum of KShs.1,097 million (Interim dividend declared and paid was KShs.153 per share).

During the year, the Bank paid an interim dividend of KShs.101 per share equivalent to KShs.657 million (2023: KShs.153 per share equivalent to KShs.1,017 million). The directors have proposed to pay a final dividend of KShs.221 per share for the year 2024 equivalent to a total sum of KShs.1,470 million.

Business review

Total assets of the Group grew from KShs. 168.7 billion to KShs. 191.8 billion in 2024; deposits grew from KShs. 127.1 billion to KShs. 143.2 billion in 2024, while profit after tax remained stable at KShs. 4.4 billion.

Management is aware of the liquidity risks that are inherent in the Banking sector and have maintained the Bank's liquidity ratio average at 69.3% which is 49.3% above the 20% requirement under CBK regulations.

As regards to the credit risk, a rigorous monitoring and close supervision of our credit portfolio throughout the year ensured that the non-performing loans were well under control at 2.9% way below the industry average.

The Bank has embarked on the implementation of the 5-year strategic plan 2025-2029 whose thrust is digitalization, efficiency and enhancing customer value proposition.

Future outlook

Global growth is projected to slow down marginally to 3.2% in 2024 from 3.3% last year before recovering to 3.3% in 2025, supported by easing of global inflation, easing of monetary policy and reduced supply chain constraints.

The Kenyan economy is projected to slow down to 4.6% in 2025 down from 5.6% in 2024.

Report of the Directors (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

However, the outlook for 2025 looks more promising with stability in interest rates expected to stimulate economic growth with GDP projected to grow to 5.4% in 2025.

Statement as to disclosure to the Bank's auditor
With respect to each director, at the time this report was approved:

(a) there is, so far as the director is aware, no relevant audit information of which the Bank's auditor is unaware; and

(b) the director has taken all the steps that the director ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

Terms of appointment of the auditor
Ernst & Young LLP, who were appointed during the year in accordance with Section 717 of the Kenyan Companies Act, 2015, have expressed their willingness to continue in office in accordance with Section 719 of the Act. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KShs 10.9 million has been charged to profit or loss in the year.

Approval of financial statements
The financial statements were approved at a meeting of the Board of Directors held on 25th March 2025.

By order of the board

....
Company Secretary

Nairobi, Kenya

Statement of Directors' Responsibilities

FOR THE YEAR ENDED 31 DECEMBER 2024

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Bank as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the Bank keeps proper accounting records that: (a) show and explain the transactions of the Bank; (b) disclose, with reasonable accuracy, the financial position of the Bank; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Kenyan Companies Act, 2015.

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

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

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

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

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

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

Approved by the board of directors on 25th March 2025 and signed on its behalf by:

.... Director	.... Director
.... Director	.... Secretary

Statement of Corporate Governance on the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

INTRODUCTION

Prime Bank Limited recognises the need to conduct its business with integrity and in line with the generally accepted corporate practice. The Bank will strive to maintain the highest standards of corporate governance.

SHAREHOLDERS' RESPONSIBILITIES

The shareholders' role is to appoint the Board of Directors and independent auditors. The role of the shareholders is to ensure that the Board is accountable for effective and efficient governance.

BOARD OF DIRECTORS

The Board of Directors is responsible for the governance of the Bank and to ensure that the Bank complies with the law and the highest standards of corporate governance and business ethics. The Board is responsible for the long term growth and profitability of the Bank.

The Directors guide the management and maintain full and effective control over financial, strategic, operational and compliance issues of the Bank. The Board is chaired by a non-executive director and has eight other non-executive directors, an executive director and the Managing Director. The Board meets regularly and holds special meetings as and when the situation demands.

ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Number of Board Meetings held in 2024	6
Name of Director	**Number of meetings attended**
Mr. R. C. Kantaria (Chairman)	6
Mr. S. K. Shah (Vice Chairman)	6
Mr. A. R. Kantaria (Executive)	5
Mr. D. G. M. Hutchison	5
Mr. T. M. Davidson	6
Mr. J. K. Kibet	5
Mr. F. Mohamed	6
Mr. S. Oueslati	6
Mrs. R. Kinyanjui	5
Mr. P. Botha	4

BOARD PERFORMANCE EVALUATION

As per the Prudential Guidelines of the Central Bank of Kenya, the Board is responsible for ensuring that an evaluation of its performance as well as that of the individual directors and various committees is done. The results of such an evaluation are to be provided to the Central Bank of Kenya.

The Board conducted its evaluation and that of the members, the Chairman and the Board Committees. The aim was to assess their capacity and effectiveness relative to their mandates, and identify challenges that need to be addressed in the coming year. Each Board member was provided with the questionnaire before the Board meeting convened to discuss the evaluation. At the Board meeting, the ratings given by each member of the Board and its committees were discussed by all members under the direction of the Chairman of the Board. Overall ratings were agreed taking into account the individual ratings and comments. Overall, the Board concluded that it was operating in an effective manner.

The Board has appointed 7 board committees – Strategy, Credit, Debt Management, Audit, Risk and Compliance, IT, and Human Resource and Nomination Committee and 2 management committees namely; Operations, and Assets and Liability Management committees. These committees have been given terms of reference and they meet regularly. These committees make recommendations to the Board on matters which fall under their mandates.

A. Board Committees

Strategy Committee

The Strategy Committee is headed by Mr. T. Davidson who is a non-Executive Director. Mr. Skander Oueslati, non - Executive Director, and Mr. A Kantaria, Executive Director, are the other members of the committee. Its objectives are to discuss, review and recommend for Board approval the overall strategy and changes thereto including the business plan and appropriate business strategy, annual budgets, capital raising plans, asset acquisitions and disposals, incurrence of overhead or capital expenditures, any re-organizational changes and other strategy related matters.

Credit Committee

Mr. Farid Mohamed, a non-Executive Director chairs the Credit Committee. Mr. Skander Oueslati, a non-Executive Director, Ms. Ruth Kinyanjui, a non-Executive Director, and Mr. A. R. Kantaria, Executive Director, are the other members of the Committee. Specific responsibilities of the committee are:

i) To provide direction to credit management from a credit strategy perspective.

ii) Overview of the credit portfolio, terms & conditions of all credit facilities granted by sanctioning authorities within their delegation powers and ratify them, granting facilities falling under the jurisdiction of the Committee and recommending proposals beyond the power of the committee to the Board for approval.

Debt Management Committee

This Committee is chaired by Mr. Jinaro Kibet who is a non-Executive Director. Mr. Farid Mohamed, a non-Executive Director and Mr. A. Kantaria, Executive Director, are the other members of this Committee. Specific responsibilities of the committee are to periodically review the health of the credit portfolio and take corrective measures for recovery and follow up to ensure that NPA is kept minimum.

Audit Committee

The Audit Committee is chaired by Mr. S. K. Shah who is a non-Executive Director. Mr. T. Davidson, non-Executive Director, and Mr. J.K. Kibet, non-Executive Director, are the other members of this Committee. The Committee assists the board in discharging its duties in relation to financial reporting, asset management, internal control systems, processes and procedures and monitors the quality of both the external and internal audit functions and then discusses risk exposure areas. Wherever review process reveals cause for concern or scope for improvement, it makes recommendations to the board on remedial actions. The objective of Internal Audit is to provide the committee with reliable, valued, insightful and timely assurance on the effectiveness of governance, risk management and controls over current and evolving risks in the context of the current and expected business environment.

Risk and Compliance Committee
The Risk and Compliance Committee is headed by Mr. S. K. Shah who is a non-Executive Director. Mr. T. Davidson, Ms. Ruth Kinyanjui, and Mr. Paul Botha, all non-Executive Directors are the other members of this Committee. The committee reviews the risk, ascertains causes of concern and suggests the scope of improvement.

IT Committee
Mr T. Davidson, chairs this Committee and the members are Mr. David Hutchison, non-Executive Director and Mr A. Kantaria, Executive Director. Its main objectives are to review and approve most effective mechanism for supplying IT facilities and infrastructure to deliver in terms of business requirements and to recommend IT strategy in light of changing technology and other external factors and also to review IT projects and providing guidance. It also ensures compliance and tracking of regulatory IT requirements including cyber security risks besides addressing the risks as determined by internal and external regulators.

Human Resource & Nomination Committee (HRNC)
The HR and Nomination Committee is headed by J. Kibet, a non-Executive Director. Other members are Mr S. Oueslati, non-Executive Director, and Mr A.Kantaria, Executive Director. The committee is responsible for providing development opportunities for Senior Management staff that relate to performance in order to achieve organizational and individual needs and regular review and improve where necessary human resource structures and processes in line with the direction of the board.

B. Management Committees

Assets and Liability Management Committee (ALCO)
The ALCO is responsible for overseeing the bank's balance sheet structure, ensuring effective management of liquidity, interest rate risk, foreign exchange exposure, and capital adequacy. The committee plays a critical governance role in aligning asset and liability strategies with the bank's risk appetite, regulatory requirements, and overall financial objectives. It ensures prudent pricing, funding diversification, and optimal returns within a sound risk management framework.

Operations Committee
The Operations Committee governs the efficiency, integrity, and resilience of the bank's operational infrastructure. It ensures that processes are well controlled, customer-focused, and compliant with internal policies and regulatory expectations. The committee monitors service delivery standards, operational risks, business continuity readiness, and execution excellence across all support and delivery units, enabling seamless and scalable banking operations.

Employees
The Bank adheres to the Banking code of ethics which requires all employees to conduct business with high integrity. The staff members sign a declaration of fidelity and secrecy.

Publication of accounts
The Bank publishes its results every quarter in the newspapers as per the Prudential Guidelines of Central Bank of Kenya. Financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) Accounting Standards as Issued by the International Accounting Standards Board and the requirements of all relevant statutes, rules and regulations.

Report of the Independent Auditor

TO THE MEMBERS OF PRIME BANK LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Prime Bank Limited (the "Bank") and its subsidiaries (together, the "Group"), set out on pages 30 to 148, which comprise the consolidated and separate statements of financial position as at 31 December 2024, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and the Bank as at 31 December 2024, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) Accounting Standards as Issued by the International Accounting Standards Board and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

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

Other Matter

The financial statements of the Group and the Bank for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those consolidated and separate financial statements on 27 March 2024.

Other Information

The Directors are responsible for the other information. The other information comprises the Bank Information, Report of the Directors as required by the Kenyan Companies Act, 2015, Statement of Directors Responsibilities and the Statement of Corporate Governance, which were obtained prior to the date of this report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated and separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards (IFRS) Accounting Standards as Issued by the International Accounting Standards Board and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Bank to cease to continue as a going concern.

Report of the Independent Auditor (Continued)

TO THE MEMBERS OF PRIME BANK LIMITED

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

REPORT ON OTHER MATTERS PRESCRIBED BY THE KENYAN COMPANIES ACT, 2015

In our opinion, the information given in the Report of the Directors on pages 20 and 21 is consistent with the consolidated and separate financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Allan Gichuhi, practicing certificate number 1899.

Allan Gichuhi

For and on behalf of Ernst & Young LLP
Certified Public Accountants
Nairobi, Kenya

27th March 2025

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2024

	NOTE	2024 KShs. '000	2023 KShs. '000
ASSETS			
Cash and balances with the Central Bank of Kenya	5	7,320,236	6,532,927
Placements and balances with other banks	6	27,595,935	22,541,288
Treasury bills and term notes	7	5,908,259	4,187,840
Investment in securities measured at amortised cost	8	47,183,185	41,573,438
Investment in securities at fair value through other comprehensive income	9	28,040,174	21,306,766
Investment in ordinary shares at fair value through other comprehensive income	10(a)	12,378,223	9,002,556
Investment in ordinary shares at fair value through profit or loss	10(b)	81,513	66,133
Tax recoverable	24	114,618	9,058
Loans and advances	11	55,473,358	55,777,417
Reinsurance contract assets	12	629,440	289,331
Other assets	13	1,687,829	1,795,147
Right-of-use - leasehold land	15	784,141	797,006
Property and equipment	16(a)	1,881,963	1,927,656
Right-of-use assets	17	251,352	260,557
Goodwill and intangible assets	18	1,043,651	1,026,952
Deferred tax asset	19	1,396,305	1,601,418
TOTAL ASSETS		**191,770,182**	**168,695,490**
LIABILITIES AND EQUITY			
LIABILITIES			
Balances due to banks and financial institutions	20	-	8,185
Deposits from customers	21	143,241,497	127,129,370
Insurance contract liabilities	12	1,368,185	1,160,196
Lease liabilities	22	274,617	287,344
Other liabilities	23	1,238,197	1,432,378
Deferred tax liability	19	80,495	69,156
TOTAL LIABILITIES		146,202,991	130,086,629
EQUITY			
Share capital	25	6,649,390	6,649,390
Share premium	26	5,230,109	5,230,109
Other reserves	27	31,698,630	25,158,438
Proposed dividend	37	1,469,515	1,097,149
Equity attributable to equity holders of the parent		45,047,644	38,135,086
Non-controlling interests		519,547	473,775
TOTAL EQUITY		45,567,191	38,608,861
TOTAL LIABILITIES AND EQUITY		191,770,182	168,695,490

These financial statements on pages 30 to 148 were approved by the Board of Directors on 25th March 2025 and signed on its behalf by: -

.... Director

.... Director

.... Director

.... Director

Bank Statement of Financial Position

AS AT 31 DECEMBER 2024

	NOTE	2024 KShs. '000	2023 KShs. '000
ASSETS			
Cash and balances with the Central Bank of Kenya	5	7,317,667	6,530,942
Placements and balances with other banks	6	27,507,231	22,526,914
Treasury bills and term notes	7	5,908,259	4,187,840
Investment in securities measured at amortised cost	8	45,450,910	39,806,932
Investment in securities at fair value through other comprehensive income	9	27,521,727	20,604,638
Investment in ordinary shares at fair value through other comprehensive income	10(a)	12,268,610	8,931,113
Loans and advances	11	55,451,476	55,755,512
Other assets	13	1,633,001	1,717,862
Investment in subsidiaries	14	1,405,692	1,405,692
Right-of-use - leasehold land	15	695,442	707,040
Property and equipment	16(b)	1,625,504	1,666,406
Right-of-use assets	17	251,352	260,557
Goodwill and intangible assets	18	374,511	362,190
Deferred tax asset	19	1,396,025	1,601,128
TOTAL ASSETS		**188,807,407**	**166,064,766**
LIABILITIES AND EQUITY			
LIABILITIES			
Balances due to banks and financial institutions	20	-	8,185
Deposits from customers	21	143,779,224	127,555,375
Lease liability	22	274,617	287,344
Other liabilities	23	1,139,188	1,325,418
Tax payable	24	19,586	31,082
TOTAL LIABILITIES		145,212,615	129,207,404
EQUITY			
Share capital	25	6,649,390	6,649,390
Share premium	26	5,230,109	5,230,109
Other reserves	27	30,245,778	23,880,714
Proposed dividend	37	1,469,515	1,097,149
TOTAL EQUITY		43,594,792	36,857,362
TOTAL LIABILITIES AND EQUITY		188,807,407	166,064,766

These financial statements on pages 30 to 148 were approved by the Board of Directors on 25th March 2025 and signed on its behalf by: -

……………………………………… Director

……………………………………… Director

……………………………………… Director

……………………………………… Director

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 31 DECEMBER 2024

	NOTE	2024 KShs. '000	2023 KShs. '000
Interest income calculated using effective interest rate method	28	18,938,143	15,008,140
Interest expense	29	(12,295,576)	(8,124,172)
Net interest income		6,642,567	6,883,968
Fees and commission income	30	602,686	595,529
Foreign exchange gains		1,063,925	1,027,600
Dividend income		395,392	354,511
Insurance service result	31	91,556	262,395
Insurance revenue		2,203,590	2,042,049
Insurance service expenses		(2,041,635)	(1,417,353)
Net expense from reinsurance contracts		(70,399)	(362,301)
Net finance expense from insurance contracts issued		(86,456)	(38,766)
Net finance expense from reinsurance contracts held		24,912	10,154
Other income	32	305,723	95,353
		9,040,305	9,190,744
Allowance for impairment of financial instruments	33	(242,146)	(522,697)
Other operating expenses	34	(4,168,431)	(3,971,813)
Profit before tax	35	4,629,728	4,696,234
Income tax charge	24(b)	(200,123)	(192,349)
Profit for the year		4,429,605	4,503,885
Attributable to:			
Equity holders of the parent		4,356,420	4,411,190
Non-controlling interests		73,185	92,695
		4,429,605	4,503,885

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2024

	NOTE	2024 KShs. '000	2023 KShs. '000
Profit for the year		4,429,605	4,503,885
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Fair value through other comprehensive income financial assets:			
Gain/ (loss) arising during the year	9	1,086,118	(1,099,544)
Deferred tax on fair value gain	19	(287,535)	329,766
Movement in expected credit loss on investment securities at FVOCI			
Changes in allowance for expected credit losses	33	(80,578)	21,516
		718,005	(748,262)
Items that will not be reclassified to profit or loss in subsequent periods:			
Fair value gain through other comprehensive income - equity investments	10(a) (i)&(ii)	3,618,579	4,056,403
Deferred income tax credit on equity investments	19	(948)	784
		3,617,631	4,057,187
Revaluation of land and buildings		-	11,533
Deferred income tax expense on revaluation surplus		-	(3,460)
		-	8,073
Other comprehensive income for the year, net of tax		4,335,636	3,316,998
Total comprehensive income for the year, net of tax		8,765,241	7,820,884
Attributable to:			
Equity holders of the parent		8,681,294	7,737,981
Non-controlling interest		83,947	82,903
		8,765,241	7,820,884

Bank Statement of Profit or Loss

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 KShs. '000	2023 KShs. '000
Interest income calculated using effective interest rate method	28	18,564,883	14,679,876
Interest expense	29	(12,295,576)	(8,24,172)
Net interest income		6,269,307	6,555,704
Fees and commission income	30	602,686	595,529
Foreign exchange gains		1,063,925	1,027,600
Dividend income		575,212	582,919
Other income	32	236,765	53,840
		8,747,895	8,815,592
Allowance for impairment of financial instruments	33	(242,146)	(522,697)
Other operating expenses	34	(4,129,814)	(3,949,664)
Profit before tax	33	4,375,935	4,343,231
Income tax charge	24(b)	(149,589)	(108,755)
Profit for the year		4,226,346	4,234,476

Bank Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 KShs. '000	2023 KShs. '000
Profit for the year		4,226,346	4,234,476
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Fair value through other comprehensive income financial assets:			
Gain/ (loss) arising during the year	9	1,068,966	(1,072,240)
Deferred income tax on fair value gain		(287,534)	329,766
Movement in expected credit loss on Investment securities at FVOCI			
Changes in allowance for expected credit losses	33	(81,072)	21,516
		700,360	(720,958)
Items that will not be reclassified to profit or loss in subsequent periods:			
Fair value gain on fair value through other comprehensive income - Equity investments	10(a)(i)	3,580,409	4,073,827
Deferred income tax credit on equity investments	19	(948)	784
		3,579,461	4,074,611
Other comprehensive income for the year, net of tax		4,279,821	3,353,653
Total comprehensive income for the year, net of tax		8,506,167	7,588,129

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital KShs. '000	Share premium KShs. '000	Retained earnings KShs. '000	Proposed dividends KShs. '000	FVTOCI reserve KShs. '000	Statutory loan reserve KShs. '000	Asset revaluation reserve KShs. '000	Total KShs. '000	Non-controlling interests KShs. '000	Total equity KShs. '000
At 1 January 2024	6,649,390	5,230,109	16,991,762	1,097,149	6,315,538	1,199,673	651,465	38,135,086	473,775	38,608,861
Dividend paid-2023	-	-	-	(1,097,149)	-	-	-	(1,097,149)	-	(1,097,149)
Dividend paid-2024	-	-	(671,588)	-	-	-	-	(671,588)	(38,174)	(709,762)
Statutory loan reserve transfers	-	-	(71,250)	-	-	71,250	-	-	-	-
Excess depreciation			18,589	-	-	-	(18,589)	-	-	-
- Profit for the year	-	-	4,356,420	-	-	-	-	4,356,420	73,185	4,429,605
- Other comprehensive income	-	-	-	-	4,324,875	-	-	4,324,875	10,761	4,335,636
Total comprehensive income	-	-	4,356,420	-	4,324,875	-	-	8,681,295	83,946	8,765,241
Proposed dividend	-	-	(1,469,515)	1,469,515	-	-	-	-	-	-
At 31 December 2024	6,649,390	5,230,109	19,154,418	1,469,515	10,640,413	1,270,923	632,876	45,047,644	519,547	45,567,191

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital KShs. '000	Share premium KShs. '000	Retained earnings KShs. '000	Proposed dividends KShs. '000	FVTOCI reserve KShs. '000	Statutory loan reserve KShs. '000	Asset revaluation reserve KShs. '000	Total KShs. '000	Non-controlling interests KShs. '000	Total equity KShs. '000
At 1 January 2023 as previously reported	6,649,390	5,230,109	15,551,771	1,097,149	2,997,990	353,022	644,948	32,524,379	439,131	32,963,510
Impact of adopting IFRS 17 at 1 January 2023	-	-	(10,042)	-	-	-	-	(10,042)	(2,399)	(12,441)
Restated at 1 January 2023	6,649,390	5,230,109	15,541,729	1,097,149	2,997,990	353,022	644,948	32,514,337	436,732	32,951,069
Dividend paid-2022	-	-	-	(1,097,149)	-	-	-	(1,097,149)	-	(1,097,149)
Dividend paid-2023	-	-	(1,017,357)	-	-	-	-	(1,017,357)	(48,585)	(1,065,942)
Statutory loan reserve transfers	-	-	(846,651)	-	-	846,651	-	-	-	-
- Profit for the year	-	-	4,411,190	-	-	-	-	4,411,190	92,695	4,503,885
- Other comprehensive income/ (loss)	-	-	-	-	3,317,548	-	6,517	3,324,065	(7,067)	3,316,998
Total comprehensive income	-	-	4,411,190	-	3,317,548	-	6,517	7,735,255	85,628	7,820,883
Proposed dividend	-	-	(1,097,149)	1,097,149	-	-	-	-	-	-
At 31 December 2023	6,649,390	5,230,109	16,991,762	1,097,149	6,315,538	1,199,673	651,465	38,135,086	473,775	38,608,861

