NCBA

GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMEMTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NCBA GROUP PLC

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CORPORATE INFORMATION

BOARD DIRECTORS

J P M Ndegwa – Group Chairman
D A Oyatsi – Deputy Chairman
J Gachora - Group Managing Director
Hon. A H H Abdi
M M H Abdullahi - Appointed on 1 August 2024
J S Armitage
P R Lopokoiyit
A S M Ndegwa
E N Ngaine
K Thuo - Appointed on 1 September 2024
D Abwoga
I O Awuondo - Resigned on 1 September 2024
M K R Shah - Resigned on 1 September 2024

BOARD AUDIT & RISK COMMITTEE

Hon. A H H Abdi - Chairman
P R Lopokoiyit
K Thuo - Appointed on 1 September 2024
M K R Shah - Resigned on 1 September 2024

BOARD GOVERNANCE AND NOMINATIONS COMMITTEE

D A Oyatsi – Chairman
E N Ngaine
P R Lopokoiyit
M M H Abdullahi - Appointed on 1 August 2024

BOARD EXECUTIVE / STRATEGY COMMITTEE

D A Oyatsi – Chairman - Appointed on 1 September 2024
J Gachora
J S Armitage
A S M Ndegwa
I O Awuondo – Co-opted

BOARD INFORMATION, COMMUNICATIONS AND TECHNOLOGY (ICT) COMMITTEE

M M H Abdullahi - Chairman – Appointed on 1 August 2024
J Gachora
I O Awuondo – Co-opted

BOARD HUMAN RESOURCES COMMITTEE

P R Lopokoiyit - Chairman
D A Oyatsi
A N Njoroge – Co-opted
The Board Human Resources Committee was established on 21st August 2024 and Directors and Chairman appointed on the same date.

REGISTRARS AND TRANSFERS OFFICE

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

REGISTERED OFFICE

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

AUDITOR

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

LEGAL ADVISORS

Various. A list is available at the Company premises.

CORPORATE INFORMATION (Continued)

PRINCIPAL CORRESPONDENT BANKS

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

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 December 2024.

INCORPORATION

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

DIRECTORATE

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

PRINCIPAL ACTIVITIES

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

RESULTS

	2024 Shs' 000	2023 Shs' 000
Profit before tax	25,141,048	25,481,906
Income tax expense	(3,275,281)	(4,025,273)
Profit for the Year	**21,865,767**	**21,456,633**

BUSINESS REVIEW

Financial Statements

The consolidated financial statements include the results of the entities owned by NCBA Group PLC (the "Company"). NCBA Group PLC and its subsidiaries / affiliates (together, the "Group") operate in Kenya, Tanzania, Uganda, Rwanda, Cote d'Ivoire and Ghana. The Group provides retail, corporate and digital banking, asset finance, securities brokerage, bancassurance, insurance and investment banking services. On 1 July 2024, NCBA Group PLC completed the full acquisition of AIG Kenya Limited, now renamed NCBA Insurance Company Limited, from AIG MEA Limited by acquiring 66.66% of its outstanding ordinary shares. As a result, NCBA Group PLC's stake in AIG Kenya Limited increased to 100%, up from the previous 33.33%.

The Group is exposed to various financial risks such as credit risk, liquidity risk, market risk, and operational risk. Its overall risk management approach focuses on addressing the uncertainties of financial markets and aims to reduce any negative impact on the Group. This is integrated into the Group 's governance structure. The Board of Directors holds ultimate responsibility for creating and overseeing the Group's risk management framework. Additionally, the Board has established several committees, including the Board Audit and Risk Committee, Board Risk Management Committee and Board Credit Committee, Board Governance and nominations committee, Board information, communication and Technology (ICT committee) and Board Exco / Strategy Committee which are responsible for developing and continuously monitoring the Group's risk management policies in their respective areas.

Performance for 2024

Global economic growth stabilized at 3.2 percent in 2024 supported by easing of global inflation and supply chain constraints. The year recorded stronger-than-expected growth in the United States of America, some large emerging market economies such as India and South America.

REPORT OF THE DIRECTORS (CONTINUED)

BUSINESS REVIEW (Continued)

Performance for 2024 (Continued)

The Kenyan economy remained resilient in 2024, with the official published numbers for the first three quarters of 2024 averaging 4.5 percent compared to an average growth of 5.6 percent in a similar period in 2023. Growth in 2024 was primarily underpinned by strong performance in the agriculture sector and the resilience of services sector. All the economic sub-sectors except mining and construction recorded expansion in the first three quarters of 2024, though the magnitudes varied across the economic activities.

NCBA Group

Profit before income tax was Shs 25.1 billion, slightly down from Shs 25.5 billion reported in 2023. This reduction was mainly due to an 11% rise in operating expenses, deemed essential to support business expansion and investments. Foreign currency trading income was lower compared to the previous year due to reduced margins, resulting in a decline of Shs 2.1 billion in foreign currency income. However, this was partially offset by a reduction in impairment losses, reflecting our ongoing commitment to high standards in credit onboarding and proactive loan portfolio management and lower fair value loss on loan notes, driven by a positive foreign currency movement, which resulted in a gain of Shs 2.4 million and Shs 1.6 million, respectively.

The balance sheet for the year ended at Shs 666 billion, down from Shs 735 billion in 2023. This decline was primarily due to a decrease in customer and bank deposits by Shs 77 billion and Shs 13.3 billion, respectively, largely resulting from the release of term deposits. On the asset side, there was a reduction in customer lending by Shs 36.3 billion, mainly driven by the appreciation of the shilling against the dollar on repayment. Additionally, government securities declined by Shs 21.3 billion due to lower liquidity and the necessity to shorten the average portfolio duration to manage interest rate risks.

NCBA Group PLC

Profit before income tax stood at Shs 12.0 billion, marking an increase of Shs 5.1 billion from Shs 6.9 billion reported in 2023. This growth was primarily driven by a rise in dividend income, which increased to Shs 12.1 million from Shs 7.1 million in 2023.

The balance sheet grew to Shs 77.6 billion, up from Shs 75.3 billion in 2023. The Shs 2.3 billion increase was largely due to higher investments in subsidiaries, particularly from the acquisition of NCBA Insurance Company Limited, along with larger balances with related parties.

Proposed Dividend

The Board has decided to propose to the shareholders for approval at the upcoming Annual General Meeting, set for 28 May 2025, the payment of a final dividend of Shs 3.25 per share for the year. This, along with the interim dividend of Shs 2.25 per share paid on 25 September 2024, brings the total dividend for 2024 to Shs 5.50 per share (compared to Shs 4.75 per share for 2023). The dividend will be paid to shareholders registered on the Company's register as of the close of business on 30 April 2025(the record date for dividend entitlement), with payment to be made on or after 28 May 2025

REPORT OF THE DIRECTORS (CONTINUED)

BUSINESS REVIEW (Continued)

Outlook for 2025

The global economy is projected to grow at 3.3% in 2025, a slight edge up from 3.2% in 2024. However, uncertainty remains elevated, more specifically from trade frictions resulting from US tariffs, possible tariff retaliations from advanced economies and geopolitical uncertainties that pose significant headwind into 2025. We see the gradual policy easing by leading central banks likely to keep external financing costs for developing economies sovereigns elevated.

Kenya's economy is projected to grow at 4.8% majorly dependent on agricultural sector output, resilience in key service sectors and recovery in private sector credit growth. Continued policy easing by the central bank both on price and other monetary policy tools could unlock more private sector lending hence aggregate demand growth. However, the government's fiscal path could weigh on private sector credit growth prospects amid reasonably high domestic maturities and underperformance in revenue collections.

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

a) there is, so far as the director is aware, no relevant audit information of which the Group'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 Group's auditor is aware of that information.

TERMS OF APPOINTMENT OF AUDITOR

Deloitte & Touche LLP, continues in office in accordance with the Company's Articles of Association and Section 723 of the Kenyan Companies Act, 2015.

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

By order of the Board

K Maundu
Group Company Secretary

26 March 2025

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

This report describes the Group's remuneration policy and the remuneration paid to Directors in 2024. The remuneration policy, including all structures and policies related to remuneration, is in line with the Companies Act, No. 17 of 2015, the CMA Code of Corporate Governance Practices for issuers of Securities to the Public, 2015 and the Companies General Amendment Regulations No. 2 of 2017.

The first part of this report describes the remuneration policy, while the second part describes the implementation of the policy in 2024.

There were no changes to the structure and quantum of the Directors' remuneration in the year ended 31 December 2024.

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

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

Notes:

- All the Directors of the Company were resident in the Republic of Kenya during the year 2024.
- M M H Abdullahi was appointed to the Board with effect from 1 August 2024.
- I O Awuondo is the current Non-Executive Chairman of NCBA Bank Kenya PLC and was the Executive Chairman of LOOP DFS Limited, a wholly owned financial technology subsidiary of NCBA Group PLC, until 30 September 2024, thereafter transitioning to the role of Non-Executive Director of the company. He also ceased to serve on the Board of NCBA Group PLC with effect from 1 September 2024, following a reorganisation of the NCBA Group companies' Boards.
- M K R Shah ceased to serve on the Board of NCBA Group PLC with effect from 1 September 2024, following a reorganisation of the NCBA Group companies' Boards.
- K Thuo was appointed to the Board with effect from 1 September 2024.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Background:

The members of the Board Governance and Nominations Committee for the period 1 January 2024 to 31 December 2024 were:

D A Oyatsi – Chairman
E N Ngaine
P R Lopokoiyit
M M H Abdullahi (appointed to the committee with effect from 1 August 2024)