Bank Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital KShs. '000	Share premium KShs. '000	Retained earnings KShs. '000	Proposed dividends KShs. '000	FVTOCI reserve KShs. '000	Statutory loan reserve KShs. '000	Asset revaluation reserve KShs. '000	Total equity KShs. '000
At 1 January 2024	6,649,390	5,230,109	15,662,012	1,097,149	6,394,877	1,199,673	624,152	36,857,362
Final dividend paid-2023	-	-	-	(1,097,149)	-			(1,097,149)
Excess depreciation	-	-	15,187	-	-	-	(15,187)	-
Interim dividend paid- 2024 (note 36)	-	-	(671,588)	-	-	-	-	(671,588)
Statutory loan reserve transfer	-	-	(71,250)	-	-	71,250	-	-
- Profit for the year	-	-	4,226,346	-	-	-	-	4,226,346
- Other comprehensive income	-	-	-	-	4,279,821	-	-	4,279,821
Total comprehensive income	-	-	4,226,346	-	4,279,821	-	-	8,506,167
Proposed dividend	-	-	(1,469,515)	1,469,515	-	-	-	-
At 31 December 2024	6,649,390	5,230,109	17,691,192	1,469,515	10,674,698	1,270,923	608,965	43,594,792
At 1 January 2023	6,649,390	5,230,109	14,388,693	1,097,149	3,041,224	353,022	624,152	31,383,739
Final dividend paid-2022	-	-	-	(1,097,149)	-	-	-	(1,097,149)
Interim dividend paid- 2023 (note 36)	-	-	(1,017,357)	-	-	-	-	(1,017,357)
Statutory loan reserve transfer			(846,651)	-	-	846,651	-	-
- Profit for the year	-	-	4,234,476	-	-		-	4,234,476
- Other comprehensive income	-	-	-	-	3,353,653	-	-	3,353,653
Total comprehensive income	-	-	4,234,476	-	3,353,653	-	-	7,588,129
Proposed dividend	-	-	(1,097,149)	1,097,149	-	-	-	-
At 31 December 2023	6,649,390	5,230,109	15,662,012	1,097,149	6,394,877	1,199,673	624,152	36,857,362

Consolidated Statement of Cashflows

FOR THE YEAR ENDED 31 DECEMBER 2024

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2024 KShs. '000	2023 KShs. '000
Cash generated from operating activities	38	15,006,132	7,527,061
Income tax paid	24	(373,312)	(273,765)
NET CASH GENERATED FROM OPERATING ACTIVITIES		14,632,820	7,253,296
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment		2,251	3,605
Dividend received		395,392	354,511
Interest received	28	1,659,267	1,085,799
Proceeds from redemption of investment securities measured at amortised cost	8	8,545,457	10,917,341
Proceeds from redemption of treasury bills and term notes	7	10,500,000	20,200,000
Proceeds from sale of investments in bonds measured at FVTOCI	9	4,846,931	13,829,751
Purchase of investment securities measured at amortised cost	8	(13,996,731)	(17,432,516)
Purchase of treasury bills and term notes	7	(8,237,779)	(13,304,787)
Purchase of investments in bonds measured at FVTOCI	9	(10,582,219)	(8,877,642)
Purchase of property and equipment	16	(166,362)	(417,071)
Purchase of intangible assets	18	(178,720)	(390,286)
NET CASH (USED IN)/ GENERATED FROM INVESTING ACTIVITIES		(7,212,513)	5,968,705
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid to equity holders of the parent	37	(1,768,737)	(2,114,506)
Dividend paid to non -controlling interests		(38,174)	(48,585)
Payment of lease liabilities - Principal	22	(111,668)	(104,411)
Payment of lease liabilities - Interest	22	(16,720)	(16,834)
NET CASH USED IN FINANCING ACTIVITIES		(1,935,299)	(2,284,336)
Net increase in cash and cash equivalents		5,485,008	10,937,665
Cash and cash equivalents at 1 January		25,396,614	14,458,949
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	39	30,881,622	25,396,614
Additional information on operational cash flows from interest			
Interest paid to customers		9,344,021	5,581,067
Interest received		7,728,648	5,254,233

Bank Statement of Cashflows

FOR THE YEAR ENDED 31 DECEMBER 2024

CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	2024 KShs. '000	2023 KShs. '000
Cash generated from operating activities	38	14,633,150	6,821,733
Income tax paid	24	(244,576)	(194,028)
NET CASH GENERATED FROM OPERATING ACTIVITIES		14,388,574	6,627,705
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment		2,251	3,605
Dividend received		575,212	582,919
Interest received	28	1,610,596	1,054,895
Proceeds from redemption of treasury bills and term notes	7	10,500,000	20,200,000
Proceeds from redemption of investment securities measured at amortised cost	8	8,545,457	10,538,801
Proceeds from sale of investments in bonds measured at FVTOCI	9	4,646,100	13,829,998
Purchase of treasury bills and term note	7	(8,237,779)	(13,304,787)
Purchase of investment securities measured at amortised cost	8	(13,830,861)	(16,675,054)
Purchase of investment in securities measured at FVTOCI	9	(10,582,219)	(8,877,642)
Purchase of property and equipment	16(b)	(147,747)	(404,195)
Purchase of intangible assets	18	(162,365)	(374,983)
NET CASH (USED IN)/ GENERARED FROM INVESTING ACTIVITIES		(7,081,355)	6,573,557
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid during the year	38	(1,768,737)	(2,114,506)
Payment of lease liabilities – Principal	22	(111,668)	(104,411)
Payment of lease liabilities - Interest	22	(16,720)	(16,834)
NET CASH USED IN FINANCING ACTIVITIES		(1,897,125)	(2,235,751)
Net increase cash and cash equivalents		5,410,094	10,965,511
Cash and cash equivalents at 1 January		25,380,255	14,414,744
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	39	30,790,349	25,380,255
Additional information on operational cash flows from interest			
Interest paid to customers		9,344,021	5,581,067
Interest received		5,292,848	5,251,092

1. GENERAL INFORMATION

Prime Bank Limited is a financial institution licensed under the Kenyan Banking Act, Cap 488 that provides corporate and retail banking services in various parts of the country. The Bank is incorporated and domiciled in Kenya under the Kenyan Companies Act, 2015. The consolidated financial statements comprise the Bank and its subsidiaries together referred to as "the Group". The Group is primarily involved in corporate and retail banking and all classes of general insurance except for aviation insurance services as defined by section 31 of the insurance Act (Cap 487).

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Application of new and revised International Financial Reporting Standards (IFRSs)

(i) New and amended standards, interpretations and improvements

The following amendments to existing IFRS accounting standards became effective for annual periods beginning on 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Disclosures: Supplier Finance Arrangements -Amendments to IAS 7 and IFRS 7

None of these amendments will have an impact on the Group's and the Bank's financial statements at 31 December 2024.

(ii) Standards issued but not yet effective

New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2024 are as follows:

Effective for annual periods beginning on or after 1 January 2025

- Lack of exchangeability – Amendments to IAS 21

Effective for annual periods beginning on or after 1 January 2026

- Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Power Purchase Agreements – Amendments to IFRS 9 and IFRS 7

Effective for annual periods beginning on or after 1 January 2027

- IFRS 18 – Presentation and Disclosure in Financial Statements
- IFRS 19 - Subsidiaries without Public Accountability: Disclosures

Effective date postponed indefinitely

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

The Group and the Bank intends to adopt these standards, if applicable, when they become effective. These standards are not expected to have a material impact on the Group's and the Bank's financial statements.

3. ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations, as issued by the International Accounting Standard Board (IASB) and the requirements of the Kenyan Companies Act, 2015. The financial statements are presented in the functional currency, Kenya Shillings, rounded to the nearest thousand (KShs. '000), except where otherwise indicated and have been prepared on a historical basis except for fair value through other comprehensive income investments, investments at fair value through profit or loss and land and buildings which have been measured at fair value. For the Kenyan Companies Act, 2015 reporting purposes, in these financial statements, the balance sheet is represented by the statement of financial position and the profit and loss account is represented by the statement of profit and loss and the statement of comprehensive income.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2024. 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 an investee if, and only if, the Group has:

- Power over the investee (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
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. 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 expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of OCI are attributed to the equity holders of the parent 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 into 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

3. ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

(c) 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, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. 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.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9. Recognition and Measurement is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous 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 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 recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized 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.

3. ACCOUNTING POLICIES (Continued)

(c) Business combinations and goodwill (Continued)

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(d) Fair value measurement

The Bank measures financial instruments 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 by the Bank. 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. Fair value related disclosures for financial instruments that are measured at fair value are made in note 44.

A fair value measurement of a non-financial asset considers 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.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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
- 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 recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purposes of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of nature, characteristics and risks of assets or liability and level of fair value hierarchy, as explained above.

External valuers are involved for valuation of significant assets, such as properties.

3. ACCOUNTING POLICIES (Continued)

(e) Financial assets and liabilities

Financial assets
All regular way purchases or sales of financial assets are recognized and derecognized on trade date basis. Regular was purchases or sales of financial assets that require delivery of assets within time frame established by regulation or convention in the market place.

All recognized financial assets are measured subsequently in their entirety amortized cost or fair value, depending on the classification of the assets.

(i) Classification and subsequent measurement
The Group and the Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through other comprehensive income (FVTOCI)
- Fair value through profit or loss (FVPL) or
- Amortized cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments
These are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds, cash and bank balances, bank deposits.

Classification and measurement of debt instruments depend on:
- The Bank's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on these factors, The Bank classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through other comprehensive income (FVTOCI):** Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit and loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

3. ACCOUNTING POLICIES (Continued)

(e) Financial assets and liabilities (Continued)

(i) Classification and subsequent measurement (Continued)

Debt instruments (Continued)

- **Fair value through profit or loss:** Financial assets that do not meet the criteria for amortized cost or FVTOCI are measured at fair value through profit or loss. A business model in which an entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets, would result in an FVTPL business model.
- A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the profit or loss statement within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in the finance income.

Business model: The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for assets include past experience on how the cash flows of these assets were collected, how the performance of the assets is evaluated and reported to key management personnel, the risks that affect the performance of the business model (and the financial assets within) and in particular, the way that those risks are managed; and how assets managers are compensated.

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

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Equity instruments

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

The Bank subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

3. ACCOUNTING POLICIES (Continued)

(e) Financial assets and liabilities (Continued)

(i) Classification and subsequent measurement (Continued)

Equity instruments (Continued)

Changes in the fair value of financial assets at fair value through profit or loss are recognized in other gain/ (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

When the Bank derecognizes investments in equity instruments measured at FVTOCI, it shall disclose:

- The reason for disposing the investments,
- The fair value of investments at the date of derecognition; and
- The cumulative gain or loss on disposal.

(ii) Measurement methods

Amortized cost and effective interest rate
The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

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

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

Interest income
Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- Financial assets that are not impaired at initial recognition but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e., net of the expected credit loss provision).

3. ACCOUNTING POLICIES (Continued)
(e) Financial assets and liabilities (Continued)
(iii) Measurement methods (Continued)

Initial recognition and measurement
Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognized on trade date, the date on which The Bank commits to purchase or sell the asset.

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

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognizes the difference as follows:
a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

(iii) Impairment of financial assets
The Bank assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instrument assets carried at amortized cost and FVTOCI and with the exposure arising from project finance loan and corporate loans. The Bank recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:
a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b) The time value of money; and
c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(iv) Modification of loans
The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors.
- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.

3. ACCOUNTING POLICIES (Continued)

(e) Financial assets and liabilities (Continued)

(iv) Modification of loans (Conntinued)

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

If the terms are substantially different, the Bank derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Financial liabilities

(i) Classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortized cost, except for:

- Financial liabilities at fair value through profit or loss; this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies.
  Financial guarantee contracts and loan commitments.

3. ACCOUNTING POLICIES (Continued)

(e) Financial assets and liabilities (Continued)
Financial liabilities (Continued)

(ii) Derecognition

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

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Please refer to Credit Management for a detailed credit risk management and approach within note 45.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting
Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position only when there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense will not be offset in profit or loss unless required by an accounting standard or interpretation and is specifically disclosed in the accounting policies of the Group and the Bank.

(f) Recognition of income and expenses
Revenue is recognized as control is passed, either over time or at a point in time. The Group recognises revenue over time after each performance obligation is fulfilled.

Interest income and expense is recognised in profit or loss on Effective Interest Rate (EIR) method.

3. ACCOUNTING POLICIES (Continued)

(f) Recognition of income and expenses (Continued)

(i) Interest income and expense

For all financial instruments measured at amortised cost and interest-bearing financial instruments classified as at fair value through other comprehensive income financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fees and commission income

The Bank earns fees and commission income from a diverse range of services it provides to its customers. Fees and commission charged for services provided or received by the Group are recognised as the services are provided or received, for example completion of the underlying transaction.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

(iii) Other income

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

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

Dividend income is recognized when the Group's right to receive payment is established.

3. ACCOUNTING POLICIES (Continued)

(f) Recognition of income and expenses (Continued)

(iv) Insurance service expense

Insurance service expenses include the following:

- Incurred claims for the period.
- Other incurred directly attributable expenses.
- Changes that relate to past service – changes in the fulfilment cashflows relating to the liability for incurred claims.
- Changes that relate to future service – changes in the fulfilment cash flows that result in onerous contract losses or reversals of those losses.

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk

(v) Insurance finance income and expense

The group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

(g) Property and equipment

Property and equipment, except for land and buildings, are stated at cost less accumulated depreciation and impairment in value.

Land and buildings are measured at fair value at the dates of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses on buildings. Valuations are performed every five years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on the straight-line basis at annual rates estimated to write off carrying amounts of the assets over their expected useful lives.

3. ACCOUNTING POLICIES (Continued)

(g) Property and equipment (Continued)

The annual depreciation rates in use are: -

Furniture and fittings	12.50%
Office equipment	12.50%
Motor vehicles	25.00%
Computer equipment	25% - 33.33%
Leasehold improvements	12.50%

Buildings are depreciated over their shorter of the estimated useful lives and the lease term.

Freehold land is not depreciated as it is deemed to have an indefinite life.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'other income' or 'other expenses' in profit or loss in the year the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial year-end.

(h) Foreign currency translation

Transactions in foreign currencies during the year are converted into Kenya shillings at rates ruling at the transaction dates. Monetary assets and liabilities at the reporting date which are expressed in foreign currencies are translated into Kenya shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(i) Defined contribution plans

The Bank contributes to a statutory defined contribution provident scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to KShs. 200 per employee per month. The Bank also operates a defined contribution provident fund scheme for all its employees. The assets of the scheme are held in a separate trustee administered fund that is funded by both the Bank and employees.

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

(i) Employee benefits

3. ACCOUNTING POLICIES (Continued)

(i) Defined contribution plans (Continued)

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

(j) Tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

1. Current tax

Current income tax is provided for 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 by the reporting date.

2. Deferred tax

Deferred tax is provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences except:

- Where the deferred tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- In respect of temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled, the investor is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences.

The carrying amount of deferred tax assets is reviewed at 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. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

3. ACCOUNTING POLICIES (Continued)

(j) Tax (Continued)

Deferred tax (Continued)

Current tax and deferred tax relating to items recognized directly in other comprehensive income or equity are also recognized in other comprehensive income or equity and not in profit or loss.

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.

(k) Guarantees, acceptances and letters of credit

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

(l) Leases

The Group and the Bank as a lessee

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

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

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

3. ACCOUNTING POLICIES (Continued)

(l) Leases (Continued)

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re measured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group and the Bank did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently carried at revalued amounts, based on quinquennial valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses.

Whenever the Group and the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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

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

The Group and the Bank applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other operating expenses' in profit or loss (see Note 8b).

3. ACCOUNTING POLICIES (Continued)

(l) Leases (Continued)

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group and the Bank has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group and the Bank allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(m) Intangible assets

The Bank's intangible assets include the value of computer software (swift software, finacle software and other associated costs) and Visa license fees. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss. The useful lives of intangible assets are assessed to be finite. Intangible assets are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset are reviewed at least each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in an asset are accounted for by changing the amortization period and method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in profit or loss in the expense category consistent with the function of the asset.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over the estimated useful lives as follows:

- Computer software 5 years
- Visa license 5 years

(n) Dividends

Dividends are charged to equity in the year in which they are declared. Proposed dividends are appropriated from retained earnings into a separate component of equity until they are declared.

3. ACCOUNTING POLICIES (Continued)

(o) Impairment of non - financial assets

The Bank assesses at each reporting date, or more frequently if events or changes in circumstances indicate that an asset may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. 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, recent market transactions are considered, if available. If no such transactions can be identified, an appropriate valuation model is used. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

Impairment losses are recognized in the profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(p) Provisions and contingent liabilities

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the statement of financial position but are disclosed unless the outflow of economic resources is remote.

3. ACCOUNTING POLICIES (Continued)

(q) Share capital

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

(r) Assets obtained by taking possession of collateral

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

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

(s) Statutory loan loss reserve

The Central Bank of Kenya has, in its prudential guidelines, specified certain minimum loan loss provisions to be held against various categories of loans and advances. Where credit loss allowances computed in line with the Central Bank regulations exceed those computed on the same loan balances under International Financial Reporting Standards, the excess is recognized as a regulatory loss reserve and is accounted for as an appropriation of retained earnings. The statutory loan loss reserve is non-distributable.

(t) Cash and cash equivalents

Cash and cash equivalents includes notes and coins on hand and bank balances held with Central bank and other short-term highly liquid investments with original maturities of three months or less, which are subject to insignificant risk of changes in their fair value and are used by the group in management of short-term commitment.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and balances with banks, unrestricted balances with central bank and money market placement.

(u) Earnings per share

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

(v) Insurance and reinsurance contracts classification

The Group applies the Premium Allocation Approach (PAA) to simplify the measurement of insurance contracts. However, when measuring liabilities for incurred claims, the Group discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

3. ACCOUNTING POLICIES (Continued)

Liability for remaining coverage

Insurance acquisition cash flows

For policies that have a coverage of one year or less, the Group is eligible and chooses to recognise insurance acquisition cash flows as an expense immediately as incurred. where groups are not eligible to recognise an expense immediately, insurance acquisition cash flows are allocated to related groups of insurance contracts recognised in the statement of financial position (including those groups that will include insurance contracts expected to arise from renewals).

An asset for insurance acquisition cash flows is recognised for acquisition cash flows incurred before the related group of insurance contracts has been recognised. The effect of electing to recognise insurance acquisition cash flows as an expense when incurred for a group of insurance contracts is to increase the liability for remaining coverage and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to profit or loss on incurring the expense, offset by an increase in profit released over the coverage period.

Onerous groups

For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Any loss-recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by Underwriting year, 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 one-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 probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the insurance contract liabilities.

3. ACCOUNTING POLICIES (Continued)

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

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 75thpercentile 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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

i) Critical accounting judgements in applying the Bank's policies

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortized cost that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Bank considers qualitative and quantitative reasonable and supportable forward-looking information.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

i) Critical accounting judgements in applying the Bank's policies (Continued)

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped based on shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used

The Bank uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk

ii) Critical accounting judgement in applying the insurance and reinsurance contracts

The Group applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Group's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Group now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

Liability for remaining coverage

Insurance acquisition cash flows

For policies that have a coverage of one year or less, the Group is eligible and chooses to recognise insurance acquisition cash flows as an expense immediately as incurred. where groups are not eligible to recognise an expense immediately, insurance acquisition cash flows are allocated to related groups of insurance contracts recognised in the statement of financial position (including those groups that will include insurance contracts expected to arise from renewals).

An asset for insurance acquisition cash flows is recognised for acquisition cash flows incurred before the related group of insurance contracts has been recognised. The effect of electing to recognise insurance acquisition cash flows as an expense when incurred for a group of insurance contracts is to increase the liability for remaining coverage and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to profit or loss on incurring the expense, offset by an increase in profit released over the coverage period.

Onerous groups

For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Any loss-recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by Underwriting year, 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 one-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 probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the insurance contract liabilities.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

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 75thpercentile 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.

Assets for insurance acquisition cash flows

The Group applies judgement in determining the inputs used in the methodology to systematically and rationally allocate insurance acquisition cash flows to groups of insurance contracts. This includes judgements about the amounts allocated to insurance contracts expected to arise from renewals of existing insurance contracts in a group and the volume of expected renewals from new contracts

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Assets for insurance acquisition cash flows (Continued)

issued in the period. At the end of each reporting period, the Group revisits the assumptions made to allocate insurance acquisition cash flows to groups and where necessary revises the amounts of assets for insurance acquisition cash flows accordingly.

Contract boundary

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the contract boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligation that exist during the reporting period in which the Group can compel the policy holder to pay premiums, or in which the Group has substantive obligation to provide the policy holder with insurance contract services.
A liability or asset relating to expected premiums or claims outside the contract boundary of insurance contract is not recognized. Such amounts relate to future insurance contracts.

iii) Key sources of estimation uncertainty

Establishing the number and relative weightings of forward-looking scenarios for each type of product and determining the forward-looking information relevant to each scenario:

When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default:
PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default:
LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Property and equipment
Critical estimates are made by the directors in determining depreciation rates for property and equipment.

Fair value measurement and valuation
Some of the company's assets and liabilities are measured at fair value for financial reporting process. In estimating the fair value of an asset or liabilities, the company uses market – observable data to the extent it is available. Where level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

Key sources of estimation uncertainty in the accounting for operating leases include the following:
- Determination of the appropriate rate to discount the lease payments; and
- Assessment of whether a right-of-use asset is impaired.

5. CASH AND BALANCES WITH CENTRAL BANK OF KENYA

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
Cash in hand	711,011	555,426	708,442	553,441
Balances with Central Bank of Kenya:				
• Restricted balances (Cash Reserve Ratio)	4,034,549	3,669,416	4,034,549	3,669,416
• Unrestricted balances	2,574,676	2,308,085	2,574,676	2,308,085
	7,320,236	**6,532,927**	**7,317,667**	**6,530,942**

The Cash Reserve Ratio is non-interest earning and is based on the value of deposits as adjusted for the Central Bank of Kenya requirements. At 31 December 2024, the Cash Reserve Ratio requirement was 4.25% (2023 – 4.25%) of all qualifying deposits.

These funds are available for use by the Bank in its day-to-day operations in a limited way provided that on any given day this balance does not fall below 3.00% of qualifying deposits and provided that the overall average in the month is at least 4.25%.

6. PLACEMENTS AND BALANCES WITH OTHER BANKS

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
Lending to other banks and financial institutions	3,749,002	1,678,922	3,660,298	1,664,548
Lending and balances with banks outside Kenya	23,846,933	20,862,366	23,846,933	20,862,366
	27,595,935	**22,541,288**	**27,507,231**	**22,526,914**

The weighted average effective interest rate on lending to other banks was 13% (2023: 12%) and to banks outside Kenya was 5% (2023: 4%).