PART 1

Remuneration Policy

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

Remuneration of Executive Directors

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

The remuneration of the Executive Directors consists of:

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

Remuneration of Non-Executive Directors

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

The remuneration for NEDs consists of:

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

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

Share Option Scheme

During the year 2024, the Group did not have an implemented share option scheme for Directors.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Directors' Contracts of Service

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

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

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

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

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

Statement of the previous General Meeting

A Resolution to approve the Directors' remuneration policy and report for the year ended 31 December 2023 was passed through a poll vote by shareholders at the Annual General Meeting held on 29 May 2024. The results, which were published in the national dailies and on the Group website (https://ke.ncbagroup.com/) on 30th May 2024 were as follows:

	Resolution	Votes Cast (Shares)	For (Shares)	Against (Shares)	Abstained (Shares)	Result
5.	**Directors' Remuneration:**					
	a) To approve the Directors' Remuneration Report and the remuneration paid to the Directors in the year ended 31 December 2023, and to authorise the Board to fix their remuneration for the year 2024.	1,332,430,501	1,312,823,798	15,519	19,591,184	**Passed**
		Percentage	**98.53%**	**0%**	**1.47%**	
	Directors' Remuneration, Attraction and Retention Policy b) To approve the Directors' Policy on Remuneration and Attraction and Retention of Board Members.	1,332,426,501	1,332,075,083	10,543	340,875	**Passed**
		Percentage	**99.97%**	**0%**	**0.03%**	

DIRECTORS' REMUNERATION REPORT (CONTINUED)

INFORMATION SUBJECT TO AUDIT

PART 2: IMPLEMENTATION REPORT

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

In interpreting the disclosures made in this report:

a) The remuneration details for the year 2024 outline payments relating to qualifying services rendered as Directors for the period served on the Board.
b) The Directors' remuneration is consolidated for services rendered as a Director on the Company's and related subsidiary company Boards.
c) In the year ended 31 December 2024, there were no other allowances paid apart from sitting allowances and no expenses incurred by directors whilst carrying out duties in respect of qualifying services.

The following table shows the remuneration for the Chairman, other Non-Executive Directors (NEDs) and Executive Directors in respect of qualifying services for the year ended 31 December 2024. The aggregate Directors' emoluments are shown on note 48 of this report

DIRECTORS' REMUNERATION REPORT (CONTINUED)

INFORMATION SUBJECT TO AUDIT (CONTINUED)

PART 2: IMPLEMENTATION REPORT (CONTINUED)

Directors Remuneration for the year ended 31 December 2024	Fees[1] Shs 000	Salary Shs 000	Cash Incentive Remuneration		Other Cash Benefit Shs 000	Non-cash benefits Shs 000	Retirement Benefits Shs 000	Total[2] Shs 000
			Non-Deferred Shs 000	Deferred Shs 000				
J P M Ndegwa[3] – Group Chairman	7,300	-	-	-	-	-	-	7,300
D A Oyatsi – Deputy Group Chairman	6,200	-	-	-	-	-	-	6,200
J Gachora – Group Managing Director	-	99,600	70,000	13,000	307	14,521	10,943	208,371
A H Abdi	19,879	-	-	-	-	-	-	19,879
M M H Abdullahi	1,780	-	-	-	-	-	-	1,780
D Abwoga – Executive Director	-	35,274	14,839	-	494	3,843	3,968	58,418
J S Armitage	9,480	-	-	-	-	-	-	9,480
I O Awuondo[4]	1,590	53,550	34,000	-	176,822	28,960	18	294,940
P R Lopokoiyit	10,654	-	-	-	-	-	-	10,654
A S M Ndegwa	10,350	-	-	-	-	-	-	10,350
E N Ngaine	15,910	-	-	-	-	-	-	15,910
M K R Shah	11,350	-	-	-	-	-	-	11,350
K Thuo	5,520	-	-	-	-	-	-	5,520
	100,013	**188,424**	**118,839**	**13,000**	**177,623**	**47,324**	**14,929**	**660,152**

Notes

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

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

3 The total Director's fees for J P M Ndegwa was paid to Asset Managers Limited in respect of Director's services up to April 2024. Effective May 2024, the fees were paid directly to J P M Ndegwa.

4 I O Awuondo earned a salary for services rendered as Executive Chairman of the Digital Banking business of the Group up to 30 September 2024, after which he transitioned to being a Non-Executive Director. He received an ex gratia payment in recognition of his services.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

PART 2: IMPLEMENTATION REPORT (CONTINUED)

The following table shows the remuneration for the Chairman, other Non-Executive Directors (NEDs) and Executive Directors in respect of qualifying services for the year ended 31 December 2023.