The expected credit loss relating to placements and balances with other banks is immaterial.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

7. TREASURY BILLS AND TERM NOTES

	GROUP AND BANK	
	2024 KShs. '000	2023 KShs. '000
At 1 January	4,187,840	11,008,088
Purchase of investment securities maturing after 182 days	3,254,896	1,125,413
Purchase of investment maturing after 91 days to 182 days	4,153,991	4,191,997
Purchase of investment securities maturing within 91 days	4,083,788	7,249,018
Accrued Interest	708,853	738,359
IFRS 9 provision	18,891	74,965
Retirement of investment securities	(10,500,000)	(20,200,000)
At 31 December	**5,908,259**	**4,187,840**
Treasury bills:		
Maturing within 91 days of the date of acquisition	-	2,430,821
Maturing after 91 days to 182 days of the date of acquisition	2,452,805	469,493
Maturing after 182 days of the date of acquisition	3,359,093	1,212,870
IFRS 9 provision	(4,707)	(23,598)
Term notes:		
Maturing within 91 days of the date of acquisition	-	-
Maturing after 182 days of the date of acquisition	103,312	103,312
IFRS 9 provision	(2,244)	(5,058)
	5,908,259	**4,187,840**

Treasury bills are debt securities issued by the Government of Kenya and are classified as amortised cost. The weighted average effective interest rate on the treasury bills as at 31 December 2024 was at 15.6% (2023: 13.3%).

Term notes are debt instruments issued by private and public entities for varied terms and maturity dates.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

8. INVESTMENT IN SECURITIES MEASURED AT AMORTISED COST

	GROUP		BANK	
	2024 KShs. '000	**2023 KShs. '000**	**2024 KShs. '000**	**2023 KShs. '000**
At 1 January	41,573,337	35,157,808	39,806,932	33,766,758
Purchase of investment securities	8,578,324	16,328,222	12,408,203	15,574,327
Accrued Interest	5,418,407	1,100,828	1,622,658	1,100,727
Retirement of investment securities	(8,545,457)	(10,917,341)	(8,545,457)	(10,538,801)
IFRS 9 provision	158,574	(96,079)	158,574	(96,079)
At 31 December	**47,183,185**	**41,573,438**	**45,450,910**	**39,806,932**
Treasury bonds maturing after 182 days of the date of acquisition	**47,183,185**	**41,573,438**	**45,450,910**	**39,806,932**

9. INVESTMENT IN SECURITIES MEASURED AT FVTOCI

The bonds are debt securities and include bonds issued by the Government of Kenya and offshore bonds. They are classified as securities measured at fair value through other comprehensive income (FVTOCI). The fair value of the bonds is determined by reference to published price quotations in an active market.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

9. INVESTMENT IN SECURITIES MEASURED AT FVTOCI (Continued)

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
As at 1 January	21,306,766	27,250,090	20,604,638	26,519,721
Purchase of investment securities	10,582,219	8,877,642	10,582,219	8,877,642
Sales (maturity) of investment securities	(4,846,931)	(13,830,935)	(4,646,100)	(13,829,998)
Foreign exchange (loss)/gain	(87,998)	109,513	(87,996)	109,513
Fair value gain/(loss)	1,086,118	(1,099,544)	1,068,966	(1,072,240)
As at 31 December	**28,040,174**	**21,306,766**	**27,521,727**	**20,604,638**

The maturity profile is as follows:				
Within one year	8,410,487	930,134	8,410,487	930,134
After one year but within two years	1,366,554	2,711,032	1,397,200	2,711,032
After two but within five years	9,336,595	9,089,060	9,230,718	9,089,060
After five years	8,926,538	8,576,540	8,483,322	7,874,412
	28,040,174	**21,306,766**	**27,521,727**	**20,604,638**

10. INVESTMENT IN ORDINARY SHARES

a) At fair value through other comprehensive income (FVTOCI)

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
Investment in listed shares 10 (a)(i))	11,125,403	7,753,363	11,015,790	7,681,921
Investment in privately held shares 10 (a)(ii))	1,252,820	1,249,193	1,252,820	1,249,192
Total investment in ordinary shares	**12,378,223**	**9,002,556**	**12,268,610**	**8,931,113**
i) Investment in listed shares:				
Investment as at 1 January	7,753,364	3,696,960	7,681,921	3,608,094
Fair value gain on First Merchant Bank Capital Holdings Limited shares	3,368,879	4,076,440	3,330,709	4,076,440
Fair value gain/(loss) on local quoted shares	3,160	(20,037)	3,160	(2,613)
As at 31 December	**11,125,403**	**7,753,363**	**11,015,790**	**7,681,921**

The above investments were irrevocably designated at fair value through OCI as the Group considers these investments to be strategic in nature.

The fair value of the listed shares is determined by reference to published price quotations in an active market. FVTOCI investments in ordinary shares have no fixed maturity date or coupon rate. The fair value movement relating to First Merchant Bank Capital Holdings Limited amounts to a profit of KShs. 3.4 billion (2023: profit of KShs. 4.1 billion). The fair value movement relating to locally held shares amounts to a gain of KShs.3.2 million (2023: loss of KShs. 2.6 million).

10. INVESTMENT IN ORDINARY SHARES (Continued)

In 2024, the Bank received dividend of KShs. 395 million (2023: KShs. 355 million) from its FVOCI equities which was recorded in the income statement as dividend income.

	BANK	
	2024 KShs. '000	2023 KShs. '000
ii) Investment in privately held shares:		
First Capital Bank Limited, Botswana	161,862	195,912
First Capital Bank Mozambique	155,782	188,552
First Merchant Bank Capital Holdings Limited preference shares	683,416	864,729
Additions (SWIFT SHARES)	5,220	-
Gain in fair value	246,540	-
As at 31 December	**1,252,820**	**1,249,193**
The movement in these shares is summarised below:		
As at 1 January	1,249,193	956,155
Foreign exchange (loss)/ gain	(248,133)	293,038
Additions	5,220	-
Gain in fair value	246,540	-
As at 31 December	**1,252,820**	**1,249,193**

ii) Investment in privately held shares:

Investment in privately held shares comprises investments in shares of First Capital Bank Limited, Botswana and First Capital Bank Limited, Mozambique, which are unquoted companies. These shares are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. The unquoted shares are measured at FVTOCI with unrealized gains/losses recognized as other comprehensive income until the investment is derecognized.

The fair value of the shares was measured using a combination of market approach (using market multiples) and net assets value approach.

The valuation is based on level 3. Refer to note 44 to the financial statements.

10. INVESTMENT IN ORDINARY SHARES (Continued)

b) At fair value through profit or loss

	GROUP	
	2024 KShs. '000	2023 KShs. '000
At start of the year	60,096	83,695
Fair value gain/(loss)	21,417	(17,562)
At end of the year	**81,513**	**66,133**

11. LOANS AND ADVANCES

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
Loans and advances to customers (gross)	57,711,317	58,705,578	57,689,435	58,679,148
Allowances for expected credit losses	(2,237,959)	(2,928,161)	(2,237,959)	(2,923,636)
Loans and advances	**55,473,358**	**55,777,417**	**55,451,476**	**55,755,512**
Movement in allowances for expected credit losses:				
At 1 January	(2,928,161)	(2,425,318)	(2,923,636)	(2,421,502)
Increase in allowances for expected credit losses in the year	(15,311)	(596,518)	(19,836)	(595,809)
Write off of fully provisioned loans	705,513	93,675	705,513	93,675
As at 31 December	**(2,237,959)**	**(2,928,161)**	**(2,237,959)**	**(2,923,636)**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

11. LOANS AND ADVANCES (Continued)

a) Lending concentration
Economic sector risk concentrations within the customer loan portfolio were as follows:

	2024	2023
	%	%
Agriculture	-	1
Building & Construction	3	2
Energy & Water	2	1
Financial Services	2	1
Manufacturing	28	29
Personal/Household	7	6
Real Estate	14	11
Tourism, Restaurant & Hotels	1	2
Trade	35	43
Transport & Communication	8	4
Total	**100**	**100**

11. LOANS AND ADVANCES (Continued)

b) Maturity analysis

GROUP

2024	Within 30 days KShs. '000	31-60 days KShs. '000	61-90 days KShs. '000	More than 90 days KShs. '000	Total KShs. '000
Agriculture	2,525	-	-	151,195	153,720
Building & Construction	338,851	538,760	8,594	1,053,441	1,939,646
Energy & Water	103,964	46,826	70,331	961,679	1,182,800
Financial Services	334,019	14,479	148,598	368,686	865,782
Manufacturing	2,798,065	2,189,312	467,940	10,543,080	15,998,397
Mining & Quarrying	456	9,782	525	80,848	91,611
Personal/Household	392,002	23,405	12,619	3,385,003	3,813,029
Real Estate	756,422	59,174	64,931	7,180,752	8,061,279
Tourism, Restaurant & Hotels	47,639	1,237	4,294	615,436	668,606
Trade	2,741,008	1,629,734	1,376,536	14,643,370	20,390,648
Transport & Communication	592,358	197,493	692,854	3,063,094	4,545,799
Total	**8,107,309**	**4,710,202**	**2,847,222**	**42,046,584**	**57,711,317**

2023	Within 30 days KShs. '000	31-60 days KShs. '000	61-90 days KShs. '000	More than 90 days KShs. '000	Total KShs. '000
Agriculture	26,618	2,028	-	198,311	226,957
Building & Construction	334,189	240,255	57	743,539	1,318,040
Energy & Water	407,411	-	-	209,466	616,877
Financial Services	33,590	26,367	123,236	422,857	606,050
Manufacturing	6,744,914	1,662,280	162,268	8,380,860	16,950,322
Mining & Quarrying	174	9,964	-	41,815	51,953
Personal/Household	550,382	42,542	6,910	3,012,086	3,611,920
Real Estate	1,462,320	166,102	938	4,884,587	6,513,947
Tourism, Restaurant & Hotels	62,874	3,137	-	1,129,388	1,195,399
Trade	3,275,371	1,951,943	19,699	20,134,472	25,381,485
Transport & Communication	618,151	431	1,636	1,612,410	2,232,628
Total	**13,515,994**	**4,105,049**	**314,744**	**40,769,791**	**58,705,578**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

11. LOANS AND ADVANCES (Continued)

b) Maturity analysis (Continued)

BANK

2024	Within 30 days KShs. '000	31-60 days KShs. '000	61-90 days KShs. '000	More than 90 days KShs. '000	Total KShs. '000
Agriculture	2,525	-	-	151,195	153,720
Building & Construction	338,851	538,760	8,594	1,053,441	1,939,646
Energy & Water	103,964	46,826	70,331	961,679	1,182,800
Financial Services	334,019	14,479	148,598	368,686	865,782
Manufacturing	2,798,065	2,189,312	467,940	10,543,080	15,998,397
Mining & Quarrying	456	9,782	525	80,847	91,610
Personal/Household	392,002	23,405	12,619	3,363,121	3,791,147
Real Estate	756,422	59,174	64,931	7,180,752	8,061,279
Tourism, Restaurant & Hotels	47,639	1,237	4,294	615,437	668,607
Trade	2,741,008	1,629,734	1,376,536	14,643,370	20,390,648
Transport & Communication	592,358	197,493	692,854	3,063,094	4,545,799
Total	**8,107,309**	**4,7102,02**	**2,847,222**	**42,024,702**	**57,689,435**

2023	Within 30 days KShs. '000	31-60 days KShs. '000	61-90 days KShs. '000	More than 90 days KShs. '000	Total KShs. '000
Agriculture	26,618	2,028	-	198,311	226,957
Building & Construction	334,190	240,255	57	743,539	1,318,041
Energy & Water	407,412	-	-	209,466	616,878
Financial Services	33,590	26,367	123,236	422,857	606,050
Manufacturing	6,744,914	1,662,280	162,268	8,380,860	16,950,322
Mining & Quarrying	174	9,964	-	41,815	51,953
Personal/Household	550,382	42,542	6,910	2,985,656	3,585,490
Real Estate	1,462,320	166,101	938	4,884,587	6,513,946
Tourism, Restaurant & Hotels	62,874	3,137	-	1,129,387	1,195,398
Trade	3,275,371	1,951,943	19,699	20,134,472	25,381,485
Transport & Communication	618,151	431	1,636	1,612,410	2,232,628
Total	**13,515,996**	**4,105,048**	**314,744**	**40,743,360**	**58,679,148**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

12. INSURANCE CONTRACT LIABILITIES

	2024			2023		
	Remaining Coverage KShs.000	Incurred Claims KShs.000	Total KShs.000	Remaining Coverage KShs.000	Incurred Claims KShs.000	Total KShs.000
Insurance Contract liabilities	214,907	1,153,278	1,368,185	297,613	862,583	1,160,196
Reinsurance Contract assets	(196,365)	(433,075)	(629,440)	(46,049)	(243,282)	(289,331)
Net Closing Insurance Contract Liabilities	18,542	720,203	738,745	251,564	619,301	870,865

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

12. INSURANCE CONTRACT LIABILITIES (Continued)

(a) Analysis by insurance remaining coverage and incurred claim

31 December 2024	Liability for remaining coverage		Liability for incurred claims			
	Excluding Loss Component KShs.000	Loss Component KShs.000	Present Value of Future Cash Flows KShs.000	Risk Adjustment KShs.000	Asset for Insurance Acquisition Cash flows KShs.000	Total KShs.000
Opening insurance contact liabilities	292,836	4,777	779,208	83,375	-	1,160,196
Opening insurance contract assets	-	-	-	-	-	-
Net opening balance	292,836	4,777	779,208	83,375	-	1,160,196
Insurance revenue	**2,203,590**	**-**	**-**	**-**	**-**	**2,203,590**
Insurance Service expenses						
Incurred claims and other directly attributable expenses	-	-	(1,435,599)	-	-	(1,435,599)
Changes that relate to past service - adjustments to the LIC	-	-	(193,213)	(11,026)	-	(204,239)
Losses on onerous contracts and reversal of those losses	-	3,328	-	-	-	3,328
Insurance acquisition cash flows amortization	(405,125)	-	-	-	-	(405,125)
Insurance service expenses	**(405,125)**	**3,328**	**(1,628,812)**	**(11,026)**	**-**	**(2,041,635)**
Insurance service result	1,798,465	3,328	(1,628,812)	(11,026)	-	161,955
Finance income (expenses) from insurance contracts issued	-	-	(76,968)	(9,488)	-	(86,456)
Total amounts recognized in profit or loss	**1,798,465**	**3,328**	**(1,705,780)**	**(20,514)**	**-**	**75,499**
Investment components	-	-	-	-	-	-
Cash flows						
Premiums received	2,128,820	-	-	-	-	2,128,820
Claims and other directly attributable expenses paid	-	-	(1,435,599)	-	-	(1,435,599)
Insurance acquisition cash flows deducted	(409,733)	-	-	-	-	(409,733)
Total cash flows	**1,719,087**	**-**	**(1,435,599)**	**-**	**-**	**283,488**
Net closing balance	**213,458**	**1,449**	**1,049,389**	**103,889**	**-**	**1,368,185**
Closing insurance contract liabilities	213,458	1,449	1,049,389	103,889	-	1,368,185
Closing insurance contract assets	-	-	-	-	-	-
Net closing balance	**213,458**	**1,449**	**1,049,389**	**103,889**	**-**	**1,368,185**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

12. INSURANCE CONTRACT LIABILITIES (Continued)

(a) Analysis by insurance remaining coverage and incurred claim (Continued)

31 December 2023	Liability for remaining coverage		Liability for incurred claims			
	Excluding Loss Component KShs.000	Loss Component KShs.000	Present Value of Future Cash Flows KShs.000	Risk Adjustment KShs.000	Asset for Insurance Acquisition Cash flows KShs.000	Total KShs.000
Opening insurance contact liabilities	165,938	233	732,705	76,201	-	975,077
Opening insurance contract assets	-	-	-	-	-	-
Net opening balance	**165,938**	**233**	**732,705**	**76,201**		**975,077**
Insurance revenue	**2,042,049**	**-**	**-**	**-**	**-**	**2,042,049**
Insurance Service expenses						
Incurred claims and other directly attributable expenses	-	-	(1,026,523)	-	-	(1,026,523)
Changes that relate to past service - adjustments to the LIC	-	-	(15,063)	152	-	(14,911)
Losses on onerous contracts and reversal of those losses	-	(4,544)	-	-	-	(4,544)
Insurance acquisition cash flows amortization	(371,375)	-	-	-	-	(371,375)
Insurance service expenses	**(371,375)**	**(4,544)**	**(1,041,586)**	**152**	**-**	**(1,417,353)**
Insurance service result	**1,670,674**	**(4,544)**	**(1,041,586)**	**152**	**-**	**624,696**
Finance income (expenses) from insurance contracts issued	-	-	(31,440)	(7,326)	-	(38,766)
Total amounts recognized in profit or loss	**1,670,675**	**(4,544)**	**(1,073,026)**	**(7,174)**	**-**	**585,931**
Investment components	-	-	-	-	-	-
Cash flows						
Premiums received	2,178,629	-	-	-	-	2,178,629
Claims and other directly attributable expenses paid	-	-	(1,026,523)	-	-	(1,026,523)
Insurance acquisition cash flows deducted	(381,057)	-	-	-	-	(381,057)
Total cash flows	**1,797,572**	**-**	**(1,026,523)**	**-**	**-**	**771,049**
Net closing balance	**292,836**	**4,777**	**779,208**	**83,375**	**-**	**1,160,196**
Closing insurance contract liabilities	292,836	4,777	779,208	83,375	-	1,160,196
Closing insurance contract assets	-	-	-	-	-	-
Net closing balance	**292,836**	**4,777**	**779,208**	**83,375**	**-**	**1,160,196**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

12. INSURANCE CONTRACT LIABILITIES (Continued)

b) Analysis by reinsurance remaining coverage and incurred claim

31 December 2024	Assets for remaining coverage		Assets for incurred claims		
	Excluding Loss Component KShs.000	Loss Component KShs.000	Present Value of Future Cash Flows KShs.000	Risk Adjustment KShs.000	Total Excluding Loss Component KShs.000
Opening reinsurance contract assets	42,576	3,473	219,767	23,515	289,331
Opening reinsurance contract liabilities	-	-	-	-	-
Net opening balance	**42,576**	**3,473**	**219,767**	**23,515**	**289,331**
Reinsurance Service expenses	**(877,452)**	**-**	**-**	**-**	**(877,452)**
Reinsurance Service expenses					
Incurred claims and other directly attributable expenses	-	-	372,754	-	372,754
Changes that relate to past service - adjustments to the LIC	-	-	152,061	12,820	164,882
Losses on onerous contracts and reversal of those losses	-	(2,818)	-	-	(2,818)
Insurance acquisition cash flows amortization	272,235	-	-	-	272,235
Reinsurance service expenses	**272,235**	**(2,818)**	**524,815**	**12,820**	**807,053**
Reinsurance service result	**(605,217)**	**(2,818)**	**524,815**	**12,820**	**(70,399)**
Finance income (expenses) from insurance contracts issued	-	-	(22,235)	(2,677)	(24,912)
Total amounts recognized in profit or loss	**(605,217)**	**(2,818)**	**547,050**	**15,497**	**(45,487)**
Investment components	-	-	-	-	-
Cash flows					
Reinsurance premiums paid	1,032,998	-	-	-	1,032,998
Other charges	-	-	-	-	-
Claims and other directly attributable expenses paid	-	-	(372,754)	-	(372,754)
Insurance acquisition cash flows deducted	(274,647)	-	-	-	(274,647)
Total cash flows	**758,351**	**-**	**(372,754)**	**-**	**385,597**
Net closing balance	**195,710**	**655**	**394,063**	**39,012**	**629,440**
Closing reinsurance contract liabilities	-	-	-	-	-
Closing reinsurance contract assets	195,710	655	394,063	39,012	629,440
Net closing balance	**195,710**	**655**	**394,063**	**39,012**	**629,440**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

12. INSURANCE CONTRACT LIABILITIES (Continued)

b) Analysis by reinsurance remaining coverage and incurred claim (Continued)

31 December 2023	Assets for remaining coverage		Assets for incurred claims		
	Excluding Loss Component KShs.000	Loss Component KShs.000	Present Value of Future Cash Flows KShs.000	Risk Adjustment KShs.000	Total Excluding Loss Component KShs.000
Opening reinsurance contract assets	10,846	14	187,182	19,467	217,508
Opening reinsurance contract liabilities	-	-	-	-	-
Net opening balance	**10,846**	**14**	**187,182**	**19,467**	**217,508**
Reinsurance Service expenses	**(827,453)**	**-**	**-**	**-**	**(827,453)**
Reinsurance Service expenses					
Incurred claims and other directly attributable expenses	-	-	122,792	-	122,792
Changes that relate to past service - adjustments to the LIC	-	-	24,313	2,166	26,479
Losses on onerous contracts and reversal of those losses	-	3,460	-	-	3,460
Insurance acquisition cash flows amortization	312,421	-	-	-	312,421
Reinsurance service expenses	**312,421**	**3,460**	**147,105**	**2,166**	**465,152**
Reinsurance service result	**(515,032)**	**3,460**	**147,105**	**2,166**	**(362,301)**
Finance income (expenses) from insurance contracts issued	-	-	(8,272)	(1,883)	(10,154)
Total amounts recognized in profit or loss	**(515,032)**	**3,460**	**155,377**	**4,049**	**(352,147)**
Investment components	-	-	-	-	-
Cash flows					
Reinsurance premiums paid	862,765	-	-	-	862,765
Other charges	-	-	-	-	-
Claims and other directly attributable expenses paid	-	-	(122,792)	-	(122,792)
Insurance acquisition cash flows deducted	(316,003)	-	-	-	(316,003)
Total cash flows	**546,762**	**-**	**(122,792)**	**-**	**423,969**
Net closing balance	**42,576**	**3,473**	**219,767**	**23,515**	**289,331**
Closing reinsurance contract liabilities	-	-	-	-	-
Closing reinsurance contract assets	42,576	3,473	219,767	23,515	289,331
Net closing balance	**42,576**	**3,473**	**219,767**	**23,515**	**289,331**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

13. OTHER ASSETS

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
Prepayments and deposits	461,288	441,518	461,288	441,518
Withholding tax recoverable	428,794	354,645	428,794	354,645
Others*	1,151,828	998,984	1,097,000	921,699
	1,687,829	**1,795,147**	**1,633,001**	**1,717,862**

*Comprises amounts paid in advance for various projects being undertaken by the Bank, salary advances and withholding tax on interest on fixed deposits paid in advance.

14. INVESTMENT IN SUBSIDIARIES

Information about the composition of the Group at the end of the reporting period is as follows:

Details of investment	Country of incorporation	Activity	2024	2023	2024	2023
			% of equity interest		KShs. '000	KShs. '000
Tausi Assurance Company Limited	Kenya	General insurance		80.72%	1,395,692	1,395,692
Prime Bank Bancassurance Intermediary Limited (Prime Merchant Insurance Agency Limited)	Kenya	Insurance agency		100%	5,000	5,000
Prime Limited	Kenya	Advisory services		100%	5,000	5,000
					1,405,692	1,405,692

The Bank owns 100% of Prime Bank Bancassurance Intermediary Limited, an Insurance Agency that was incorporated and commenced trading in 2014.

The Bank also invested KShs.5 million in Prime Limited a wholly owned subsidiary of the Bank which will be offering advisory services. The subsidiary has not commenced operations.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

15. RIGHT OF USE - LEASEHOLD LAND

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
COST				
At 1 January	812,732	657,500	720,232	565,000
Additions	1,628	155,232	1,628	155,232
At 31 December	**814,360**	**812,732**	**721,860**	**720,232**
DEPRECIATION				
At 1 January	15,726	3,801	13,192	-
Charge for the year	14,493	14,459	13,226	13,192
Reversal of revaluation		(2,534)	-	-
At 31 December	**30,219**	**15,726**	**26,418**	**13,192**
NET CARRYING AMOUNT				
At 31 December	**784,141**	**797,006**	**695,442**	**707,040**

Leasehold land relates to right-of-use and there is no corresponding lease liability because it's fully paid.

16. PROPERTY AND EQUIPMENT - GROUP

a) Year ended 31 December 2024

COST/VALUATION	Freehold land KShs. '000	Buildings KShs. '000	Leasehold improvements KShs. '000	Furniture and fittings KShs. '000	Office equipment KShs. '000	Motor vehicles KShs. '000	Computer equipment KShs. '000	Total KShs. '000
At 1 January 2024	38,500	1,531,891	464,629	196,465	239,259	191,571	741,767	3,404,082
Additions	-	-	31,033	21,107	19,653	8,130	86,439	166,362
Disposals	-	-	-	(732)	(353)	(7,777)	(138)	(9,000)
At 31 December 2024	**38,500**	**1,531,891**	**495,662**	**216,840**	**258,559**	**191,924**	**828,068**	**3,561,444**
DEPRECIATION								
At 1 January 2024	-	43,001	384,990	160,762	180,709	148,231	558,733	1,476,426
Charge for the year	-	34,986	28,943	9,756	18,347	20,492	90,423	202,947
Prior year adjustment		9,008-	-	-	-	-	-	9,008
Disposals	-	-	-	(732)	(353)	(7,774)	(41)	(8,900)
At 31 December 2024	**-**	**86,995**	**413,933**	**169,786**	**198,703**	**160,949**	**649,115**	**1,679,481**
NET CARRYING AMOUNT								
At 31 December 2024	**38,500**	**1,444,896**	**81,729**	**47,054**	**59,856**	**30,975**	**178,953**	**1,881,963**

The freehold land and buildings for the Bank were revalued as at 31 December 2022 by Knight Frank, registered valuers, on the open market value basis while the freehold land and buildings for the subsidiary were professionally valued by R.R. Oswald & Company Limited, registered valuers, on the basis of open market value on 28 December 2022. The carrying amount of the freehold land and buildings was adjusted to the revalued amount and the resultant surplus, net of deferred tax, was recognized in other comprehensive income and credited to the asset revaluation reserve in equity. If freehold land and buildings were measured using the cost model, their net carrying amounts as at 31 December 2024 would have been KShs.15,645,000 and KShs.502,660,000 respectively and KShs.15,645,000 and KShs.524,932,000 as at 31 December 2023.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

16. PROPERTY AND EQUIPMENT - GROUP (Continued)

a) Year ended 31 December 2023

COST/VALUATION	Freehold land KShs. '000	Buildings KShs. '000	Leasehold improvements KShs. '000	Furniture and fittings KShs. '000	Office equipment KShs. '000	Motor vehicles KShs. '000	Computer equipment KShs. '000	Total KShs. '000
At 1 January 2023	38,500	1,415,475	444,683	185,764	229,994	153,653	756,871	3,224,940
Additions	-	116,416	19,946	10,701	9,265	45,893	214,850	417,071
Disposals	-	-	-	-	-	(7,975)	(229,954)	(237,929)
At 31 December 2023	**38,500**	**1531,891**	**464,629**	**196,465**	**239,259**	**191,571**	**741,767**	**3,404,082**
DEPRECIATION								
At 1 January 2023	-	16,990	357,314	152,558	163,228	130,446	698,278	1,518,814
Charge for the year	-	34,986	27,676	8,204	17,481	25,760	90,332	204,439
Prior year adjustment	-	(8,975)	-	-	-	-	-	(8,975)
Disposals	-	-	-	-	-	(7,975)	(229,877)	(237,852)
At 31 December 2023	**-**	**43,001**	**384,990**	**160,762**	**180,709**	**148,231**	**558,733**	**1,476,426**
NET CARRYING AMOUNT								
At 31 December 2023	**38,500**	**1,488,890**	**79,639**	**35,703**	**58,550**	**43,340**	**183,034**	**1,927,656**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

16. PROPERTY AND EQUIPMENT - BANK

b) Year ended 31 December 2024

COST/VALUATION	Freehold land KShs. '000	Buildings KShs. '000	Leasehold improvements KShs. '000	Furniture and fittings KShs. '000	Office equipment KShs. '000	Motor vehicles KShs. '000	Computer equipment KShs. '000	Total KShs. '000
At 1 January 2024	38,500	1,287,050	462,174	125,782	239,259	181,300	652,564	2,986,629
Additions	-	-	31,033	10,166	19,653	8,130	78,765	147,747
Disposals	-	-	-	(732)	(353)	(7,627)	-	(8,712)
At 31 December 2024	**38,500**	**1,287,050**	**493,207**	**135,216**	**258,559**	**181,803**	**731,329**	**3,125,664**
DEPRECIATION								
At 1 January 2024	-	30,336	382,535	104,475	180,709	143,242	478,926	1,320,223
Charge for the year	-	30,336	28,943	6,654	18,347	19,171	85,198	188,649
Disposals	-	-	-	(732)	(353)	(7,627)	-	(8.712)
At 31 December 2024	**-**	**60,672**	**411,478**	**110,397**	**198,703**	**154,786**	**564,124**	**1,500,160**
NET CARRYING AMOUNT								
At 31 December 2024	**38,500**	**1,226,378**	**81,729**	**24,819**	**59,856**	**27,017**	**167,205**	**1,625,504**

The freehold land and buildings for the Bank were revalued as at 31 December 2022 by Knight Frank, registered valuers, on the open market value basis while the freehold land and buildings for the subsidiary were professionally valued by R.R. Oswald & Company Limited, registered valuers, on the basis of open market value on 28 December 2022. The carrying amount of the freehold land and buildings was adjusted to the revalued amount and the resultant surplus, net of deferred tax, was recognized in other comprehensive income and credited to the asset revaluation reserve in equity. If freehold land and buildings were measured using the cost model, their net carrying amounts as at 31 December 2024 would have been KShs.15,645,000 and KShs.502,660,000 respectively and KShs.15,645,000 and KShs.524,932,000 as at 31st December 2023.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

16. PROPERTY AND EQUIPMENT - BANK (Continued)

b) Year ended 31 December 2023

COST/VALUATION	Freehold land KShs. '000	Buildings KShs. '000	Leasehold improvements KShs. '000	Furniture and fittings KShs. '000	Office equipment KShs. '000	Motor vehicles KShs. '000	Computer equipment KShs. '000	Total KShs. '000
At 1 January 2023	38,500	1,170,634	442,228	119,563	229,994	147,682	671,762	2,820,363
Additions	-	116,416	19,946	6,219	9,265	41,593	210,756	404,195
Disposals	-	-	-	-	-	(7,975)	(229,954)	(237,929)
At 31 December 2023	**38,500**	**1,287,050**	**462,174**	**125,782**	**239,259**	**181,300**	**652,564**	**2,986,629**
DEPRECIATION								
At 1 January 2023	-	-	354,859	98,253	163,228	127,219	622,675	1,366,234
Charge for the year	-	30,336	27,676	6,222	17,481	23,998	86,128	191,841
Disposals	-	-	-	-	-	(7,975)	(229,877)	(237,852)
At 31 December 2023	**-**	**30,336**	**382,535**	**104,475**	**180,709**	**143,242**	**478,926**	**1,320,223**
NET CARRYING AMOUNT								
At 31 December 2023	**38,500**	**1,256,714**	**79,639**	**21,307**	**58,550**	**38,058**	**173,638**	**1,666,406**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

17. RIGHT-OF-USE ASSETS

The Group leases branch premises for its use. Information about the leases in which the Group is a lessee is presented below:

	GROUP AND BANK	
	2024 KShs.'000	2023 KShs.'000
COST		
At 1 January	735,699	657,024
Additions	98,942	78,675
At 31 December	834,641	735,699
DEPRECIATION		
At 1 January	475,142	371,418
Charge for the year	108,147	103,724
At 31 December	583,289	475,142
NET BOOK VALUE		
At 31 December	**251,352**	**260,557**
Amounts recognized in profit or loss		
Depreciation expense on right-of-use assets	108,147	103,724
Interest expense on lease liabilities (note 22)	16,720	16,834
At the end of the year	**124,867**	**120,558**

The Group was not committed to any arrangements that are short term as at year end (2023 – KShs. nil). All the property leases in which the Group is the lessee contain only fixed payments.

The total cash outflow for the leases amounted to KShs. 128 million (2023: KShs. 121 million) being payment for both the principal and interest as disclosed in note 21. There are no restrictions or covenants imposed by lessors and the group did not enter into any sale and leaseback transactions during the year.

18. GOODWILL AND INTANGIBLE ASSETS

GROUP

31 December 2024

	Computer software and Visa license fees KShs.'000'	Goodwill KShs.'000'	Total KShs.'000'
COST			
At 1 January	1,214,473	642,752	1,857,225
Additions	178,720	-	178,720
Disposals	(2,391)	-	(2,391)
At 31 December	1,390,802	642,752	2,033,554
AMORTISATION			
At 1 January	830,273	-	830,273
Charge for the year	159,630	-	159,630
At 31 December	989,903	-	989,903
NET CARRYING AMOUNT			
At 31 December	**400,899**	**642,752**	**1,043,651**
31 December 2023			
COST			
At 1 January	824,187	642,752	1,466,939
Additions	390,286	-	390,286
At 31 December	1,214,473	642,752	1,857,225
AMORTISATION			
At 1 January	700,317	-	700,317
Charge for the year	129,956	-	129,956
At 31 December	830,273	-	830,273
NET CARRYING AMOUNT			
At 31 December	**384,200**	**642,752**	**1,026,952**

The goodwill arose from the Bank's acquisition of Tausi Assurance Company Limited. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

18. GOODWILL AND INTANGIBLE ASSETS (Continued)

The goodwill was tested for impairment as at 31 December 2024 The recoverable amount was determined based on value in use calculations. Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value in use. A five-year forecast was used as a basis for future cash flows, extrapolated in perpetuity to reflect the long-term plans for the entity, using a nominal growth rate of 1.0%. The after-tax discount rate used was based on an assessment of the risks applicable to Tausi Assurance Company Limited and the outlook of the Kenyan economy. The discount rate calculated for the forecast years was 11% per annum. These variables are established on the basis of management judgement and current market conditions. Management judgement is also applied in estimating the future cash flows of the cash-generating units. These values are sensitive to the cash flows projected for the periods for which detailed forecasts are available and to the assumptions regarding the long-term sustainability of the cash flows thereafter. Based on the testing performed, the directors believe that the goodwill is not impaired.

INTANGIBLE ASSET - BANK	2024 KShs. '000	2023 KShs. '000
COST		
At 1 January	1,100,521	766,422
Additions	162,365	374,983
Disposals	(2,391)	(40,884)
At 31 December	**1,260,495**	**1,100,521**
AMORTISATION		
At 1 January	738,331	658,918
Charge for the year	147,653	120,296
Disposals		(40,883)
At 31 December	**885,984**	**738,331**
NET CARRYING AMOUNT		
At 31 December	**374,511**	**362,190**

Intangible assets comprise computer software and Visa license fees. Computer software is what the entity paid to acquire the Bank's core banking system and other peripheral systems. Visa license fees is paid for the use of the Visa payment system. Most of these assets will be amortised in the next four years. The Bank has not pledged its intangible assets as security for liabilities and therefore the Bank has no restriction over title of its assets as at 31 December 2024 and 31 December 2023.

19. DEFERRED TAX

The following is the analysis of the deferred tax balances for financial reporting purposes.

	GROUP		BANK	
	2024 KShs.'000	2023 KShs.'000	2024 KShs.'000	2023 KShs.'000
Deferred tax liabilities	(80,495)	(69,156)	-	-
Deferred tax assets	1,396,305	1,601,418	1,396,025	1,601,128
	1,315,810	**1,532,262**	**1,396,025**	**1,601,128**

Movement of the deferred tax liability during the year is as follows:

GROUP

2024	At 1 January KShs. '000	Recognized in statement of profit or loss KShs. '000	Recognized in other comprehensive income KShs. '000	At 31 December KShs. '000
Arising from:				
Property and equipment	(280,742)	36,539	-	(244,203)
Provision for staff leave	4,814	-	-	4,814
Other provision	32,427	110,653	-	143,080
Provision for loans and advances	1,232,923	(75,161)	-	1,157,762
FVTOCI	510,791	-	(288,483)	222,308
Prior year adjustment	32,049	-	-	32,049
	1,532,262	**72,031**	**(288,483)**	**1,315,810**

2023	At 1 January KShs. '000	Recognized in statement of profit or loss KShs. '000	Recognized in other comprehensive income KShs. '000	At 31 December KShs. '000
Arising from:				
Property and equipment	(198,315)	(82,427)	-	(280,742)
Provision for staff leave	3,096	1,718	-	4,814
Other provision	12,850	19,577	-	32,427
Provision for loans and advances	1,071,369	161,554	-	1,232,923
FVTOCI	183,701	-	327,090	510,791
Prior year adjustment	-	32,049	-	32,049
	1,072,701	**132,471**	**327,090**	**1,532,262**

19. DEFERRED TAX (Continued)

BANK

2024	At 1 January KShs. '000	Recognized in statement of profit or loss KShs. '000	Recognized in other comprehensive income KShs. '000	At 31 December KShs. '000
Arising from:				
Property and equipment	(211,460)	36,259	-	(175,201)
Provision for staff leave	4,814	-	-	4,814
Other provision	32,426	122,281	-	154,707
Provision for loans and advances	1,216,203	(75,161)	-	1,141,042
Prior year adjustment	35,155	-	-	35,155
FVTOCI	523,990	-	(288,482)	235,508
	1,601,128	**83,379**	**(288,482)**	**1,396,025**

2023	At 1 January KShs. '000	Recognized in statement of profit or loss KShs. '000	Recognized in other comprehensive income KShs. '000	At 31 December KShs. '000
Arising from:				
Property and equipment	(127,552)	(83,908)	-	(211,460)
Provision for staff leave	3,096	1,718	-	4,814
Other provision	12,849	19,577	-	32,426
Provision for loans and advances	1,059,635	156,568	-	1,216,203
FVTOCI	-	35,155	-	35,155
	193,440	-	330,550	523,990
	1,141,468	129,110	330,550	1,601,128

The deferred tax liability is mainly due to accelerated capital allowances and the tax effect of the revaluation surplus on leasehold land and buildings valued in the year as detailed in notes 14 and 15.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle on a tax basis.

20. BALANCES DUE TO BANKS AND FINANCIAL INSTITUTIONS

	GROUP		BANK	
	2024 KShs.'000	2023 KShs.'000	2024 KShs.'000	2023 KShs.'000
Due to banks and financial institutions	-	8,185	-	8,185

21. DEPOSITS FROM CUSTOMERS

	GROUP		BANK	
	2024 KShs.'000	2023 KShs.'000	2024 KShs.'000	2023 KShs.'000
Current deposits	27,499,556	28,295,654	28,037,283	28,721,659
Savings deposits	766,848	878,137	766,848	878,137
Call deposits	731,747	784,486	731,747	784,486
Fixed deposits	114,243,346	97,171,093	114,243,346	97,171,093
	143,241,497	**127,129,370**	**143,779,224**	**127,555,375**

Included in deposits from customers, were deposits of KShs. 1,537 million (2023: KShs. 1,190 million) held as collateral for irrevocable commitments. The weighted average effective interest rate on interest bearing customer deposits as at 31 December 2024 was 9.4% (2023:6.9%).

22. LEASE LIABILITIES

	GROUP AND BANK	
	2024 KShs.'000	2023 KShs.'000
Non-current	258,602	240,573
Current	16,015	46,771
	274,617	**287,344**

22. LEASE LIABILITIES (Continued)

	GROUP AND BANK	
	2024 KShs.'000	2023 KShs.'000
Maturity Analysis		
Year 1	18,846	46,771
Year 2	13,014	35,203
Year 3	95,848	109,307
Year 4	3,716	31,200
Year 5	129,389	28,137
Onwards	59,342	66,035
Future interest payments	(45,538)	(29,309)
	274,617	**287,344**

The movement in lease liability is as follows:

	2024 KShs.'000	2023 KShs.'000
As at 1 January	287,344	314,667
Additions	98,941	77,088
Interest on lease liability	16,720	16,834
Lease payments – principal portion	(111,668)	(104,411)
Lease payments – interest portion	(16,720)	(16,834)
At 31 December 2024	**274,617**	**287,344**

As discussed in note 16, the Bank leases branch premises for its use.

23. OTHER LIABILITIES

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
Pay orders issued	22,233	23,929	22,233	23,929
Bills payable	626,203	476,199	626,203	476,200
Sundry creditors and accruals	405,006	738,473	305,997	631,512
IFRS 9 provisions on financial guarantees and loan commitments	184,755	193,777	184,755	193,777
	1,238,197	**1,432,378**	**1,139,188**	**1,325,418**

Pay orders issued, bills payable, and sundry creditors and accruals are payable on demand and are non-interest bearing.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

24. INCOME TAX

(a) Corporate tax (recoverable)/ payable

	2024 KShs. '000	2023 KShs. '000
GROUP		
Balance brought forward	(9,058)	(65,049)
Charge for the year	267,621	329,776
Paid during the year	(373,312)	(273,765)
WHT tax credit	131	(20)
Tax recoverable	**(114,618)**	**(9,058)**
BANK		
STATEMENT OF FINANCIAL POSITION		
Balance brought forward	31,082	(12,755)
Charge for the year	232,968	237,865
Paid during the year	(244,576)	(194,028)
WHT tax credit	112	-
Tax payable	**19,586**	**31,082**

(b) Income tax expense

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
Current tax	267,621	329,776	232,968	237,865
Deferred tax credit (note 18)	(72,031)	(132,471)	(83,379)	(129,110)
Prior year under provision	4,533	(4,956)	-	-
Tax charge for the year	**200,123**	**192,349**	**149,589**	**108,755**

(c) Reconciliation of tax expense to tax based on accounting profit:

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
Accounting profit before tax	4,629,728	4,696,234	4,375,935	4,343,231
Tax at applicable rate of 30% (2023: 30%)	1,388,918	1,408,870	1,312,781	1,302,969
Other expenses not deductible for tax purposes	192,546	12,569	112,969	898,486
Other income not subject to tax	(1,334,987)	(2,192,428)	(1,224,013)	(2,092,700)
Prior year adjustment – Property and equipment	(52,148)	-	(52,148)	-
Prior year adjustment - other	5,794	63,338	-	-
Tax charge for the year	**200,123**	**192,349**	**149,589**	**108,755**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

25. SHARE CAPITAL

	GROUP AND BANK	
	2024 Ordinary shares of KShs. 1,000 each KShs. '000	2023 Ordinary shares of KShs. 1,000 each KShs. '000
Authorised:		
Ordinary shares of KShs. 1,000 each	8,000,000	8,000,000
Issued and fully paid:		
At 1 January and 31 December	6,649,390	6,649,390

26. SHARE PREMIUM

	GROUP AND BANK	
	2024 KShs. '000	2023 KShs. '000
Share premium: 500,000 shares of KShs. 3,334 each	1,667,000	1,667,000
Share premium: 1,149,390 shares of KShs. 3,100 each	3,563,109	3,563,109
	5,230,109	**5,230,109**

27. OTHER RESERVES

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
Retained earnings	19,154,418	16,991,762	17,691,192	15,662,012
FVTOCI reserve	10,640,413	6,315,538	10,674,698	6,394,877
Asset revaluation reserve	632,876	651,465	608,965	624,152
Statutory loan reserve	1,270,923	1,199,673	1,270,923	1,199,673
	31,698,630	**25,158,438**	**30,245,778**	**23,880,714**

The fair value through other comprehensive income reserve comprises changes in fair value through other comprehensive income investments.

The asset revaluation reserve is not distributable and is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase in the fair value of the same assets previously recognized in equity.

The statutory loan reserves is the excess of the Central Bank of Kenya required provisions over expected credit losses on loans and advances as per IFRS 9 – Financial instruments.

28. INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST RATE METHOD

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
Loans and advances to customers	7,984,327	5,548,527	7,980,513	5,545,386
Placements and bank balances	1,659,267	1,085,799	1,610,596	1,054,895
Treasury bills and term notes	718,402	770,817	718,402	770,817
Government securities at amortised cost	5,741,868	4,561,697	5,421,093	4,267,478
FVTOCI investments	2,834,279	3,041,300	2,834,279	3,041,300
	18,938,143	**15,008,140**	**18,564,883**	**14,679,876**

29. INTEREST EXPENSE

	GROUP AND BANK	
	2024 KShs. '000	2023 KShs. '000
Due to customers	12,277,528	8,105,315
Due to banks and other financial institutions	1,328	2,023
Interest on lease liabilities	16,720	16,834
	12,295,576	**8,124,172**

30. FEES AND COMMISSION INCOME

	GROUP AND BANK	
	2024 KShs. '000	2023 KShs. '000
Commission income	424,824	398,305
Fees income	177,862	197,224
	602,686	595,529

31. INSURANCE REVENUE AND EXPENSES (GROUP)

	2024 KShs. '000	2023 KShs. '000
Insurance contract revenue		
Insurance revenue from contracts measured under PAA	2,203,590	2,042,049
Total	**2,203,590**	**2,042,049**
Insurance service expenses		
Actual claims and expenses over the period	(1,435,599)	(1,026,523)
Expected release of incurred claims over the period	672,920	693,830
Expected release of risk adjustment for incurred claims	74,720	76,003
New Incurred Claims over the period	(569,325)	(402,443)
Increase in incurred claims liability for past periods	-	-
Increase in PV and RA of incurred claim liability	(382,554)	(382,302)
Release of deferred acquisition cost	(405,125)	(371,374)
Increase in losses on onerous contracts	3,328	(4,544)
Total	**(2,041,635)**	**(1,417,353)**
Reinsurance Expenses		
PAA premium reserve release	(877,452)	(827,453)
Total	**(877,452)**	**(827,453)**
Reinsurance Recoveries		
Actual claims recoveries	372,755	122,792
Expected release of incurred claims over the period	(182,552)	(174,361)
Expected release of risk adjustment for incurred claims	(20,307)	(19,092)
New Incurred Claims over the period	281,354	151,863
Increase in PV and RA of incurred claims liability	86,386	68,069
Release of deferred acquisition cost	272,235	312,421
Changes in loss recovery component	(2,818)	3,460
Total	**807,053**	**465,152**
Total insurance service result	**91,556**	**262,395**

32. OTHER INCOME

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
Miscellaneous income	226,982	88,847	226,982	47,334
Recoveries of loans and advances previously written off	78,741	6,506	9,783	6,506
	305,723	**95,353**	**236,765**	**53,840**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33. ALLOWANCES FOR IMPAIRMENT OF FINANCIAL INSTRUMENTS

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
Allowance on loans and advances to customers	15,311	596,518	19,836	595,809
Allowance on loan commitments	(32,857)	(96,957)	(32,857)	(96,248)
Allowance on financial guarantees	25,052	(20,298)	21,021	(20,298)
Allowance on treasury bills and term notes	(18,891)	74,965	(18,891)	74,965
Allowance on government securities measured at FVOCI	(80,578)	(21,516)	(81,072)	(21,516)
Allowance on Government securities at amortised cost	(158,574)	(10,819)	(158,574)	(10,819)
Write-off during the year	256	804	256	804
Allowances on other assets	492,427	-	492,427	-
	242,146	**522,697**	**242,146**	**522,697**

34. OTHER OPERATING EXPENSES

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
Staff costs (note 35)	2,062,378	1,997,855	2,052,277	1,987,421
Depreciation on property and equipment	194,667	197,758	188,741	191,841
Depreciation on right of use asset (note 16)	108,147	103,724	108,147	103,724
Amortisation of intangible assets (note 17)	147,753	120,296	147,753	120,296
Amortisation of leasehold land (note 14)	13,192	13,192	13,192	13,192
Auditor's remuneration:				
- Statutory audit	10,940	8,600	10,940	8,600
- Information systems and technology audit	3,220	6,100	3,220	6,100
Directors' emoluments	124,015	126,726	124,015	126,726
Deposit protection fund levy	187,476	162,966	187,476	162,966
Rent and rates	58,950	54,485	58,871	54,442
Other general administration expenses*	1,257,693	1,180,111	1,235,182	1,174,356
	4,168,431	**3,971,813**	**4,129,814**	**3,949,664**

*Other general administration expenses include repairs and maintenance (Ksh. 306 million; 2023: Ksh. 284 million), subscriptions (Ksh.197 million; 2023: Ksh. 113 million), Stationery (Ksh. 80 million; 2023: Ksh. 70million), Insurance expenses (Ksh 50 million; 2023: Ksh. 45 million) among others.