Directors Remuneration for the year ended 31 December 2023	Fees[1] Shs 000	Salary Shs 000	Cash Incentive Remuneration Non-Deferred Shs 000	Cash Incentive Remuneration Deferred Shs 000	Other Cash Benefit Shs 000	Non-cash benefits Shs 000	Retirement Benefits Shs 000	Total[2] Shs 000
J P M Ndegwa – Group Chairman[3]	5,720	-	-	-	-	-	-	5,720
D A Oyatsi – Deputy Group Chairman	4,070	-	-	-	-	-	-	4,070
J Gachora – Group Managing Director	-	93,480	60,000	11,000	111	10,975	10,197	185,763
D Abwoga – Executive Director	-	33,918	11,129	-	351	2,292	3,721	51,411
A H Abdi	16,856	-	-	-	-	-	-	16,856
J S Armitage	6,740	-	-	-	-	-	-	6,740
I O Awuondo[4]	-	66,600	30,000	-	-	20,854	13	117,467
P R Lopokoiyit	7,787	-	-	-	-	-	-	7,787
A S M Ndegwa	8,280	-	-	-	-	-	-	8,280
E N Ngaine	14,018	-	-	-	-	-	-	14,018
M K R Shah	9,420	-	-	-	-	-	-	9,420
	72,891	**193,998**	**101,129**	**11,000**	**462**	**34,121**	**13,931**	**427,532**

Notes

1 Where applicable, fees earned by Directors serving on the Boards of regional subsidiaries have been converted to Kenya Shillings using the annual mean rate obtained from the Central Bank of Kenya.
2 Directors' total remuneration is consolidated for services rendered as a Director on the NCBA Group PLC Board and related subsidiary company Boards.
3 The total Director's fees for J P M Ndegwa was paid to Asset Managers Limited in respect of Director's services for the year ended 31 December 2023.
4 I O Awuondo earned a salary for services rendered towards the digital banking business of the Group.

Long Term incentives

There were no long-term incentives granted to NEDs in the year ended 31 December 2024.

Pension related benefits

Pension for Executive Directors is provided for under the Group Defined Contribution Pension Scheme, which is registered with the Retirement Benefits Authority and whose members are all employed staff of the Group up to the age of 60 years. Contribution to the scheme is made up of a minimum five percent (5%) contribution of basic salary by the employee and fifteen percent (15%) contribution from the employer. This does not include the statutory contribution to the National Social Security Fund (NSSF). As at 31 December 2024, all the Executive Directors were members of the scheme.

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

DIRECTORS' REMUNERATION REPORT (CONTINUED)

PART 2: IMPLEMENTATION REPORT (CONTINUED)

Compensation for past directors

The Group did not make any payments to past Directors during the year ended 31 December 2024. (2023: Nil) There was no change in the Group's policy on payments to former directors in the year ended 31 December 2024.

On behalf of the Board

_______________________ *(signature)*
D A Oyatsi
Chairman, Governance and Nominations Committee

26 March 2025

NCBA GROUP PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with IFRS 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 internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

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

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

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

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

Approved by the Board of directors on 26 March 2025 and signed on its behalf by:

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

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

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the accompanying separate financial statements of NCBA Group PLC (the "Company") and the consolidated financial statements of the Company and its subsidiaries (together, the "Group") set out on pages 19 to 150, which comprise the consolidated and separate statements of financial position at 31 December 2024 and 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 accompanying financial statements of NCBA Group PLC give a true and fair view of the financial position of the Group and the Company at 31 December 2024 and of their financial performance and cash flows for the year then ended in accordance with 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 company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

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

Report on the audit of the consolidated and separate financial statements (Continued)

Key audit matters (Continued)

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

Estimation of expected credit losses on loans and advances

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

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

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

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

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

</td><td>

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

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

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

Report on the audit of the consolidated and separate financial statements (Continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors report, Directors' remuneration report and Statement of directors' responsibilities but does not include the consolidated and separate financial statements and our auditor's report and the integrated report, which is expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

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, 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 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or 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 scepticism 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

Report on the audit of the consolidated and separate financial statements (Continued)

Auditor's responsibilities for the audit of the consolidated and separate financial statements (continued)

- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 the Company to cease to continue as a going concern.

- 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 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.

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

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

Report on other matters prescribed by the Kenyan Companies Act, 2015

Report of the directors

In our opinion the information given in the report of directors' report on pages 4 to 6 is consistent with the financial statements.

Directors' remuneration report

In our opinion, the auditable part of the directors' remuneration report on pages 7 to 13 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Charles Munkonge Luo,** Practising certificate **No. 2294.**

Charles Luo

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

26 March 2025

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

		Group		Company	
		2024	2023	2024	2023
	Notes	Shs '000	Shs '000	Shs '000	Shs '000
Interest income	6	88,620,061	77,926,028	39,878	85,228
Interest expense	7	(41,173,285)	(30,637,973)	-	-
Net interest income		**47,446,776**	**47,288,055**	**39,878**	**85,228**
Fees and commission income	9	6,221,872	5,680,176	-	-
Fees and commission expense	9	(641,293)	(599,072)	-	-
Net fees and commission income		**5,580,579**	**5,081,104**	**-**	**-**
Insurance revenue	10 (a)	1,717,633	-	-	-
Insurance service expense	10 (b)	(495,692)	-	-	-
Net Insurance service result before reinsurance contracts held		**1,221,941**	**-**	**-**	**-**
Net expenses from reinsurance contracts held	11	(813,216)	-	-	-
Insurance service result		**408,725**	**-**	**-**	**-**
Net finance expense from insurance contracts	12(a)	(427,132)	-	-	-
Net finance income from insurance contracts	12(b)	169,353	-	-	-
Net insurance finance expense	12	**(257,779)**	**-**	**-**	**-**
Net insurance result		**150,946**	**-**	**-**	**-**
Foreign exchange income	13	6,249,763	8,376,941	-	-
Gain on disposal of financial instruments	14	334,328	78,176	-	-
Fair value loss on financial assets	15 (a)	(94,249)	(1,730,879)	-	-
Other income	15 (b)	2,328,478	2,483,758	12,449,879	7,575,646
Bargain purchase gain	51 (d)	266,832	-	-	-
Loss on remeasurement of investment in associate	51 (e)	(273,111)	-	-	-
Non-interest income		**14,543,565**	**14,289,100**	**12,449,879**	**7,575,646**
Net operating income		**61,990,341**	**61,577,155**	**12,489,757**	**7,660,874**
Operating expenses	16	(31,889,883)	(28,695,723)	(460,787)	(728,460)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

		Group		Company	
		2024	2023	2024	2023
	Notes	Shs '000	Shs '000	Shs '000	Shs '000
Operating profit before impairment losses		**30,100,458**	**32,881,432**	**12,028,970**	**6,932,414**
Impairment losses	8	(5,046,435)	(7,441,230)	-	-
Profit before share of associate's profit		**25,054,023**	**25,440,202**	**12,028,970**	**6,932,414**
Share of associates profit	30	87,025	41,704	-	-
Profit before income tax		**25,141,048**	**25,481,906**	**12,028,970**	**6,932,414**
Income tax expense	18	(3,275,281)	(4,025,273)	(123,269)	(92,531)
Profit for the year		**21,865,767**	**21,456,633**	**11,905,701**	**6,839,883**
Profit for the year attributable to:					
Equity holders of the Group		21,881,139	21,456,633	11,905,701	6,839,883
Non-controlling interests		(15,372)	-	-	-
		21,865,767	**21,456,633**	**11,905,701**	**6,839,883**
Earnings per share – basic and diluted (Shs)	20	13	13	7	4
Profit for the year		**21,865,767**	**21,456,633**	**11,905,701**	**6,839,883**
Other comprehensive income net of income tax:					
Items that may be subsequently reclassified to profit or loss					
Fair value gains on financial assets measured at FVOCI, net of tax	45	2,327,070	(2,660,095)	-	-
Exchange differences on translation of foreign operations		(2,597,810)	2,035,026	-	-
Net other comprehensive loss that may be reclassified to the profit or loss in subsequent period		**(270,740)**	**(625,069)**	-	-
Items that will not be reclassified to profit or loss in subsequent periods					
Revaluation surplus on property measured at FVOCI, net of tax	46	106,020	-	-	-
Net other comprehensive loss that will not reclassified to the profit or loss in subsequent period		**106,020**	**-**	**-**	**-**
Other comprehensive income for the year, net of income tax		**(164,720)**	**(625,069)**	**-**	**-**
Total comprehensive income for the year		**21,701,047**	**20,831,564**	**11,905,701**	**6,839,883**
Attributable to:					
Equity holders of the Group		21,716,419	20,831,564	11,905,701	6,839,883
Non-controlling interests		(15,372)	-	-	-
		21,701,047	**20,831,564**	**11,905,701**	**6,839,883**

ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Notes	Group 2024 Shs '000	Group 2023 Shs '000	Company 2024 Shs '000	Company 2023 Shs '000
ASSETS					
Cash and balances with Central Banks	21	43,679,381	43,327,884	-	-
Item in the course of collection	22	553,733	381,443	-	-
Due from banking institutions	23	52,956,080	66,749,065	-	-
Derivative assets	24	18,089	8,438	-	-
Government securities	25	207,516,292	228,860,973	-	-
Investment securities	26	15,226,830	17,685,448	-	-
Customer loans and advances	27	293,932,350	330,214,425	-	-
Current income tax recoverable	18	1,880,967	59,291	-	2,786
Reinsurance contract assets	28 (b)	1,720,552	-	-	-
Other assets	29	19,268,491	16,988,474	674,533	241,319
Due from group companies	48	-	-	1,371,864	528,000
Investment in associates	30	3,366,767	4,223,674	-	332,593
Investment in subsidiaries	31	-	-	75,488,682	74,081,089
Intangible assets	32	7,455,118	7,779,007	-	-
Property and equipment	33	4,333,185	2,484,121	-	-
Deferred income tax	34	10,014,063	12,274,664	88,406	92,453
Lease prepayments – leasehold land	35	521,875	522,000	-	-
Right of use asset	36	3,465,991	3,028,501	-	-
Goodwill	37	34,000	34,000	-	-
Total assets		**665,943,764**	**734,621,408**	**77,623,485**	**75,278,240**
LIABILITIES					
Customer deposits	38	502,016,493	579,401,918	-	-
Due to banking institutions	39	13,407,659	26,680,557	-	-
Due to group companies	48	-	-	7,892,756	9,079,786
Insurance contract liabilities	28 (a)	2,151,016	-	-	-
Reinsurance contract liabilities	28 (b)	62,469	-	-	-
Other liabilities	40	24,240,852	21,470,755	974,613	699,935
Borrowings	41	10,172,225	6,411,971	-	-
Current income tax payable	18	7,697	207,735	1,372	-
Lease liability	42	4,170,604	3,785,294	-	-
Total liabilities		**556,229,015**	**637,958,230**	**8,868,741**	**9,779,721**
SHAREHOLDERS' EQUITY					
Share capital	43	8,237,598	8,237,598	8,237,598	8,237,598
Share premium	44	21,424,322	21,424,322	21,424,322	21,424,322
Investment revaluation reserve	45	(2,454,519)	(4,781,589)	-	-
Revaluation surplus on property	46	106,020	-	-	-
Retained earnings		77,720,291	64,900,509	33,738,386	30,894,042
Foreign currency translation reserve		(658,029)	1,939,781	-	-
Proposed dividend		5,354,438	4,942,557	5,354,438	4,942,557
Total capital and reserves attributable to equity holders of the Group		**109,730,121**	**96,663,178**	**68,754,744**	**65,498,519**
Non-controlling interests		(15,372)	-	-	-
Total shareholders' equity		**109,714,749**	**96,663,178**	**68,754,744**	**65,498,519**
Total liabilities and shareholders' equity		**665,943,764**	**734,621,408**	**77,623,485**	**75,278,240**

The financial statements on pages 19 to 150 were approved for issue by the Board of directors on 26 March 2025 and were signed on its behalf by:

J P M Ndegwa
Group Chairman

J Gachora
Group Managing Director

A H Abdi
Independent Non-Executive Director

NCBA GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital Shs '000	Share premium Shs '000	Investment Revaluation reserve Shs '000	Revaluation surplus on property Shs '000	Retained earnings Shs '000	Foreign currency translation reserve Shs '000	Statutory loan loss reserve Shs '000	Proposed dividend Shs '000	Capital and reserves attributable to equity holders of the Group Shs '000	Non-controlling interest	Total equity Shs '000
At 1 January 2024	8,237,598	21,424,322	(4,781,589)	-	64,900,509	1,939,781	-	4,942,557	96,663,178	-	96,663,178
Total comprehensive income for the year, net of tax											
Profit for the year	-	-	-	-	21,881,139	-	-	-	21,881,139	(15,372)	21,865,767
Gain on revaluation of financial assets at FVOCI	-	-	2,327,070	-	-	-	-	-	2,327,070	-	2,327,070
Currency translation differences	-	-		-		(2,597,810)	-	-	(2,597,810)	-	(2,597,810)
Gain on revaluation of property at FVOCI	-	-	-	106,020	-	-	-	-	106,020	-	106,020
Total comprehensive income	**8,237,598**	**21,424,322**	**(2,454,519)**	**106,020**	**86,781,648**	**(658,029)**	**-**	**4,942,557**	**118,379,597**	**(15,372)**	**118,364,225**
Transaction with equity holders											
Dividends:											
2023 Final dividend paid	-	-	-	-	-	-	-	(4,942,557)	(4,942,557)	-	(4,942,557)
2024 Interim dividend paid	-	-	-	-	(3,706,919)	-	-	-	(3,706,919)	-	(3,706,919)
2024 Proposed final dividend	-	-	-	-	(5,354,438)	-	-	5,354,438	-	-	-
Total transactions with owners	-	-	-	-	(9,061,357)	-	-	411,881	(8,649,476)	-	(8,649,476)
At 31 December 2024	**8,237,598**	**21,424,322**	**(2,454,519)**	**106,020**	**77,720,291**	**(658,029)**	**-**	**5,354,438**	**109,730,121**	**(15,372)**	**109,714,749**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Share capital	Share premium	Revaluation reserve	Retained earnings	Foreign currency translation reserve	Statutory loan loss reserve	Proposed dividend	Capital and reserves attributable to equity holders of the Group	Total equity
		Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
At start of year		8,237,598	21,424,322	(2,121,494)	51,269,592	(95,245)	-	3,706,918	82,421,691	**82,421,691**
Total comprehensive income for the year, net of tax										
Profit for the year		-	-	-	21,456,633	-	-	-	21,456,633	21,456,633
Loss on revaluation of financial assets at FVOCI	46	-	-	(2,660,095)	-	-	-	-	(2,660,095)	(2,660,095)
Currency translation differences		-	-	-	-	2,035,026	-	-	2,035,026	2,035,026
Total comprehensive income		**8,237,598**	**21,424,322**	**(4,781,589)**	**72,726,225**	**1,939,781**	**-**	**3,706,918**	**103,253,255**	**103,253,255**
Transaction with Equity Holders										
Dividends:										
- 2022 Final dividend paid		-	-	-	-	-	-	(3,706,918)	(3,706,918)	(3,706,918)
- 2023 Interim dividend paid		-	-	-	(2,883,159)	-	-	-	(2,883,159)	(2,883,159)
- 2023 Proposed final dividend		-	-	-	(4,942,557)	-	-	4,942,557	-	-
-										
Total transactions with owners		-	-	-	**(7,825,716)**	**-**	**-**	**1,235,639**	**(6,590,077)**	**(6,590,077)**
At end of year		**8,237,598**	**21,424,322**	**(4,781,589)**	**64,900,509**	**1,939,781**	**-**	**4,942,557**	**96,663,178**	**96,663,178**