35. PROFIT BEFORE TAX

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
Profit before tax is stated after charging/(crediting): -				
Depreciation on property and equipment (note 16)	194,667	237,852	188,741	191,841
Depreciation on right of use assets (note 17)	108,147	103,724	108,147	103,724
Amortisation of intangible assets (note 18)	147,753	120,296	147,753	120,296
Amortisation of leasehold land (note 15)	13,192	13,192	13,192	13,192
Directors' emoluments	124,015	126,726	124,015	126,726
Auditors' remuneration:				
- Statutory audit	10,940	8,600	10,940	8,600
- Information systems and technology audit	3,220	6,100	3,220	6,100
And after crediting: -				
Foreign exchange gains	1,063,925	1,027,600	1,063,925	1,027,600
Dividend income	395,392	354,511	575,212	582,919
Gain on disposal of property and equipment	2,334	3,588	2,334	3,588

36. STAFF COSTS

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
Salaries and wages	1,752,197	1,880,190	1,742,229	1,680,298
Contributions to pension scheme	96,490	98,743	96,357	89,294
Other staff costs	213,691	241,604	213,691	217,829
	2,062,378	**2,220,537**	**2,052,277**	**1,987,421**

37. DIVIDEND

	GROUP AND BANK	
	2024 KShs. '000	2023 KShs. '000
Interim dividend declared and paid	671,588	1,017,357
Proposed final dividend (2023 paid)	1,469,515	1,097,149
Dividend per share:		
Interim dividend per ordinary share	101	153
Proposed final dividend per ordinary share	221	165

Dividend per share is calculated based on the amount of the dividend and on the number of shares in issue at the reporting date.

38. CASH FLOWS FROM OPERATING ACTIVITIES

GROUP

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2024 KShs. '000	2023 KShs. '000
Profit before tax		4,629,728	4,696,234
Adjustments for:			
Gain on disposal of property and equipment	35	(2,334)	(3,588)
Dividends income		(395,392)	(354,511)
Interest income	28	(1,659,267)	(1,085,799)
Fair value loss on fair value through profit or loss	10(b)	(21,417)	17,562
Allowances for impairment of financial instruments	33	242,146	522,697
Amortisation of leasehold land	15	14,493	14,459
Depreciation of property and equipment	16(a)	202,947	204,439
Depreciation of right-of-use assets	17	108,147	103,724
Amortisation of intangible assets	18	159,630	129,956
Interest on lease liabilities	22	16,720	16,834
Increase in reinsurance contract assets	12	(340,109)	(71,823)
Increase in insurance contract liabilities	12	207,989	185,119
Operating cash flows before changes in:		3,163,281	4,375,303
Movement in restricted cash and balances with Central Bank of Kenya		(365,133)	(487,735)
Increase in treasury bills and term notes maturing after 91 days		(4,293,249)	(1,058,765)
Decrease/(increase) in loans and advances		304,059	(14,827,057)
Decrease/(increase) in other assets		425,156	(715,464)
Increase in deposits from customers		16,112,127	19,942,657
(Decrease)/increase in other liabilities		(340,109)	298,122
Cash generated from operating activities		**15,006,132**	**7,527,061**

BANK

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2024 KShs. '000	2023 KShs. '000
Profit before tax		4,375,935	4,343,231
Adjustments for:			
Gain on disposal of property and equipment		(2,334)	(3,588)
Dividend income		(575,212)	(582,919)
Interest income	28	(1,610,596)	(1,054,895)
Allowances for impairment of loans and advances	33	242,146	522,697
Amortisation of leasehold land	15	13,226	13,192
Depreciation of property and equipment	16(b)	188,649	191,841
Depreciation of right of use assets	17	108,147	103,724
Amortisation of intangible assets	18	147,653	120,296
Interest on lease liabilities	22	16,720	16,834
Operating cash flows before changes in:		2,904,334	3,670,413
Movement in restricted cash and balances with Central Bank of Kenya		(365,133)	(487,735)
Increase in treasury bills and term notes maturing after 91 days		(4,865,041)	(1,059,375)
Decrease/(increase) in loans and advances		304,036	(14,831,869)
Decrease/(increase) in other assets		617,335	(663,478)
Increase in deposits from customers		16,223,849	19,971,691
(Decrease)/increase in other liabilities		(186,230)	222,086
Cash generated from operating activities		**14,633,150**	**6,821,733**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

39. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
Cash in hand (note 5)	711,011	555,426	708,442	553,441
Balances with Central Bank of Kenya-unrestricted (note 5)	2,574,676	2,308,085	2,574,676	2,308,085
Placements and balances with other banks (note 6)	27,595,935	22,541,288	27,507,231	22,526,914
Due to banks and financial institutions (note 19)	-	(8,185)	-	(8,185)
	30,881,622	**25,396,614**	**30,790,349**	**25,380,255**

40. CONTINGENT LIABILITIES

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
Letters of credit	3,419,725	3,307,808	3,419,725	3,307,808
Local guarantees	6,143,354	5,686,618	6,143,354	5,686,618
Bills for collection	3,717,366	4,515,815	3,717,366	4,515,815
Foreign currency bills for collection	108,044	160,189	108,044	160,189
Custodial treasury bonds	3,992,534	3,992,534	3,992,534	3,992,534
Spot sales/purchase	518,814	208,488	518,814	208,488
Swap sales/purchases	12,020,906	13,198,926	12,020,906	13,198,926
Forward contracts	344,765	401,075	344,765	401,075
Non CTS cheques	253	253	253	253
Govt. securities under lien	1,132,034	2,976,784	1,132,034	2,976,784
	31,397,795	**34,448,490**	**31,397,795**	**34,448,490**

The contingent liabilities represent transactions entered into in the normal course of business and are represented by counter indemnities or cash securities from customers for the same amount. Letters of credit, guarantee and acceptance commit the Bank to make payments on behalf of the customers in the event of a specific act, generally relating to the import and export of goods.

The Group is also a defendant in various legal suits. After taking appropriate legal advice, the directors concluded that the outcome of such legal suits are unlikely to result in any significant loss.

41. CAPITAL COMMITMENTS

	2024 KShs. '000	2023 KShs. '000
Capital commitments	**1,105,000**	**440,000**

Capital commitments relate to expected capital expenditure to be incurred in leasehold improvements, furniture and fittings and other assets.

42. RELATED PARTY TRANSACTIONS

The Bank enters into transactions with its Subsidiaries namely Tausi Assurance Company Limited, Prime Bancassurance Intermediary Limited and Prime Limited. It also has transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

	2024 KShs. '000	2023 KShs. '000
a) Due from:		
Loans and advances to employees	509,642	546,342
Loans and advances to directors and their associates	4,617,019	4,756,595
	5,126,661	**5,302,937**
Movement in allowances for expected credit loss:		
At 1 January	42,526	142,678
Allowance for expected credit loss during the year	(2,941)	(100,152)
At 31 December	**39,585**	**42,526**

The loans to related parties are given in the ordinary course of business. The average term of the loans to related parties is 3 years. The loans are secured by titles to property and directors' guarantees.

	2024 KShs. '000	2023 KShs. '000
b) Due to:		
Tausi Assurance Company Limited	520,629	407,040
Prime Bank Bancassurance Intermediary Limited	12,098	13,965
Prime Limited	5,000	5,000
Deposits from employees	1,223,434	1,185,745
Deposits from directors and their associates	1,785,780	1,543,979
	3,546,941	**3,155,729**
c) Key management personnel compensation		
Salaries	1,024,776	848,570
Post-employment benefits	26,249	25,262
	1,051,025	**873,832**

d) Directors' emoluments

	GROUP		BANK	
	2024 KShs. '000	2023 KShs. '000	2024 KShs. '000	2023 KShs. '000
As management	75,405	89,056	75,405	85,096
As executives	48,610	45,410	48,610	41,629
	124,015	**134,466**	**124,015**	**126,725**

42. RELATED PARTY TRANSACTIONS (Continued)

e) Transactions with related parties

Included in interest income is KShs. 745,274,879 (2023: KShs. 598,361,928) being interest on loans and advances to related parties.

Included in interest expense is KShs.158,278,392 (2023: KShs. 42,224,495) being interest on deposits from related parties.

43. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows the assets and liabilities analyzed according to when they are expected to be recovered or settled.

As at 31 December 2024

GROUP	Within 12 months KShs. '000	After 12 months KShs. '000	Total KShs. '000
ASSETS			
Cash and balances with the Central Bank of Kenya	3,285,687	4,034,549	7,320,236
Placements and balances with other banks	27,543,705	52,230	27,595,935
Treasury bills and term notes	5,807,119	101,140	5,908,259
Investment securities measured at amortised cost	7,371,945	39,811,240	47,183,185
Investment in bonds-fair value through other comprehensive income	3,959,246	24,080,928	28,040,174
Investment in ordinary shares fair value through other comprehensive income	-	12,378,223	12,378,223
Investment in ordinary shares fair value through profit and loss	-	81,513	81,513
Loans and advances to customers	22,253,340	33,220,018	55,473,358
Reinsurance contract assets	629,440	-	629,440
Other assets	1,687,829	-	1,687,829
Intangible assets	-	1,043,651	1,043,651
Tax recoverable	114,618	-	114,618
Leasehold land	-	784,141	784,141
Property and equipment	-	1,881,963	1,881,963
Right -of -use	-	251,352	251,352
Deferred tax	-	1,396,305	1,396,305
TOTAL ASSETS	**72,652,929**	**119,117,253**	**191,770,182**
LIABILITIES			
Balances due to banks and financial institutions			
Deposits from customers	143,019,760	221,737	143,241,497
Insurance contract liabilities	1,368,185	-	1,368,185
Other liabilities	1,238,197	-	1,238,197
Lease liability	18,846	255,771	274,617
Deferred tax liability	-	80,495	80,495
TOTAL LIABILITIES	**145,644,988**	**558,003**	**146,202,991**
NET ASSETS	**(72,992,059)**	**118,559,250**	**45,567,191**

43. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

As at 31 December 2023

GROUP	Within 12 months KShs. '000	After 12 months KShs. '000	Total KShs. '000
ASSETS			
Cash and balances with the Central Bank of Kenya	2,863,511	3,669,416	6,532,927
Placements and balances with other banks	22,489,058	52,230	22,541,288
Treasury bills and term notes	4,086,700	101,140	4,187,840
Investment securities measured at amortized cost	7,227,558	34,345,880	41,573,438
Investment in bonds-fair value through other comprehensive income	1,906,750	19,400,016	21,306,766
Investment in ordinary shares fair value through other comprehensive income	-	9,002,556	9,002,556
Investment in ordinary shares fair value through profit and loss	-	66,133	66,133
Loans and advances to customers	27,244,399	28,533,018	55,777,417
Reinsurance contract assets	289,331		289,331
Other assets	887,119	908,028	1,795,147
Intangible assets	1,026,952	-	1,026,952
Tax recoverable	9,058	-	9,058
Right- of use - leasehold land	-	797,006	797,006
Property and equipment	-	1,927,656	1,927,656
Right -of -use	-	260,557	260,557
Deferred tax	-	1,601,418	1,601,418
TOTAL ASSETS	**68,030,436**	**100,665,054**	**168,695,490**
LIABILITIES			
Balances due to banks and financial institutions	8,185	-	8,185
Deposits from customers	126,662,019	467,351	127,129,370
Insurance Contract liabilities	1,160,196	-	1,160,196
Other liabilities	1,432,378	-	1,432,378
Lease liability	46,771	240,573	287,344
Deferred tax liability	-	69,156	69,156
TOTAL LIABILITIES	**129,309,549**	**777,080**	**130,086,629**
NET ASSETS	**(61,279,113)**	**99,887,974**	**38,608,861**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

43. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

As at 31 December 2024

BANK	Within 12 months KShs. '000	After 12 months KShs. '000	Total KShs. '000
ASSETS			
Cash and balances with the Central Bank of Kenya	3,283,118	4,034,549	7,317,667
Placements and balances with other banks	27,455,001	52,230	27,507,231
Treasury bills and term notes	5,807,119	101,140	5,908,259
Investment securities measured at amortised cost	7,352,237	38,098,673	45,450,910
Investment in bonds-fair value through other comprehensive income	3,959,246	23,562,481	27,521,727
Investment in ordinary shares fair value through other comprehensive income	-	12,268,610	12,268,610
Loans and advances to customers	22,253,340	33,198,136	55,451,476
Other assets	1,633,001	-	1,633,001
Investment in subsidiary	-	1,405,692	1,405,692
Intangible assets	-	374,511	374,511
Leasehold land	-	695,442	695,442
Property and equipment	-	1,625,504	1,625,504
Right -of--use	-	251,352	251,352
Deferred tax	-	1,396,025	1,396,025
TOTAL ASSETS	**71,743,062**	**117,064,345**	**188,807,407**
LIABILITIES			
Deposits from customers	143,557,487	221,737	143,779,224
Lease liabilities	18,846	255,771	274,617
Other liabilities	1,139,188	-	1,139,188
Tax payable	19,586	-	19,586
TOTAL LIABILITIES	**144,735,107**	**477,508**	**145,212,615**
NET ASSETS	**(72,992,045)**	**116,586,837**	**43,594,792**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

43. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

As at 31 December 2023

BANK	Within 12 months KShs. '000	After 12 months KShs. '000	Total KShs. '000
ASSETS			
Cash and balances with the Central Bank of Kenya	2,861,526	3,669,416	6,530,942
Placements and balances with other banks	22,474,684	52,230	22,526,914
Treasury bills and term notes	4,086,700	101,140	4,187,840
Investment in securities measured at amortized cost	7,207,850	32,599,082	39,806,932
Investment in securities measured at FVTOCI	1,906,750	18,697,888	20,604,638
Investment in ordinary shares measured at FVTOCI	-	8,931,113	8,931,113
Loans and advances to customers	27,222,494	28,533,018	55,755,512
Other assets	887,119	830,743	1,717,862
Investment in subsidiary	-	1,405,692	1,405,692
Intangible assets	-	362,190	362,190
Right- of -use - leasehold land	-	707,040	707,040
Property and equipment	-	1,666,406	1,666,406
Right- of- use assets	-	260,557	260,557
Tax receivable	-	1,601,128	1,601,128
TOTAL ASSETS	**68,052,815**	**98,011,951**	**166,064,766**
LIABILITIES			
Balances due to banks and financial institutions	8,185	-	8,185
Deposits from customers	127,088,024	467,351	127,555,375
Lease liabilities	46,771	240,573	287,344
Other liabilities	1,325,418	-	1,325,418
Tax payable	31,082	-	31,082
TOTAL LIABILITIES	**128,499,480**	**707,924**	**129,207,404**
NET ASSETS	**(60,446,665)**	**97,304,027**	**36,857,362**

Notes to the Consolidated Financial Statements (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

44. FAIR VALUE MEASUREMENT
a) Comparison of the carrying amounts and fair values of the financial instruments

	GROUP				BANK			
	2024		2023		2024		2023	
	Carrying amount KShs. '000	Fair value KShs. '000	Carrying amount KShs. '000	Fair value KShs. '000	Carrying amount KShs. '000	Fair value KShs. '000	Carrying amount KShs. '000	Fair value KShs. '000
Investment in security measured at amortised cost	47,183,185	52,832,833	41,573,438	35,157,808	45,450,910	51,103,492	39,806,932	37,733,777
Investment in security at FVTOCI	28,040,174	28,040,174	21,306,766	21,306,766	27,521,727	27,521,727	20,604,638	20,604,638
Ordinary shares- at FVTOCI	12,378,223	12,378,223	9,002,556	9,002,556	12,268,610	12,268,610	8,931,113	8,931,113
Investment in ordinary shares-at fair value through profit or loss	81,513	81,513	66,133	66,133	-	-	-	-
	93,591,354	**99,352,375**	**75,608,854**	**76,541,351**	**91,149,506**	**96,913,461**	**73,530,542**	**71,491,274**

This table excludes financial assets and financial liabilities for which fair value approximates carrying amount.

The Bank has determined that for other financial assets and financial liabilities, their carrying amounts are a reasonable approximation of their fair value. Such instruments include Loans and Advances, Cash and Placements with other Banks and Customer deposits.

44. FAIR VALUE MEASUREMENT (Continued)

b) Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1:
Included in level 1 category are financial assets that are measured in whole or in part by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The assets are traded in an active market and quoted prices are available.

Level 2:
Included in level 2 category are financial assets measured using inputs other than quoted prices included within level 1 that are observable for the asset, either directly (i.e., as prices) or indirectly (i.e., derived from prices). For example, instruments measured using a valuation technique such as discounted cash flows, based on assumptions that are supported by prices from observable current market transactions are categorized as level 2.

Level 3:
Financial assets measured using inputs that are not based on observable market data are categorised as level 3. Nonmarket observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations for which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Bank. Therefore, unobservable inputs reflect the Bank's own assumptions about the assumptions that market participants would use in pricing the asset (including assumptions about risk). These inputs are developed based on the best information available, which might include the Bank's own data. However, significant portion of the unquoted shares have been valued at cost and variation in inputs would not have significant fair value change.

GROUP 2024	Note	Level 1 KShs. '000	Level 2 KShs. '000	Level 3 KShs. '000	Total KShs. '000
Financial investments at FVTOCI:					
Investment in bonds at FVTOCI	9	28,040,174	-	-	28,040,174
Investments in ordinary shares at FVTOCI	10(b)	11,125,403	-	1,252,820	12,378,223
Investments in ordinary shares at fair value through profit or loss	10(a)	81,513	-	-	81,513
Investment in security measured at amortised cost		52,832,833	-	-	52,832,833
Property and equipment (Freehold land and buildings)	15	-	-	1,483,396	1,483,396
Right -of- use - leasehold land	14	-	-	784,141	784,141
		92,079,923	**-**	**3,520,357**	**95,600,280**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

44. FAIR VALUE MEASUREMENT (Continued)

b) Determination of fair value and fair value hierarchy (Continued)

GROUP 2023	Note	Level 1 KShs. '000	Level 2 KShs. '000	Level 3 KShs. '000	Total KShs. '000
Financial investments at FVTOCI:					
Investment in bonds at FVTOCI	9	21,306,766	-	-	21,306,766
Investments in ordinary shares at FVTOCI	10(a)	7,753,365	-	1,249,191	9,002,556
Investments in ordinary shares at fair value through profit or loss	10(b)	66,133	-	-	66,133
Investment in securities measured at amortised cost	8	35,157,808	-	-	35,157,808
Property and equipment (Freehold land and buildings)	15	-	-	1,527,390	1,527,390
Right-of-use - leasehold land	14	-	-	797,006	797,006
		64,284,072	**-**	**3,573,587**	**67,857,659**

BANK 2024	Note	Level 1 KShs. '000	Level 2 KShs. '000	Level 3 KShs. '000	Total KShs. '000
Financial investments at FVTOCI:					
Investment in bonds at FVTOCI	9	27,521,727	-	-	27,521,727
Investments in ordinary shares at FVTOCI	10(a)	11,015,790	-	1,252,820	12,268,610
Investments at amortised cost		51,103,492	-	-	51,103,492
Property and equipment (Freehold land and buildings)	15	-	-	1,264,878	1,264,878
Right-of-use - leasehold land	14	-	-	695,442	695,442
		89,641,009	**-**	**3,213,140**	**92,854,149**

BANK 2023	Note	Level 1 KShs. '000	Level 2 KShs. '000	Level 3 KShs. '000	Total KShs. '000
Financial investments at FVTOCI:					
Investment in bonds at FVTOCI	9	20,604,638	-	-	20,604,638
Investments in ordinary shares at FVTOCI	10(a)	7,681,922	-	1,249,191	8,931,113
Investments at amortised cost		37,733,777	-	-	37,733,777
Property and equipment (Freehold land and buildings)	15	-	-	1,295,214	1,295,214
Right-of-use - leasehold land	14	-	-	707,040	707,040
		66,020,337	-	3,251,445	69,271,782

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

44. FAIR VALUE MEASUREMENT (Continued)

b) Determination of fair value and fair value hierarchy (Continued)

Description of valuation techniques used and key inputs to valuation on land and buildings:

	Valuation technique	Significant unobservable inputs	Range (Weighted Average)
Free hold land, leasehold land, and buildings	Open market valuation	Estimated rental value per s.q.m. per month	KShs. 180 –ground floor space KShs. 120 –upper floor space
		Rent growth p.a.	8%

Government debt securities

These instruments are generally highly liquid and traded in active markets resulting in a Level 1 classification.

Equity instruments

The fair value of the privately held shares are measured using a combination of market approach (using market multiples) and net assets value approach. The significant observable inputs include marketability discount of 16.8% - 18.1% and foreign exchange rates between Kenyan shillings (KES), Botswana Pula (BWP), Mozambique Meticais (MZN) and USD.

There were no transfers between levels 1, 2 and 3 in the year.

Land and buildings

Refer to note 15 and 16 for reconciliation of the fair value measurement of land and buildings.

Significant increases/ (decreases) in estimated rental value per square metre in isolation would result in a significantly higher/ (lower) fair value on a linear basis.

45. CAPITAL MANAGEMENT

Regulatory capital

The Central Bank of Kenya sets and monitors capital requirements for the Banking industry as a whole. It has set among other measures, the rules and ratios to monitor adequacy of a bank's capital.

In implementing current capital requirements, the Central Bank of Kenya requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed in two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of fair value reserve relating to unrealised gains on equity instruments classified as fair value through other comprehensive income.

Various limits are applied to elements of the capital base; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital.

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

The Bank has complied with capital requirements.

The Bank's regulatory capital position at 31 December was as follows:-

	2024		2023	
	Actual KShs. '000	Required KShs. '000	Actual KShs. '000	Required KShs. '000
Tier 1 Capital	30,087,956	1,000,000	27,441,367	1,000,000
Tier 2 Capital	-	-	-	-
Term subordinated debt	-	-	-	-
Statutory loan loss reserve	1,270,923	-	1,069,380	-
Total regulatory capital	**31,358,879**	**1,000,000**	**28,510,747**	**1,000,000**
Risk weighted assets	**94,676,241**	**-**	**90,243,326**	**-**
Capital ratios				
Total regulatory capital expressed as a percentage of total risk-weighted assets	**33%**	**14.5%**	**30%**	**14.50%**
Total tier 1 capital expressed as a percentage of risk weighted assets	**32%**	**10.50%**	**32%**	**10.50%**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

46. FINANCIAL RISK MANAGEMENT

Risk management framework

The Bank's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risks. The Bank's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Bank's financial performance.

The Board of Directors (the Board) has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established various committees, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All committees report regularly to the Board on their activities.

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

46.1 Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Management of credit risk

The Board has delegated the responsibility for the management of credit risk to the Credit Committee chaired by a Non-Executive Director. The Credit Department, headed by the Deputy General Manager, oversees the operation under the guidance of Executive Director and Chief Executive Officer responsible for overseeing of the Bank's credit risk including and not limited to:

1. Formulating credit policies, covering collateral requirements, credit assessment, risk grading, documentary and legal procedures, and compliance with regulatory and statutory requirements.
2. Reviewing and assessing credit risk.
3. Limiting concentrations of exposure. The Board approved delegated authority restricts exposure for any sector.
4. Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Credit Committee/Board in respect of large borrowers.
5. Providing advice, guidance and specialist skills to business units to promote best practice in the management of credit risk.
6. Developing and maintaining the Group's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
7. Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.
8. Ensuring that the Bank has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

46. FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Regular audits of Credit Department processes are undertaken by Internal Audit Department. Climate risk considerations, the effect of climate risk on credit risk was assessed, and the impact in the current year was determined to not be material at 31 December 2024. Refer to Note 8.3.1 for further details on the judgements made as part of this assessment

The table below summarises the maximum exposure to credit risk without taking into consideration collateral or other credit enhancement.

	Group		Bank	
Items recognised in the statement of financial position.	2024 KShs.'000	2023 KShs.'000	2024 KShs.'000	2023 KShs.'000
Balances with Central Bank of Kenya	6,609,225	5,977,501	6,609,225	5,977,501
Placements and balances with other banks	27,595,935	22,541,288	27,507,231	22,526,914
Treasury bills and term notes	5,908,259	4,187,840	5,908,259	4,187,840
Investment securities measured at amortised cost	47,183,185	41,573,438	45,450,910	39,806,932
Investment in securities at fair value through other comprehensive income	28,040,174	21,306,766	27,521,727	20,604,638
Other assets	354,645	226,406	376,208	231,876
Loans and advances to customers	55,473,358	55,777,417	55,451,476	55,755,512
	171,164,781	**151,590,656**	**168,825,036**	**149,091,213**
Items not recognised in the statement of financial position.				
Letter of credits	10,140,684	12,126,835	10,140,684	12,126,835
Guarantees	12,758,690	12,392,358	12,758,690	12,392,358
	194,064,155	**176,109,849**	**191,724,410**	**173,610,406**

46.1.1 Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the statement of financial position. In the case of credit derivatives where applicable, the Bank is also exposed to, or protected from, the risk of default of the underlying entity referenced by the derivative. However, to reflect potential losses, the Bank applies portfolio-based debit and credit value adjustments, the Bank is also exposed to a settlement risk, being the risk that the Bank honours its obligation, but the counterparty fails to deliver the counter value.

46. FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

46.1.2 Credit–related commitments risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

46.1.3 Impairment assessment

The references below show where the Bank's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the summary of accounting policies.

- The Bank's definition and assessment of default and cure (Note 46.1.3.1)
- An explanation of the Bank's internal grading system (Note 46.1.3.2)
- How the Bank defines, calculates and monitors the probability of default, exposure at default and loss given default) (Notes 46.1.3.2, 46.1.3.3 and 46.1.3.4, respectively)
- When the Bank considers there has been a significant increase in credit risk of an exposure (Note 46.1.3.5)
- The Bank's policy of segmenting financial assets where ECL is assessed on a collective basis (Note 46.1.3.6)

The Bank recognises loss allowances for ECLs on the following that are not measured at FVTPL:

- Loans and advances to customers.
- Loan commitments issued; and
- Financial guarantee contracts issued.

With the exception of Purchased or Originated credit impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

12-month ECL, i.e., lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or full lifetime ECL, i.e., lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided below.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down; and

For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor, or any other party. The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

46. FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

46.1.3 Impairment assessment (Continued)

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or Fair Value through Other Comprehensive Income are credit-impaired at each reporting date. A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a back-stop if amounts are overdue for 90 days or more.

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change for such assets creates an impairment gain.

46.1.3.1 Definition of default, impaired and cure

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank has aligned the definition of default for accounting purposes, to the Central Bank of Kenya (CBK) definition (PG 3.3.C). The Bank has aligned its definition of credit impaired assets under IFRS 9 to the CBK definition of nonperforming loans (NPLs).

As a part of a qualitative assessment of whether an exposure is credit-impaired, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank 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.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least 12 consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

46.1.3.2 The Bank's internal rating and PD estimation process

The Bank's Credit Department operates its internal rating models. The Bank runs separate models for its key portfolios in which its customers are rated from AAA to D using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from External Rating Agencies. The internal credit grades are assigned based on these grades.

46. FINANCIAL RISK MANAGEMENT (Continued)
46.1 Credit risk (Continued)
46.1.3 Impairment assessment (Continued)
46.1.3.2 The Bank's internal rating and PD estimation process (Continued)

Credit Rating	Risk Rationale
AAA	Minimal credit Risk
AA	Very low credit risk
A	Low Credit Risk
BBB	Moderate credit risk
BB	Substantial credit risk

Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

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

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

The Bank uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a mapping of the Group's internal credit risk grades to external ratings.

Group Rating	Description
1	Low to fair risk/Normal
2	Watch list
3	Substandard
4	Doubtful
5	Impaired/Loss

46.1.3.3 Exposure at default
The exposure at default (EAD) represents the estimate of the exposure at a future default date, taking into account 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. The EAD of a financial asset represents its gross carrying amount at the time of default subject to the impairment calculation, addressing both the counterparty's ability to increase its exposure while approaching default and potential early repayments too The Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage

46. FINANCIAL RISK MANAGEMENT (Continued)
46.1. Credit risk (Continued)
46.1.3 Impairment assessment (Continued)
46.1.3.3 Exposure at default (Continued)

3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments. The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of the Bank's models

46.1.3.4 Loss given default

Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

46.1.3.5 Significant increase in credit risk

The Bank continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure.

Forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. Also, additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour.

46.1.3.6 Grouping financial assets measured on a collective basis

The Bank calculates the allowance for ECL either on a collective or an individual basis. Asset classes where the Bank calculates ECL on an individual basis include:

1. All Stage 3 assets, regardless of the class of financial assets
2. The Corporate lending portfolio
3. The large and unique exposures of the Small business lending portfolio
4. Unsecured facilities
5. Large exposures that have been classified as POCI when the original loan was derecognised and a new loan was recognised as a result of a credit driven debt restructuring Asset classes where the Bank calculates ECL on a collective basis
6. Purchased POCI exposures managed on a collective basis

46. FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

46.1.4 Analysis of inputs to the ECL model under multiple economic scenarios

To ensure completeness and accuracy, the Bank obtains the data used from third party sources and the internal audit team verifies the accuracy of inputs to the Bank's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, allowance for ECL based on the base case, plus the effect of the use of multiple economic scenarios as at 31 December 2024 and 2023. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations.

Macro-Economic Variable	2024 Base Weighting 40%	Upside 20%	Adverse 40%
Nominal GDP per capita, USD	4.33%	4.26%	4.40%
Exports of goods and services, % of GDP	11.91%	12.23%	11.60%
Long-term external debt stock, % of exports of G&S	5.05%	4.98%	5.11%
Consumer price index inflation, 2010=100, ave	4.84%	4.77%	4.92%
Lending rate, %, ave	12.14%	11.94%	12.34%

Macro-Economic Variable	2023 Base Weighting 40%	Upside 20%	Adverse 40%
Nominal GDP per capital, USD	4.36%	4.29%	4.43%
Exports of goods and services, % of GDP	11.91%	12.23%	11.60%
Long-term external debt stock, % of exports of G&S	5.12%	5.01%	5.23%
Consumer price index inflation, 2010=100, ave	4.83%	4.75%	4.91%
Lending rate, %, ave	12.14%	11.94%	12.34%

46. FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

46.1.5 Measurement of ECL

The key inputs used for measuring ECL are:
1. Probability of default (PD);
2. Loss given default (LGD); and
3. Exposure at default (EAD).

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data, as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross- collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Bank's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Bank uses EAD models that reflect the characteristics of the portfolios.

46.1.6 Expected credit losses

The Bank measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contact extension or renewal is common business practice.
The ECL calculation for accounting purposes is different to the ECL calculation for regulatory purposes, although many inputs used are similar. The Bank has ensured that the appropriate methodology is used when calculating ECL for both accounting and regulatory purposes.

The measurement of ECL is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis.

46. FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

46.1.6 Expected credit losses (Continued)

46.1.6.1 Summary of credit risk

Internal grading system

31 December 2024	Stage 1 12-month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	POCI KShs '000	TOTAL KShs '000
Loans and advances to customers at amortized cost					
Grades 1: Low to fair risk	46,496,374	-	-	-	46,496,374
Grades 2: Watch	-	6,299,469	-	-	6,299,469
Grades 3: Substandard	-	-	420,399	-	420,399
Grade 4: Doubtful	-	-	3,530,857	-	3,530,857
Grade 5: Impaired	-	-	942,336	-	942,336
Total gross carrying amount	46,496,374	6,299,469	4,893,592	-	57,689,435
Loss allowance	184,566	187,914	1,865,479	-	2,237,959
Carrying amount	**46,311,808**	**6,111,555**	**3,028,113**	**-**	**55,451,476**

Internal grading system

31 December 2023	Stage 1 12-month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	POCI KShs '000	TOTAL KShs '000
Loans and advances to customers at amortized cost					
Grades 1: Low to fair risk	49,785,660	-	-	-	49,785,660
Grades 2: Watch	-	3,729,635	-	-	3,729,635
Grades 3: Substandard	-	-	682,807	-	682,807
Grade 4: Doubtful	-	-	3,334,264	-	3,334,264
Grade 5: Impaired	-	-	1,146,782	-	1,146,782
Total gross carrying amount	49,785,660	3,729,635	5,163,853	-	58,679,148
Loss allowance	274,397	171,950	2,477,289	-	2,923,636
Carrying amount	**49,511,263**	**3,557,685**	**2,686,564**	**-**	**55,755,512**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

46. FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

46.1.6 Expected credit losses (Continued)

46.1.6.1 Summary of credit risk (Continued)

Loan commitments

31 December 2024	Stage 1 12-month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	POCI KShs '000	TOTAL KShs '000
Grades 1: Low to fair risk	10,183,862	-	-	-	10,183,862
Grades 2: Watch	-	-	-	-	-
Grades 3: Substandard	-	-	-	-	-
Grade 4: Doubtful	-	-	-	-	-
Grade 5: Impaired	-	-	-	-	-
Total gross carrying amount	10,183,862	-	-		10,183,862
Loss allowance	43,178	-	-	-	43,178
Carrying amount	**10,140,684**	**-**	**-**	**-**	**10,140,684**

Loan commitments

31 December 2023	Stage 1 12-month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	POCI KShs '000	TOTAL KShs '000
Grades 1: Low to fair risk	12,200,056	-	-	-	12,200,056
Grades 2: Watch	-	-	-	-	-
Grades 3: Substandard	-	-	-	-	-
Grade 4: Doubtful	-	-	-	-	-
Grade 5: Impaired	-	-	-	-	-
Total gross carrying amount	12,200,056	-	-	-	12,200,056
Loss allowance	(73,221)	-	-	-	(73,221)
Carrying amount	**12,126,835**	**-**	**-**	**-**	**12,126,835**

Financial guarantee contracts

31 December 2024	Stage 1 12-month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	POCI KShs '000	TOTAL KShs '000
Grades 1: Low to fair risk	12,900,267	-	-	-	12,900,267
Grades 2: Watch	-	-	-	-	-
Grades 3: Substandard	-	-	-	-	-
Grade 4: Doubtful	-	-	-	-	-
Grade 5: Impaired	-	-	-	-	-
Total gross carrying amount	12,900,267	-	-	-	12,900,267
Loss allowance	141,577	-	-	-	141,577
Carrying amount	**12,758,690**	**-**	**-**	**-**	**12,758,690**

46. FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

46.1.6 Expected credit losses (Continued)

46.1.6.1 Summary of credit risk (Continued)

Financial guarantee contracts

31 December 2023	Stage 1 12-month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	POCI KShs '000	TOTAL KShs '000
Grades 1: Low to fair risk	12,512,914	-	-	-	12,512,914
Grades 2: Watch	-	-	-	-	-
Grades 3: Substandard	-	-	-	-	-
Grade 4: Doubtful	-	-	-	-	-
Grade 5: Impaired	-	-	-	-	-
Total gross carrying amount	12,512,914	-	-	-	12,512,914
Loss allowance	120,556	-	-	-	120,556
Carrying amount	**12,392,358**	**-**	**-**	**-**	**12,392,358**

This table summarizes the loss allowance as of the year-end by class of exposure/asset.

Loss allowance by classes	31-Dec-24	31-Dec-23
Loans and advances to customers at amortized cost	2,237,959	2,923,636
Loan commitments	43,178	73,221
Financial guarantee contracts	141,577	120,556
Total	**2,422,714**	**3,117,413**

The tables below analyses the movement of the gross carrying amount during the year per class of assets.

Gross Carrying Amount – Loans and advances to customers at amortized cost

31 December 2024	Stage 1 12-month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	TOTAL KShs '000
Gross carrying amount as at 1 January 2024	49,785,660	3,729,635	5,163,853	58,679,148
Changes in the loss allowance				
– Transfer to stage 1	1,348,303	(1,341,953)	(6,351)	-
– Transfer to stage 2	(4,351,020)	4,351,020	-	-
– Transfer to stage 3	(302,299)	(586,752)	889,052	-
– Increases due to change in credit risk	3,926,305	1,927,738	158,324	6,012,366
– Decreases due to change in credit risk	(10,106,541)	(1,067,883)	(597,974)	(11,772,398)
– Write-offs	(463)	(4)	(705,046)	(705,513)
– Changes due to modifications that did not result derecognition				
New financial assets originated or purchased	16,280,407	158,386	52,758	16,491,551
Financial assets that have been Settled	(9,871,544)	(870,716)	(273,460)	(11,015,720)
Gross carrying amount as at 31 December 2024	**46,708,808**	**6,299,471**	**4,681,156**	**57,689,435**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

46. FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

46.1.6 Expected credit losses (Continued)

46.1.6.1 Summary of credit risk (Continued)

Gross carrying amount – Loans and advances to customers at amortized cost

31 December 2023	Stage 1 12-month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	TOTAL KShs '000
Gross carrying amount as at 1 January 2023	36,320,852	2,039,203	4,985,090	43,345,145
Changes in the loss allowance				
– Transfer to stage 1	1,355,380	(1,219,533)	(135,847)	-
– Transfer to stage 2	(2,419,327)	2,419,327	-	-
– Transfer to stage 3	(455,759)	(204,216)	659,975	-
– Increases due to change in credit risk	7,165,512	683,876	682,596	8,531,984
– Decreases due to change in credit risk	(5,010,196)	(309,334)	(507,564)	(5,827,094)
– Write-offs	-	(172)	(95,503)	(93,675)
– Changes due to modifications that did not result derecognition				
New financial assets originated or purchased	18,552,568	545,604	22,066	19,120,238
Financial assets that have been settled	(5,731,795)	(225,120)	(440,535)	(6,397,450)
Gross carrying amount as at 31 December 2023	**49,777,235**	**3,729,635**	**5,172,278**	**58,679,148**

Gross carrying amount – Loan commitments

31 December 2024	Stage 1 12-month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	TOTAL KShs '000
Gross carrying amount as at 1 January 2024	12,200,056	-	-	12,200,056
Changes in the loss allowance		-	-	
– Transfer to stage 1	-	-	-	-
– Transfer to stage 2	-	-	-	-
– Transfer to stage 3	-	-	-	-
– Increases due to change in credit risk	2,359,291	-	-	2,359,291
– Decreases due to change in credit risk	(2,462,761)	-	-	(2,462,761)
– Write-offs	-	-	-	-
New financial assets originated or purchased	2,507,245	-	-	2,507,245
Financial assets that have been settled derecognised	(4,419,969)	-	-	(4,419,969)
Gross carrying amount as at 31 December 2024	**10,183,862**	**-**	**-**	**10,183,862**

46. FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

46.1.6 Expected credit losses (Continued)

46.1.6.1 Summary of credit risk (Continued)

Gross carrying amount – Loan commitments

31 December 2023	Stage 1 12-month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	TOTAL KShs '000
Gross carrying amount as at 1 January 2023	8,729,211	879	145,524	8,875,613
Changes in the loss allowance				
– Transfer to stage 1	145,360	-	(145,360)	-
– Transfer to stage 2	-	-	-	-
– Transfer to stage 3	-	-	-	-
– Increases due to change in credit risk	2,122,077	-	-	2,122,077
– Decreases due to change in credit risk	(1,582,240)	-	-	(1,582,240)
– Write-offs	-	-	-	-
New financial assets originated or purchased	5,171,147	-	-	5,171,147
Financial assets that have been settled derecognised	(2,385,500)	(879)	(164)	(2,386,542)
Gross carrying amount as at 31 December 2023	**12,200,056**	**-**	**-**	**12,200,056**

Gross Carrying Amount – Financial Guarantee Contracts

31 December 2024	Stage 1 12-month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	TOTAL KShs '000
Gross carrying amount as at 1 January 2024	12,512,914	-	-	12,512,914
Changes in the loss allowance				
– Transfer to stage 1	-	-	-	-
– Transfer to stage 2	-	-	-	-
– Transfer to stage 3	-	-	-	-
– Increases due to change in credit risk	64,671	-	-	64,671
– Decreases due to change in credit risk	(215,536)	-	-	(215,536)
– Write-offs	-	-	-	-
New financial assets originated or purchased	10,151,006	-	-	10,151,006
Financial assets that have been settled derecognised	(9,612,789)	-	-	(9,612,789)
Gross carrying amount as at 31 December 2024	**12,900,267**	**-**	**-**	**12,900,267**

46. FINANCIAL RISK MANAGEMENT (Continued)
46.1 Credit risk (Continued)
46.1.6 Expected credit losses (Continued)
46.1.6.1 Summary of credit risk (Continued)

Gross Carrying Amount – Financial Guarantee Contracts

31 December 2023	Stage 1 12-month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	TOTAL KShs '000
Gross carrying amount as at 1 January 2023	10,767,026	13,323	-	10,780,349
Changes in the loss allowance				
– Transfer to stage 1	13,323	(13,323)	-	-
– Transfer to stage 2	-	-	-	-
– Transfer to stage 3	-	-	-	-
– Increases due to change in credit risk	379,500	-	-	379,500
– Decreases due to change in credit risk	(86,306)	-	-	(86,306)
– Write-offs	-	-	-	-
New financial assets originated or purchased	9,438,739	-	-	9,438,739
Financial assets that have been settled derecognised	(7,999,367)	-	-	(7,999,367)
Gross carrying amount as at 31 December 2023	**12,512,914**	**-**	**-**	**12,512,914**

The tables below analyses the movement of the loss allowance during the year per class of assets.