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital Shs'000	**Share premium Shs'000**	**Retained earnings Shs'000**	**Proposed dividend Shs'000**	**Total equity Shs'000**
At 1 January 2024	**8,237,598**	**21,424,322**	**30,894,042**	**4,942,557**	**65,498,519**
Profit and total comprehensive income for the year	**-**	-	11,905,701	-	**11,905,701**
Transactions with owners, recorded directly through equity					
Dividends:					
- 2023 Final dividend paid	**-**	-	-	(4,942,557)	**(4,942,557)**
- 2024 Interim dividend paid	**-**	-	(3,706,919)	-	**(3,706,919)**
- 2024 Proposed final dividend	-	-	(5,354,438)	5,354,438	**-**
- Total Transaction with Equity Holders	-	-	(9,061,357)	411,881	**(8,649,476)**
At 31 December 2024	**8,237,598**	**21,424,322**	**33,738,386**	**5,354,438**	**68,754,744**
	=========	=========	=========	=========	=========
At 1 January 2023	8,237,598	21,424,322	31,879,875	3,706,918	**65,248,713**
Profit and total comprehensive income for the year	-	-	6,839,883	-	**6,839,883**
Transactions with owners, recorded directly through equity					
Dividends:					
- 2022 Final dividend paid	**-**	**-**	**-**	(3,706,918)	**(3,706,918)**
- 2023 Interim dividend paid	**-**	**-**	(2,883,159)	-	**(2,883,159)**
- 2023 Proposed final dividend	-	-	(4,942,557)	4,942,557	**-**
- Total Transaction with Equity Holders	-	-	(7,825,716)	1,235,639	**(6,590,077)**
At 31 December 2023	**8,237,598**	**21,424,322**	**30,894,042**	**4,942,557**	**65,498,519**
	=========	==========	=========	=========	=========

NCBA GROUP PLC

STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	Group 2024 Shs'000	Group 2023 Shs'000	Company 2024 Shs'000	Company 2023 Shs'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax		25,141,048	25,481,906	12,028,970	6,932,414
Non-cash items	50	(39,513,142)	(37,904,723)	-	-
Changes in operating assets and liabilities	50	(40,615,142)	14,057,872	(1,314,552)	23,640
Income tax paid	18	(3,983,752)	(2,850,491)	(115,063)	(117,457)
Interest received		88,067,693	77,490,527	39,876	85,227
Interest paid		(40,694,997)	(30,505,673)	-	-
Net cash (used in)/ generated from operating activities		**(11,598,292)**	**45,769,418**	**10,639,231**	**6,923,824**
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in subsidiaries		(866,856)	-	(1,075,000)	-
Investment in associates	30	-	(228,976)	-	-
Dividends from associates	30	-	116,666	-	-
Purchase of government securities		(73,668,934)	(69,212,890)	-	-
Proceeds from matured government securities		90,759,782	63,688,235	-	-
Purchase of investment securities		(2,111,424)	(5,002,756)	-	-
Proceeds from sale of investments		4,532,678	254,311	-	-
Purchase of intangible assets	32	(817,215)	(3,092,421)	-	-
Purchase of property and equipment	33	(2,696,205)	(806,487)	-	-
Proceeds on sale of equipment		32,830	10,716	-	-
Net cash generated from/ (used in) in investing activities		**15,164,656**	**(14,273,602)**	**(1,075,000)**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(8,649,476)	(6,590,077)	(8,649,476)	(6,590,077)
Repayment of long-term borrowings	41(b)	(1,854,207)	(1,619,445)	-	-
Payment towards lease liabilities	42	(865,022)	(896,016)	-	-
Proceeds from borrowings	41(b)	6,843,499	3,055,342	-	-
Net cash used in financing activities		**(4,525,206)**	**(6,050,196)**	**(8,649,476)**	**(6,590,077)**
(Decrease) / increase in cash and cash equivalents		(958,842)	25,445,620	914,755	333,747
Cash and cash equivalents at 1 January	49	69,042,140	40,957,316	418,622	84,875
Foreign currency exchange difference		492,048	2,639,204	-	-
Cash and cash equivalents at 31 December	49	**68,575,346**	**69,042,140**	**1,333,377**	**418,622**