Loss allowance – Loans and advances to customers at amortized cost

31 December 2024	Stage 1 12-month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	TOTAL KShs '000
Loss allowance as at 1 January 2024	274,397	171,949	2,477,290	2,923,636
Changes in the loss allowance				
– Transfer to stage 1	61,875	(58,624)	(3,251)	-
– Transfer to stage 2	(15,145)	15,145	-	-
– Transfer to stage 3	(2,211)	(28,781)	30,992	-
– Increases due to change in credit risk	28,135	115,802	353,486	497,423
– Decreases due to change in credit risk	(158,554)	(4,807)	(583,963)	(747,324)
– Write-offs	(5)	(1)	(325,908)	(325,914)
– Changes due to modifications				
that did not result derecognition				
New financial assets originated or purchased	54,441	6,165	24,249	84,855
Financial assets that have been Settled	(58,367)	(28,934)	(107,416)	(194,717)
Loss allowance as at 31 December 2024	**184,566**	**187,914**	**1,865,479**	**2,237,959**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

46. FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

46.1.6 Expected credit losses (Continued)

46.1.6.1 Summary of credit risk (Continued)

Loss allowance – Loans and advances to Customers at amortized cost

31 December 2023	Stage 1 12-month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	TOTAL KShs '000
Loss allowance as at 1 January 2023	525,231	198,483	1,697,788	2,421,502
Changes in the loss allowance				
– Transfer to stage 1	185,650	(119,188)	(66,462)	-
– Transfer to stage 2	(32,838)	32,838	-	-
– Transfer to stage 3	(2,346)	(51,295)	53,641	-
– Increases due to change in credit risk	31,085	103,544	1,090,466	1,225,095
– Decreases due to change in credit risk	(477,114)	(25,281)	(85,522)	(587,917)
– Write-offs		(26)	(81,369)	(81,395)
– Changes due to modifications that did not result derecognition				
New financial assets originated or purchased	112,905	46,563	2,812	162,280
Financial assets that have been Settled	(68,176)	(13,688)	(134,065)	(215,929)
Loss allowance as at 31 December 2023	**274,397**	**171,950**	**2,477,289**	**2,923,636**

Loss allowance – Loan commitments

31 December 2024	Stage 1 12-month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	TOTAL KShs '000
Loss allowance as at 1 January 2024	73,221	-	-	73,221
Changes in the loss allowance				
– Transfer to stage 1	-	-	-	-
– Transfer to stage 2	-	-	-	-
– Transfer to stage 3	-	-	-	-
– Increases due to change in credit risk	9,474	-	-	9,474
– Decreases due to change in credit risk	(22,037)	-	-	(22,037)
– Write-offs		-	-	-
New financial assets originated or purchased	10,372	-	-	10,372
Financial assets that have been settled derecognised	(27,852)	-		(27,852)
Loss allowance as at 31 December 2024	**43,178**	**-**	**-**	**43,178**

46. FINANCIAL RISK MANAGEMENT (Continued)
46.1 Credit risk (Continued)
46.1.6 Expected credit losses (Continued)
46.1.6.1 Summary of credit risk (Continued)

Loss allowance – Loan commitments

31 December 2023	Stage 1 12-month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	TOTAL KShs '000
Loss allowance as at 1 January 2023	169,469	-	-	169,469
Changes in the loss allowance				
– Transfer to stage 1	-	-	-	-
– Transfer to stage 2	-	-	-	-
– Transfer to stage 3	-	-	-	-
– Increases due to change in credit risk	6,201	-	-	6,201
– Decreases due to change in credit risk	(102,348)	-	-	(102,348)
– Write-offs	-	-	-	-
New financial assets originated or purchased	38,430	-	-	38,430
Financial assets that have been Settled derecognised	(38,313)	-	-	(38,531)
Loss allowance as at 31 December 2023	**73,221**	**-**	**-**	**73,221**

Loss allowance – Financial Guarantee Contracts

31 December 2024	Stage 1 12-month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	TOTAL KShs '000
Loss allowance as at 1 January 2024	120,556	-	-	120,556
Changes in the loss allowance				
– Transfer to stage 1	-	-	-	-
– Transfer to stage 2	-	-	-	-
– Transfer to stage 3	-	-	-	-
– Increases due to change in credit risk	8,909	-	-	8,909
– Decreases due to change in credit risk	(13,702)	-	-	(13,702)
– Write-offs	-	-	-	-
New financial assets originated or purchased	101,774	-	-	101,774
Financial assets that have been settled derecognised	(75,960)	-	-	(75,960)
Loss allowance as at 31 December 2024	**141,577**	**-**	**-**	**141,577**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

46. FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

46.1.6 Expected credit losses (Continued)

46.1.6.1 Summary of credit risk (Continued)

Loss allowance – Financial Guarantee Contracts

31 December 2023	Stage 1 12-month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	TOTAL KShs '000
Loss allowance as at 1 January 2023	140,854	-	-	140,854
Changes in the loss allowance				
– Transfer to stage 1	-	-	-	-
– Transfer to stage 2	-	-	-	-
– Transfer to stage 3	-	-	-	-
– Increases due to change in credit risk	10,107	-	-	10,107
– Decreases due to change in credit risk	(18,112)	-	-	(18,112)
– Write-offs	-	-	-	-
New financial assets originated or purchased	78,295	-	-	78,295
Financial assets that have been settled derecognised	(90,588)	-	-	(90,588)
Loss allowance as at 31 December 2023	**120,556**	**-**	**-**	**120,556**

As discussed above in the significant increase in credit risk section, under the Bank's monitoring procedures a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due. This is the case mainly for loans and advances to customers and more specifically for retail lending exposures because for corporate lending and other exposures there is more borrower specific information available which is used to identify significant increase in credit risk. The table below provides an analysis of the gross carrying amount of loans and advances to customers by past due status.

	31-Dec-24 Gross Carrying Amount KShs '000	Loss Allowance KShs '000	31-Dec-23 Gross Carrying Amount KShs '000	Loss Allowance KShs '000
Loans and Advances to Customers				
0-29 days	46,496,375	184,566	49,785,660	274,397
30-59 days	6,299,469	187,914	3,729,635	171,950
60-89 days	420,399	120,499	682,807	128,232
90-180 days	3,530,857	802,436	3,334,264	1,201,107
More than 181 days	942,335	942,544	1,146,782	1,147,950
	57,689,435	**2,237,959**	**58,679,148**	**2,923,636**
Loan Commitments				
0-29 days	10,183,862	66,294	12,200,056	73,221
30-59 days	-	-	-	-
60-89 days	-	-	-	-
90-180days	-	-	-	-
More than 181 days	-	-	-	-
	10,183,862	**43,178**	**12,200,056**	**73,221**

46. FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

46.1.6 Expected credit losses (Continued)

46.1.6.1 Summary of credit risk (Continued)

	31-Dec-24 Gross Carrying Amount KShs '000	Loss Allowance KShs '000	31-Dec-23 Gross Carrying Amount KShs '000	Loss Allowance KShs '000
Financial guarantee contracts				
0-29 days	12,900,267	141,577	12,512,914	120,556
30-59 days	-	-	-	-
60-89 days	-	-	-	-
90-180 days	-	-	-	-
More than 181 days	-	-	-	-
	12,900,267	**141,577**	**12,512,914**	**120,556**

46.1.7 Modification and derecognition of financial assets

A loan modification is a permanent change to one or more of the terms of the loan. Enforcing or adopting terms that were present in the original terms of the facility is not a modification. The treatment of a renegotiation or modification of the contractual cash flows of a financial asset depend on whether the modification is done for commercial reasons or because financial constraints by borrowers.

Contractual modifications on commercial terms are treated as a new transaction resulting in derecognition of the original financial asset and the recognition of a 'new' financial asset. Any difference between the carrying amount of the derecognised asset and the fair value of the new asset is recognised in profit or loss.

When the Group modifies the contractual conditions due to financial difficulties of the borrower, the asset is not derecognised unless the terms of the contract are substantively changed (such as the inclusion of an equity participation or a substantial change in counterparty). If the asset is not substantially modified, then the gross carrying amount of the financial asset is recalculated to be the present value of the modified cash flows discounted at the original EIR and any gain or loss is recognised in profit or loss as part of the total impairment loss.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

46. FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

46.1.7 Modification and derecognition of financial assets (Continued)

On derecognition of a financial asset other than in its entirety (e.g., when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

The table below includes Stage 2 and 3 assets that were modified and, therefore, treated as forborne during the period, with the related modification loss suffered by the Bank.

Bank and Group	31-Dec-24 KShs '000	31-Dec-23 KShs '000
Amortised cost of financial assets modified during the period	5,547,521	4,912,115
Net modification loss	3,623,727	3,236,869

The table below shows the gross carrying amount of previously modified financial assets for which loss allowance has changed to 12mECL measurement during the period:

	Gross carrying amount KShs '000	31-Dec-24 ECL KShs '000
Facilities that have cured since modification and are now measured using 12mECL (Stage 1)	1,348,303	185,650

Bank and Group	Gross carrying amount KShs '000	31-Dec-23 ECL KShs '000
Facilities that have cured since modification and are now measured using 12mECL (Stage 1)	1,355,380	61,875

46.1.8 Write – off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

46. FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

46.1.9 Analysis of risk concentration

The Bank's concentrations of risk are managed by client/counterparty and industry sector. The maximum credit exposure to any client or counterparty as of 31 December 2024 was KShs 4,252 million (2023: KShs 3,413 million) before taking into account collateral or other credit enhancements.

Loans and advances to customers at amortised cost

Concentration by Sector	31-Dec-24 KShs '000 Gross Carrying Amount	Loss Allowance	31-Dec-23 KShs '000 Gross Carrying Amount	Loss Allowance
Agriculture	153,720	1,651	226,957	21
Building and Construction	1,939,646	380,762	1,318,041	315,368
Energy and Water	1,182,801	32,478	616,878	104
Financial Services	865,783	493	606,050	10,039
Manufacturing	15,998,397	188,884	16,950,322	515,411
Mining and Quarrying	91,611	19	51,953	11
Personal/Household	3,791,145	250,213	3,585,490	245,733
Real Estate	8,061,278	140,386	6,513,946	58,308
Tourisim, Restaurant and Hotels	668,606	42,227	1,195,398	141,375
Trade	20,390,648	922,638	25,381,485	1,074,706
Transport & Communication	4,545,799	278,208	2,232,628	562,559
	57,689,435	**2,237,959**	**58,679,148**	**2,923,636**

Loan Commitments

Concentration by Sector	31-Dec-24 KShs '000 Gross Carrying Amount	Loss Allowance	31-Dec-23 KShs '000 Gross Carrying Amount	Loss Allowance
Agriculture	32,504	4	42,917	3
Building and Construction	468,136	4,493	197,744	2,743
Energy and Water	64,497	6	66,012	10
Financial Services	81,290	17	68,372	936
Manufacturing	2,364,956	2,081	3,014,870	6,033
Mining and Quarrying	15,835	1	5,036	-
Personal/Household	862,047	8,308	960,209	13,213
Real Estate	553,671	1,609	1,594,286	4,026
Tourisim, Restaurant And Hotels	120,312	936	161,888	3,471
Trade	5,165,574	25,467	5,996,190	40,973
Transport & Communication	455,041	256	92,533	1,812
	10,183,862	**43,178**	**12,200,056**	**73,221**

46. FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

46.1.9 Analysis of risk concentration (Continued)

Financial Guarantee

Concentration by Sector	31-Dec-24 KShs '000 Gross Carrying Amount	Loss Allowance	31-Dec-23 KShs '000 Gross Carrying Amount	Loss Allowance
Agriculture	7,528	5	7,137	5
Building and Construction	1,870,981	85,476	894,465	26,011
Energy and Water	50,136	46	822,556	788
Financial Services	2,485,437	2,326	99,758	1,985
Manufacturing	3,402,721	5,513	4,237,717	11,037
Mining and Quarrying	810	1	2,378	2
Personal/Household	16,317	296	15,121	333
Real Estate	90,629	256	170,611	460
Tourisim, Restaurant and Hotels	50,288	890	14,626	299
Trade	4,664,084	46,487	5,924,812	73,890
Transport & Communication	261,335	281	323,733	5,746
	12,900,267	**141,577**	**12,512,914**	**120,556**

46.1.10 Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are, as follows:

1. Cash
2. Government Securties
3. Charges over real estate properties
4. Charges over Commercial properties
5. Mortgages over residential properties
6. Motor vehicles & Machinary
7. Inventory and trade receivables
8. Guarantees from parent companies for loans to their subsidiaries.
9. Third party Individual Guarantees

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In its normal course of business, the Bank may engage external agents to recover funds from repossessed properties or other assets in its portfolio, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. Although master netting arrangements may significantly reduce credit risk, it should be noted that the credit risk is eliminated only to the extent of amounts due to the same counterparty.

46. FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

46.1.10 Collateral and other credit enhancements (Continued)

This table summarizes the Collateral held by each staging Loan

	31-Dec-24 Gross Carrying Amount KShs '000	31-Dec-24 Collateral held KShs '000	31-Dec-24 Surplus/(Deficit) KShs '000
Loans and advances to customers			
Stage 1	46,496,375	60,154,644	13,990,167
Stage 2	6,299,469	7,195,283	1,095,294
Stage 3	4,893,591	4,886,304	1,876,030
	57,689,435	**72,236,231**	**16,961,491**
Loan Commitments			
Stage 1	10,183,862	13,672,076	3,554,508
Stage 2	-	-	-
Stage 3	-	-	-
	10,183,862	**13,672,076**	**3,554,508**
Financial guarantee contracts			
Stage 1	12,900,267	9,163,827	(3,594,812)
Stage 2	-	-	-
Stage 3	-	-	-
	12,900,267	**9,163,827**	**(3,594,812)**
Loans and advances to customers			
Stage 1	49,785,660	56,413,163	6,901,899
Stage 2	3,729,635	4,137,010	579,324
Stage 3	5,163,853	4,590,615	1,904,052
	58,679,148	**65,140,788**	**9,385,278**
Loan Commitments			
Stage 1	12,200,056	10,333,999	(1,792,843)
Stage 2	-	-	-
Stage 3	-	-	-
	12,200,056	**10,333,999**	**(1,792,843)**
Financial guarantee contracts			
Stage 1	12,512,914	12,216,646	(3,228,532)
Stage 2	-	-	-
Stage 3	-	-	-
	12,512,914	**12,216,646**	**(3,228,532)**

46. FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

46.1.11 ECL on low credit risk assets

The bank uses the general approach in determining the impairment of financial assets. Determining whether an expected credit loss should be based on 12- month expected credit losses, or lifetime expected credit loss depends on whether there has been a significant increase in credit risk of the financial asset since initial recognition.

The bank measures 12-month ECL on debt investment securities that have low credit risk at the reporting date. The bank considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

ECL on government securities is worked out based on the above.

46.2 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers.

Details of the reported bank ratio of net liquid assets to deposits from customers at the reporting date and during the year were as follows:

	2024	2023
At 31 December	71.7%	69.3%
Average for the year	69.3%	73.4%
Maximum for the year	71.8%	78.1%
Minimum for the year	66.7%	69.3%
Central Bank of Kenya required minimum	20%	20%

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Institution's reputation.

Treasury department maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to financial institutions and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the institution as a whole. All liquidity policies and procedures are subject to review and approval by an Assets and Liabilities Committee.

The Bank manages the liquidity structure of assets, liabilities and commitments so that cash flows are appropriately matched to ensure that all funding obligations are met when due. Banking operations are such that mismatch of assets and liabilities according to their maturity profiles cannot be avoided. However, management ensures that the mismatch is controlled in line with allowable risk levels. The table below analyses maturity profiles of the undiscounted cash flows of the financial assets and liabilities of the Bank based on the remaining period using 31 December 2024 as a base period to the contractual maturity date. Deposits from customers shown as maturing within 90 days relate to current, savings, call and fixed account balances. Although classified in this band, previous experience has shown these to be stable and of a long term nature.

46. FINANCIAL RISK MANAGEMENT (Continued)
46.2 Liquidity risk (Continued)
Management of liquidity risk (Continued)

31 December 2024	Up to 1 Month KShs. '000	1 to 3 Months KShs. '000	3 Months – 1 year KShs. '000	1 to 5 years KShs. '000	Over 5 years KShs. '000	Total KShs. '000
GROUP						
FINANCIAL ASSETS						
Cash and balances with Central Bank of Kenya	3,285,687	-	-	-	4,034,549	7,320,236
Placements and balances with other banks	10,483,564	8,637,021	8,423,120	-	52,230	27,595,935
Treasury bills and term notes	557,119	1,500,000	3,750,000	101,140	-	5,908,259
Investment securities measured at amortised cost	-	1,719,694	2,765,162	4,599,656	38,098,673	47,183,185
Bonds- at fair value through other comprehensive income	-	600,000	3,359,882	10,743,212	13,337,080	28,040,174
Loans and advances to customers	6,996,058	7,320,033	7,937,248	15,083,384	18,136,635	55,473,358
Total assets	**21,322,428**	**19,776,748**	**26,235,412**	**30,527,392**	**73,659,167**	**171,521,147**
FINANCIAL LIABILITIES						
Deposits from customers	66,311,997	33,656,915	54,492,429	239,476	-	154,700,817
Other liabilities	-	17,743	229,604	-	-	247,347
Lease liability	-	-	20,354	347,974	-	368,328
Insurance contract liabilities	-	-	1,049,389	-	-	1,049,389
Letter of credits	-	1,891,994	8,248,690	-	-	10,140,684
Guarantees	532,073	-	10,067,659	2,158,958	-	12,758,690
Total liabilities	**66,844,070**	**35,566,652**	**74,108,125**	**2,746,408**	**-**	**179,265,255**
Net liquidity gap	**(45,521,642)**	**(15,789,904)**	**(47,872,713)**	**27,780,984**	**73,659,167**	**(7,744,108)**

Notes to the Consolidated Financial Statements (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

46. FINANCIAL RISK MANAGEMENT (Continued)
46.2 Liquidity risk (Continued)
Management of liquidity risk (Continued)

31 December 2023	Up to 1 Month KShs. '000	1 to 3 Months KShs. '000	3 Months – 1 year KShs. '000	1 to 5 years KShs. '000	Over 5 years KShs. '000	Total KShs. '000
GROUP						
FINANCIAL ASSETS						
Cash and balances with Central Bank of Kenya	2,863,511	-	-	3,669,416	-	6,532,927
Placements and balances with other banks	13,341,059	8,639,374	508,625	-	52,230	22,541,288
Treasury bills and term notes	-	3,000,000	1,091,739	96,101	-	4,187,840
Investment securities measured at amortised cost	-	4,461,900	2,718,742	11,865,127	22,527,669	41,573,438
Bonds- at fair value through other comprehensive income	-	1,000,000	885,266	12,589,466	6,832,034	21,306,766
Loans and advances to customers	12,162,700	4,400,974	10,658,820	13,856,511	14,698,412	55,777,417
Total assets	**28,367,270**	**21,502,248**	**15,863,192**	**42,076,621**	**44,110,345**	**151,919,676**
FINANCIAL LIABILITIES						
Due to banks and financial institutions	8,185	-	-	-	-	8,185
Deposits from customers	54,168,882	23,563,003	59,063,096	504,739	-	137,299,720
Other liabilities	-	-	252,163	-	-	252,163
Lease liabilities	-	-	50,513	327,297		377,810
Insurance contract liabilities	-	-	779,208	-	-	779,208
Letter of credits	-	2,218,620	9,908,215	-	-	12,126,835
Guarantees	947,469	-	991,502	10,453,387	-	12,392,358
Total liabilities	**55,124,536**	**25,781,623**	**71,044,697**	**11,285,423**	**-**	**163,236,279**
Net liquidity gap	**(26,757,266)**	**(4,279,375)**	**(55,181,505)**	**30,791,198**	**44,110,345**	**(11,316,603)**

46. FINANCIAL RISK MANAGEMENT (Continued)
46.2 Liquidity risk (Continued)
Management of liquidity risk (Continued)

31 December 2024	Up to 1 Month KShs. '000	1 to 3 Months KShs. '000	3 Months – 1 year KShs. '000	1 to 5 years KShs. '000	Over 5 years KShs. '000	Total KShs. '000
BANK						
Cash and balances with Central Bank of Kenya	3,283,118	-	-	-	4,034,549	7,317,667
Placements and balances with other banks	10,483,850	8,548,031	8,423,120	-	52,230	27,507,231
Treasury bills and term notes	557,119	1,500,000	3,750,000	101,140	-	5,908,259
Investment securities measured at amortised cost	-	1,331,385	2,765,162	3,255,690	38,098,673	45,450,910
Investment securities at fair value through other comprehensive income	-	600,000	3,359,246	10,639,368	12,923,113	27,521,727
Loans and advances to customers	6,996,058	7,320,033	7,937,248	15,061,502	18,136,635	55,451,476
	21,320,145	**19,299,449**	**26,234,776**	**29,057,700**	**73,245,200**	**169,157,270**
FINANCIAL LIABILITIES						
Deposits from customers	66,892,742	33,656,915	54,492,429	239,476	-	155,281,562
Other liabilities	-	-	247,269	-	-	247,269
Lease liabilities	-	-	20,354	347,974		368,328
Letter of credits	-	1,891,994	8,248,690	-	-	10,140,684
Guarantees	532,073	-	10,067,659	2,158,958	-	12,758,690
Total liabilities	**67,424,815**	**35,548,909**	**73,076,401**	**2,746,408**	**-**	**178,796,533**
Net liquidity gap	**(46,104,670)**	**(16,249,460)**	**(46,841,625)**	**26,311,292**	**73,245,200**	**(9,639,263)**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

46. FINANCIAL RISK MANAGEMENT (Continued)

46.2 Liquidity risk (Continued)

Management of liquidity risk (Continued)

31 December 2023	Up to 1 Month KShs. '000	1 to 3 Months KShs. '000	3 Months – 1 year KShs. '000	1 to 5 years KShs. '000	Over 5 years KShs. '000	Total KShs. '000
BANK						
Cash and balances with Central Bank of Kenya	2,861,526	-	-	3,669,416	-	6,530,942
Placements and balances with other banks	13,341,059	8,625,000	508,625	-	52,230	22,526,914
Treasury bills and term notes	-	3,000,000	1,091,739	96,101	-	4,187,840
Investment securities measured at amortised cost	-	4,461,900	2,701,075	10,493,785	22,150,172	39,806,932
Investment in bonds at fair value through other comprehensive income	-	1,000,000	885,266	11,859,097	6,860,275	20,604,638
Loans and advances to customers	12,162,700	4,400,974	10,658,820	13,834,606	14,698,412	55,755,512
Total assets	**28,365,285**	**21,487,874**	**15,845,525**	**39,953,005**	**43,761,089**	**149,412,778**
FINANCIAL LIABILITIES						
Due to banks and financial institutions	8,185	-	-	-	-	8,185
Deposits from customers	54,200,238	23,991,731	59,063,096	504,739	-	137,759,804
Other liabilities	-	-	252,087	-	-	252,087
Lease Liability	-	-	50,513	327,297		377,810
Letter of credits	-	2,218,620	9,908,215	-	-	12,126,835
Guarantees	947,469	-	991,502	10,453,387	-	12,392,358
Total liabilities	**55,155,892**	**26,210,351**	**70,265,413**	**11,285,423**	**-**	**162,917,079**
Net liquidity gap	**(26,790,607)**	**(4,722,477)**	**(54,419,888)**	**28,667,582**	**43,761,089**	**(13,504,301)**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

46. FINANCIAL RISK MANAGEMENT (Continued)

46.3 Classification of financial instruments

The table below sets out the Bank's classification of each class of financial assets and liabilities. The amounts in the table are the carrying amounts of the financial instruments at the reporting date:

At 31 December 2024

GROUP	Amortized cost KShs.'000	Fair value through other comprehensive income financial assets KShs.'000	At fair value through profit or loss KShs.'000	Carrying amount KShs.'000
Assets				
Cash and balances with Central Bank of Kenya	7,320,236	-	-	7,320,236
Placements and balances with other banks	27,595,935	-	-	27,595,935
Treasury bills and term notes	5,908,259	-	-	5,908,259
Investment securities measured at amortised cost	47,183,185	-	-	47,183,185
Investment in bonds-fair value through other comprehensive income	-	28,040,174	-	28,040,174
Investment in ordinary shares at fair value through other comprehensive income	-	12,378,223	-	12,378,223
Investment in ordinary shares at fair value through profit or loss	-	-	81,513	81,513
Other assets	354,645	-	-	354,645
Loans and advances to customers	55,473,358	-	-	55,473,358
Total assets	**143,835,618**	**40,418,397**	**81,513**	**184,335,528**
Liabilities				
Deposits from customers	143,241,497	-	-	143,241,497
Other liabilities	345,565	-	-	345,565
Lease liability	274,617	-	-	274,617
Letter of credits	10,140,684	-	-	10,140,684
Guarantees	12,758,690	-	-	12,758,690
Total liabilities	**166,761,053**	**-**	**-**	**166,761,053**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

46. FINANCIAL RISK MANAGEMENT (Continued)

46.3 Classification of financial instruments (Continued)

The table below sets out the Bank's classification of each class of financial assets and liabilities. The amounts in the table are the carrying amounts of the financial instruments at the reporting date:

At 31 December 2023

GROUP	Amortized cost KShs.'000	Fair value through other comprehensive income financial assets KShs.'000	At fair value through profit or loss KShs.'000	Carrying amount KShs.'000
Assets				
Cash and balances with Central Bank of Kenya	7,065,401	-	-	7,065,401
Placements and balances with other banks	22,541,288	-	-	22,541,288
Treasury bills and term notes	4,187,840	-	-	4,187,840
Investment securities measured at amortised cost	41,573,438	-	-	41,573,438
Investment in securities at fair value through other comprehensive income	-	21,306,766	-	21,306,766
Investment in ordinary shares at fair value through other comprehensive income	-	9,002,556	-	9,002,556
Investment in ordinary shares at fair value through profit or loss	-	-	66,133	66,133
Other assets	226,406	-	-	226,406
Loans and advances to customers	55,777,417	-	-	55,777,417
Total assets	**131,371,790**	**30,309,322**	**66,133**	**161,747,245**
Liabilities				
Balances due to banks and financial institutions	8,185	-	-	8,185
Deposits from customers	127,129,370	-	-	127,129,370
Other liabilities	762,402	-	-	762,402
Lease liability	287,344	-	-	287,344
Letter of credits	12,126,835	-	-	12,126,835
Guarantees	12,392,358	-	-	12,392,358
Total liabilities	**152,706,494**	**-**	**-**	**152,706,494**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

46. FINANCIAL RISK MANAGEMENT (Continued)

46.3 Classification of financial instruments (Continued)

The table below sets out the Bank's classification of each class of financial assets and liabilities. The amounts in the table are the carrying amounts of the financial instruments at the reporting date:

At 31 December 2024

BANK	Amortized cost KShs.'000	Fair value through other comprehensive income financial assets KShs.'000	Carrying amount KShs.'000
Assets			
Cash and balances with Central Bank of Kenya	7,317,667	-	7,317,667
Placements and balances with other banks	27,507,231	-	27,507,231
Treasury bills and term notes	5,908,259	-	5,908,259
Investment securities measured at amortised cost	45,450,910	-	45,450,910
Investment in securities at fair value through other comprehensive income	-	27,521,727	27,521,727
Investment in ordinary shares fair value through other comprehensive income	-	12,268,610	12,268,610
Other assets	376,208	-	376,208
Loans and advances to customers	55,451,476	-	55,451,476
Total assets	**142,011,751**	**39,790,337**	**181,802,088**
Liabilities			
Deposits from customers	143,779,224	-	143,779,224
Other liabilities	241,545	-	241,545
Lease liabilities	274,617	-	274,617
Letter of credits	10,140,684	-	10,140,684
Guarantees	12,758,690	-	12,758,690
Total liabilities	**154,436,070**	**-**	**154,436,070**

46. FINANCIAL RISK MANAGEMENT (Continued)
46.3 Classification of financial instruments (Continued)

At 31 December 2023

BANK	Amortized cost KShs.'000	Fair value through other comprehensive income financial assets KShs.'000	Carrying amount KShs.'000
Assets			
Cash and balances with Central Bank of Kenya	7,063,416	-	7,063,416
Placements and balances with other banks	22,526,914	-	22,526,914
Treasury bills and term notes	4,187,840	-	4,187,840
Investment securities measured at amortised cost	39,806,932	-	39,806,932
Investment in securities at fair value through other comprehensive income	-	20,604,638	20,604,638
Investment in ordinary shares fair value through other comprehensive income	-	8,931,113	8,931,113
Other assets	231,876	-	231,876
Loans and advances to customers	55,755,512	-	55,755,512
Total assets	**129,572,490**	**29,535,751**	**159,108,241**
Liabilities			
Due to banks and financial institutions	8,185	-	8,185
Deposits from customers	127,555,375	-	127,555,375
Other liabilities	655,441	-	655,441
Lease Liability	287,344	-	287,344
Letter of credits	12,126,835	-	12,126,835
Guarantees	12,392,358	-	12,392,358
Total liabilities	**153,025,538**	**-**	**153,025,538**

46. FINANCIAL RISK MANAGEMENT (Continued)

46.4 Market risk

Market risk is the risk that fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The objective of market risk management is to manage and control market risk exposure within acceptable levels, while optimising on return on the risk.

Equity price risk

Equity price risk is the risk that the fair value of equities fluctuates as a result of changes in the value of equity indices and individual stocks. A 10% increase in the value of the Bank's at fair value through other comprehensive income equities as at 31 December 2024 would have increased equity by KShs.1,202 million (2023: KShs. 893 million). An equivalent decrease would have resulted in an equivalent but opposite impact and would cause a potential impairment which would reduce equity.

A 10% increase in the value of the Bank's at fair value through profit or loss equities as at 31 December 2024 would have increased profit before tax and equity by KShs.8.2 million (2023: KShs. 6 million) and KShs.5.7 million (2023: KShs. 4.2 million) respectively. An equivalent decrease would have resulted in an equivalent but opposite impact and would cause a potential impairment which would reduce profit before tax and equity.

Interest risk exposure

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. The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of changes in the prevailing levels of market rates but may also decrease or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest repricing that may be undertaken. Consequently, the interest sensitivity effect on profit or loss would not be significant given the repricing frequency.

The table below summarises the exposure to interest rates risks. Included in the table are the Bank's assets and liabilities at carrying amounts categorised by the earlier of contractual repricing or maturity dates:

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

46. FINANCIAL RISK MANAGEMENT (Continued)

46.4 Market risk (Continued)

Interest risk exposure (Continued)

31 December 2024

GROUP	Up to 1 Month KShs. '000	1 to 3 Months KShs. '000	3 Months to 1 year KShs. '000	1 to 5 years KShs. '000	Over 5 years KShs. '000	Total KShs. '000
ASSETS						
Placements and balances with other banks	10,483,564	8,637,021	8,423,120	-	52,230	27,595,935
Treasury bills and term notes	557,119	1,500,000	3,750,000	101,140	-	5,908,259
Investment securities measured at amortised cost	-	1,719,694	2,765,162	4,599,656	38,098,673	47,183,185
Bonds at fair value through other comprehensive income	-	600,000	3,359,882	10,743,212	13,337,080	28,040,174
Loans and advances to customers	6,996,058	7,320,033	7,937,248	15,083,384	18,136,635	55,473,358
Total assets	**18,036,741**	**19,776,748**	**26,235,412**	**30,527,392**	**69,624,618**	**164,200,911**
LIABILITIES						
Deposits from customers	61,399,997	31,163,810	50,455,953	221,737	-	143,241,497
Total liabilities	**61,399,997**	**31,163,810**	**50,455,953**	**221,737**	**-**	**143,241,497**
Total interest sensitivity gap	**(43,363,256)**	**(11,387,062)**	**(24,220,541)**	**30,305,655**	**69,624,618**	**20,959,414**
31 December 2023						
Total assets	25,503,759	21,502,248	15,862,313	38,407,205	44,111,224	145,386,749
Total liabilities	**50,164,557**	**21,817,595**	**54,688,052**	**467,351**	**-**	**127,137,555**
Total interest sensitivity gap	**(24,660,798)**	**(315,347)**	**(38,825,739)**	**37,939,854**	**44,111,224**	**18,249,194**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

46. FINANCIAL RISK MANAGEMENT (Continued)

46.4 Market risk (Continued)

Interest risk exposure (Continued)

BANK	Up to 1 Month KShs. '000	1 to 3 Months KShs. '000	3 Months to 1 year KShs. '000	1 to 5 years KShs. '000	Over 5 years KShs. '000	Total KShs. '000
31 December 2024	KShs. '000	KShs. '000	KShs. '000	KShs. '000	KShs. '000	KShs. '000
ASSETS						
Placements and balances with other banks	10,483,850	8,548,031	8,423,120	-	52,230	27,507,231
Treasury bills and term notes	557,119	1,500,000	3,750,000	101,140	-	5,908,259
Investment securities measured at amortised cost	-	1,331,385	2,765,162	3,255,690	38,098,673	45,450,910
Investment securities at fair value through other comprehensive income	-	600,000	3,359,246	10,639,368	12,923,113	27,521,727
Loans and advances to customers	6,996,058	7,320,033	7,937,248	15,061,502	18,136,635	55,451,476
Total assets	**18,037,027**	**19,299,449**	**26,234,776**	**29,057,700**	**69,210,651**	**161,839,603**
LIABILITIES						
Deposits from customers	61,937,724	31,163,810	50,455,953	221,737	-	143,779,224
Total liabilities	**61,937,724**	**31,163,810**	**50,455,953**	**221,737**	**-**	**143,779,224**
Total interest sensitivity gap	**(43,900,697)**	**(11,864,361)**	**(24,221,177)**	**28,835,963**	**69,210,651**	**18,060,379**
31 December 2023						
Total assets	25,503,759	21,487,874	15,845,525	36,283,589	43,761,089	142,881,836
Total liabilities	**50,193,591**	**22,214,566**	**54,688,052**	**467,351**	**-**	**127,563,560**
Total interest sensitivity gap	**(24,689,832)**	**(726,692)**	**(38,842,527)**	**35,816,238**	**-**	**15,318,276**

46. FINANCIAL RISK MANAGEMENT (Continued)

46.4 Market risk (Continued)

Interest risk exposure (Continued)

The sensitivity computations assume that loan and advances and deposits maintain a constant rate of return from one year to the next. The effect on other comprehensive income due to reasonable possible changes in interest rates, with all other variables held constant, is as follows:

	2024 KShs. '000	2023 KShs. '000
Effect on profit before tax of a +1% change in interest rates	(11,107)	(194,535)
Effect on profit before tax of a -1% change in interest rates	**11,107**	**194,535**
Effect on equity before tax of a +1% change in interest rates	(7,775)	(136,175)
Effect on equity before tax of a -1% change in interest rates	**7,775**	**136,175**

Foreign currency exchange risk

The Bank records transactions in foreign currencies at the rates in effect at the date of the transaction. The Bank retranslates monetary assets and liabilities denominated in foreign currencies at the rates of exchange in effect at the reporting date. The Bank holds foreign currency denominated balances for cash and bank balances and placements, loans and advances and customer deposits. All the gains or losses arising from the changes in the currency exchange rates are accounted for in profit or loss.

The Bank's functional currency, the Shilling, has generally, over the recent past shown a weakening tendency against the US dollar and strengthening against the Euro, the two major currencies in which the Bank has significant foreign transactions.

The US dollar

At 31 December 2024, if the US dollar had strengthened by 1% against the Shilling, with all other variables held constant, the sensitised effect on profit or loss would have been a increase in profit before tax of KShs. 5,980 and an increase in equity by KShs.4,186 (2023: KShs.5,194 and increase in equity by KShs.3,636) mainly as a result of the Dollar denominated net monetary liabilities. The reverse would also occur if the Kenya Shilling weakened with all other variables held constant.

The Euro

At 31 December 2024, if the Euro had strengthened against the Shilling by 1%, with all other variables held constant, the sensitised effect on profit or loss would have been an increase in profit before tax of KShs.23,350 and increase equity by 16,345 (2023: KShs. 116,080 and equity by KShs.81,256) mainly as a result of the Euro denominated net monetary assets. The reverse would also occur if the Kenya Shilling weakened with all other variables held constant.

In computing the percentage change in exchange rates, management has taken into consideration the direction of the published rates movement in the functional currency against the major foreign transactional currencies over the last two years.

46. FINANCIAL RISK MANAGEMENT (Continued)

46.4 Market risk (Continued)

The table below summarises foreign currency exposure to the group and bank:

31 December 2024	USD	GBP	Euro	ZAR	JPY	Others	Total
In KShs'000							
Assets							
Cash, balances with central bank of Kenya and placements with other Banks	20,776,903	256,246	2,856,118	7,507	15,681	43,161	23,955,616
Loans and advances	12,606,168	4,817	1,618,937	-	-	-	14,229,922
Others	4,179,116	2,736,807	500,425	-	-	9,858	7,426,206
Total assets	**37,562,187**	**2,997,870**	**4,975,480**	**7,507**	**15,681**	**53,019**	**45,611,744**
Liabilities							
Balances due to banks and financial institutions							
Deposits	30,819,578	3,057,094	1,832,126	805	2,395	11,996	35,723,994
Others liabilities	6,917,911	24,167	3,141,020	6,555	12,040	19,663	10,121,356
Total liabilities	**37,737,489**	**3,081,261**	**4,973,146**	**7,360**	**14,435**	**31,659**	**45,845,350**
Net exposure as at 31 December 2024	**(175,302)**	**(83,391)**	**2,334**	**147**	**1,246**	**21,360**	**(233,606)**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

46. FINANCIAL RISK MANAGEMENT (Continued)

46.4 Market risk (Continued)

The table below summarises foreign currency exposure to the group and bank:

31 December 2023	USD	GBP	Euro	ZAR	JPY	Others	Total
In KShs'000							
Assets							
Cash balances with central bank of Kenya and placements with other Banks	19,549,100	410,301	1,014,770	4,257	8,175	26,886	21,013,489
Cash and cash equivalents (Balances with central bank of Kenya and placements with other Banks)	14,259,879	23,662	2,763,971	-	-	-	17,047,512
Others assets	1,723,438	3,128,941	221,105	2,123	--	15,055	5,090,662
Total assets	**35,532,417**	**3,562,904**	**3,999,846**	**6,380**	**8,175**	**41,941**	**43,151,663**
Liabilities							
Balances due to banks and financial institutions							
Deposits	30,834,728	3,639,016	1,637,163	1,532	112	15,292	36,127,843
Other liabilities	5,813,902	23,432	2,351,007	4,590	7,823	9,995	8,210,749
Total liabilities	**36,648,630**	**3,662,448**	**3,988,170**	**6,122**	**7,935**	**25,287**	**44,338,592**
Net exposure as at 31 December 2023	**(1,116,213)**	**(99,544)**	**11,676**	**258**	**240**	**16,654**	**(1,186,929)**

47. OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business units.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall bank standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirement for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the yearly assessment of operational risk faced, and the requirements of controls and procedures to address the risk identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

48. CLIMATE RELATED RISK

Climate-related risks' are potential negative impacts on the bank arising from climate change. Climate-related risks have an impact on the principal risk categories discussed above (i.e. credit. liquidity, market and operational risks), but due to their pervasive nature have been identified and managed by the Group on an overall basis. The bank distinguishes between physical risks and transition risks.

Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns such as sustained higher temperatures, heat waves, droughts and rising sea levels.

Transition risks arise as a result of measures taken to mitigate the effects of climate change and transition to a low-carbon economy such as changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand.

The Group is in the process of developing group-wide policies, processes and controls to incorporate climate risks in the management of principal risk categories, developing models that aim to assess how borrowers' performance is linked to climate change. The Group plans to use these models in pricing credit risk and in calculating ECLs and incorporate climate-related risk into stress test scenarios.

49. EVENTS AFTER THE REPORTING PERIOD

There were no significant adjusting events subsequent to the period end that required adjustment or disclosure in these financial statements.

MILESTONES

Prime Bank Enhances its International Money Transfer Services

During the period under review the Bank enhanced its international money transfer services through the partnership with TerraPay (known as 'Mobex' in Kenya).

By integrating TerraPay's advanced cross-border payment solutions, the Bank now offers its customers seamless and dependable remittance services via Prime Remit, which is available on PrimeMobi mobile banking platform.

With Prime Remit, customers can effortlessly transfer funds directly from their Prime Bank account to international bank accounts or wallets worldwide.

Through Prime Remit, customers can now transfer funds to over 57 countries, including:
- Australia
- United Kingdom
- All SEPA Countries
- India
- China (Wallet & Bank)
- Malaysia
- UAE
- USA
- Canada
- Uganda
- Tanzania

Partnership with Network International for Digital Payment Solutions

Prime Bank signed a partnership with Network International (Network), a leading enabler of digital commerce in the Middle East and Africa, to enhance access to digital payment solutions for the Bank's Corporate and Enterprise customers.

Through the partnership, Prime Bank has leveraged Network's payment processing infrastructure, allowing the Bank to offer a comprehensive range of payment options, including mobile money, card payments, and QR code solutions to its customers. In addition, the unified platform makes it possible for merchants to accept payments in over 140 major currencies, opening business to international customers. The partnership has enhanced customer convenience by allowing them to pay using their preferred method, ensuring a smooth and flexible payment experience.

Banking Awards

The Bank was awarded 2nd Runner Up position for Best Bank in Customer Experience among Tier II Banks by the Kenya Bankers Association following the release of the Customer Satisfaction Survey 2024.

The Bank was also awarded 2nd Runner-Up in the Best Bank in Tier II category during the Think Business Banking Awards 2024.

USD Correspondent Banking Services

Prime Bank collaborated with Standard Chartered Bank Group to support and strengthen its correspondent banking services. Through the partnership, Prime Bank now offers its clients USD correspondent banking services, making it easier for them to send and receive remittances to and from key markets, including Germany, India, the United Arab Emirates, the United Kingdom, and the Far East.

The collaboration also marked an important step toward further deepening the Bank's collaboration with other financial institutions, creating new opportunities for mutual growth and benefit.

Launch of Express Centres

During the year, the Bank launched state-of-the-art sales centres designed to provide dedicated focus to customers with a more convenient, efficient and personalized self-service.

The Prime Express Sales Centers enable customers explore the Bank's wide range of digital banking solutions, including online banking and the mobile app digital kiosk, all under one roof.

Through the centre, customers are able to make enquiries about their account details, explore the Bank's comprehensive financial products, or conveniently withdraw and deposit funds through the advanced Smart ATM system installed in the centre.

The Express Centers are located at:

- Azalea Square along General Mathenge Drive in Nairobi.
- Tatu City, Kiambu County.
- Signature Mall along Mombasa Road.
- New Muthaiga Mall, Thigiri.

CORPORATE SOCIAL RESPONSIBILITY

Executive Ward at Gertrudes Hospital

Gertrude's Children's Hospital launched the construction of a new state-of-the-art 19-bed ward in Muthaiga, aiming to boost the hospital's capacity. Scheduled for completion in 2025, the ward is projected to cost KShs. 220 million which includes a KShs. 40 million personal donation from Dr. Rasik Kantaria, the chairman of the Bank.

The new ward is designed to feature state-of-the-art medical facilities within a modern, thoughtful layout that prioritizes clinical excellence, a child-friendly environment, and dedicated spaces for parents and guardians. Emphasizing sustainability, the building will adhere to the highest environmental standards, incorporating innovative solutions to minimize energy consumption and emissions during both construction and daily operations.

Korogocho Feeding and Women Empowerment Program

In 2023, Prime Bank partnered with the Office of the First Lady of Kenya and Provide International Organization, a community based Non-Governmental Organization to launch a feeding program, Carakana (cross-stitch) and Table Banking programs in Korogocho slums.

The programs which will run for 3 years aims to curb malnutrition related diseases among the supported children and also curb chances of many children turning to street life in search of food as well as empowering single mothers so that they can cater for themselves and the future of their children to supplement the feeding program.

Through the feeding program, the Bank is providing nutritious lunch to over 600 children of single mothers aged 10 years and below every day. From January 2023 to October 2024, the program's reach grew from 432 children to 603 children on daily basis - a 40 percent increase in the number of children fed.

For sustainability of the program, the Bank procures foodstuffs every month and has set up energy saving Jikos at Provide International Centre.

The Bank has also hired a nutritionist to monitor children under the program as well as cooks to prepare the meals on a daily basis, and spends an average of KShs. 350,000 every month for food supplies and salaries.

Since its launch, the child friendly feeding program has shown extraordinary changes in the community as demonstrated by the dramatic increase in school enrolment and regular school attendance by children benefiting from this initiative.

The Carakana (cross-stitch) and Table Banking initiatives are run in partnership with the Office of the First Lady, Mama Doing Good and Provide International. The program supports women in Korogocho and open up opportunities for capacity building and enterprise development. The goal of the partnership is to reach 3,000 women by 2025 through economically empowering them through table banking.

Through this partnership, Provide International is in charge of mobilization of women for training and enrolment into table banking and eventually being able to access the credit facility from the seed capital provided by Prime Bank.

Prime Bank has made available seed capital of KShs. 1.6 Million to support 21 groups comprising 250 members in Korogocho towards strengthening their income generating initiatives and thus strengthening the table banking. To date, the project has managed to disburse KShs. 5,412,000.

During the period under review, the feeding program received a major boost with the donation of computers and desks for support staff. The computers will support the day to running of the program in data collection, classification and storage.

Dr. Rasik Kantaria Jalaram Medical Services Inauguration

The Dr. Rasik Kantaria Jalaram Medical Services was officially inaugurated last year.

This fully-fledged hospital is equipped with state-of-the-art medical technology, including endoscopy, MRI, CT, high-pressure liquid chromatography, and a comprehensive ophthalmology unit, among others. It aims to provide affordable, high-quality medical services to underprivileged members of society.

Originally established in 2004 as an outpatient facility, the hospital was rebranded in 2021 following a generous donation of over KShs. 300 million from Dr. Rasik Kantaria and his family. This contribution supported the construction and launch of the facility, which was subsequently named in his honor.

Tree Planting Program

Prime Bank is at the forefront of environmental conservation, driving initiatives that combat climate change and promote sustainability. We believe in building a sustainable future for all through creating a greener, healthier planet for ourselves and future generations.

Since the inception of the tree planting program, staff, management, and board members have so far planted over 2000 trees in Nairobi, Mombasa, Kisumu, Eldoret, and Meru.

Visit to Nyumbani

During the festive season, Prime Bank staff paid a visit to Nyumbani Children's Home in Nairobi to share the joy of Christmas. The staff interacted and shared special moments with the children through various activities including outdoor games, singing, dancing, sharing a meal and donating clothing items, in a true reflection of the Bank's spirit of caring for the communities in which it operates in.

Flash Floods Donation

During last year's flash floods across the country, Prime Bank collaborated with other corporates and Community Based Organizations to flag off food items that were distributed to Kenyans who were severely affected.

The initiative flagged off 10 trucks full of foodstuffs valued at KShs. 10 million for 3,045 households affected by the flash floods in Machakos, Makueni, and Kajiado Counties.

Okoa Malaika Kenya Safari

At the beginning of the year, the Bank supported the Office of Spouse to the Prime Cabinet Secretary to support maternal and child health in Kenya through the donation of six incubators and four infant warmer blankets valued at KShs. 2 Million to the Okoa Malaika Kenya Safari. The equipments have been to distributed to hospitals in Trans Nzoia and Mombasa Counties.

Bursary to Deserving Students

During the period under review, the Bank remained committed to supporting bright and deserving students to pursue education. The Bank believes in empowering future leaders through education. To that effect, we awarded deserving and bright students from Shree Cutch Satsang Swaminarayan Academy- Langata, with full-year scholarships totalling KShs. 450,000.

Be Bold, Go Gold Walk

In September, Prime Bank took part in the BE BOLD, GO GOLD walk in support of Faraja Cancer Support Trust. This yearly event aims to raise critical funds, increase awareness for childhood cancer, and support the brave golden heroes battling the disease.

Every year, we endeavour to make our footprints in the fight against childhood cancer.

Notes

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