NOTES TO THE FINANCIAL STATEMENTS

1. General information

NCBA Group PLC (the "Company/Parent") and its subsidiaries (together, the "Group") provide retail, corporate and digital banking, brokerage, bancassurance, insurance and investment banking services. NCBA Group PLC is incorporated in Kenya under the Kenyan Companies Act, 2015 as a public limited liability company and is domiciled in Kenya. The Company's shares are listed on the Nairobi Securities Exchange (NSE). NCBA Group PLC operates in Kenya, Tanzania, Uganda, Rwanda, Cote d'Ivoire and Ghana through its associates and subsidiaries as captured in notes 30 and 31 respectively.

The address of its registered office is as follows:

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

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

2. Material accounting policies

2.1 Basis of preparation

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

(i) Compliance with IFRS

The financial statements have been prepared in compliance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB) and the interpretations issued by the IFRS Interpretations Committee of the IASB (IFRS IC) applicable to companies reporting under IFRS and the requirements of the Kenyan Companies Act, 2015. The financial statements are presented in thousands of Kenya shillings rounded to the nearest thousand (Shs '000) and are prepared under the historical cost convention except where otherwise stated in the accounting policies below. For those assets at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

(ii) Use of estimates

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

(iii) Changes in accounting policies and disclosures

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

These amendments apply for the first time in the year, but do not have significant impact on the audited financial statements of the Group and Company

<u>Amendments to IAS 1-Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants.</u>

The amendment is effective for annual periods beginning on or after 1 January 2024.

2. Material accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

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

Amendments to IAS 1-Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants. (Continued)

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.
The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early.

The adoption of this amendment did not have a material impact on the Group's financial statements.

Amendments to IFRS 16- Lease Liability in a Sale and Leaseback

The amendment is effective for annual periods beginning on or after 1 January 2024.

The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

The adoption of this amendment did not have a material impact on the Group's financial statements.

2. Material accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

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

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements.

The amendment is effective for annual periods beginning on or after 1 January 2024.

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The adoption of this amendment did not have a material impact on the Group's financial statements.

International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12

The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later.

The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The amendments require an entity to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.
An entity is required to separately disclose its current tax expense (income) related to Pillar Two income taxes, in the periods when the legislation is effective.

The amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

The adoption of this amendment did not have a material impact on the Group's financial statements.

2. Material accounting policies (continued)

2.1. Basis of preparation (continued)

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

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

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are listed below:

New standards or amendments	Effective for annual period beginning on or after
Amendments to IAS 21-Lack of exchangeability	1 Jan 2025
Amendments to IFRS 9 and IFRS 7-Classification and Measurement of Financial Instruments	1 Jan 2026
Annual Improvements to IFRS Accounting Standards—Volume 11	1 Jan 2026
Amendments to IFRS 9 and IFRS 7- Contracts Referencing Nature-dependent Electricity	1 Jan 2026
IFRS 18 – Presentation and Disclosure in Financial Statements	1 Jan 2027
IFRS 19 - Subsidiaries without Public Accountability: Disclosures	1 Jan 2027
Amendments to IFRS 10 and IAS 28-Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Amendments to IAS 21 - Lack of Exchangeability

The amendment is effective for annual periods beginning on or after 1 January 2025.

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

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

Amendments to IFRS 9 and IFRS 7 -Classification and Measurement of Financial Instruments
The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Entities can early adopt the amendments that relate to the classification of financial assets plus the related disclosures and apply the other amendments later.

Key requirements

In May 2024, the Board issued Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7), which:

- Clarifies that a financial liability is derecognised on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met
- Clarified how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features

2 Material accounting policies (continued)

2.1 Basis of preparation (continued)

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

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

Amendments to IFRS 9 and IFRS 7 -Classification and Measurement of Financial (continued)

- Clarifies the treatment of non-recourse assets and contractually linked instruments terms that requires additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income

The publication of the amendments concludes the classification and measurement phase of the lASB's post implementation review (PIR) of IFRS 9 Financial Instruments. The new requirements will be applied retrospectively with an adjustment to opening retained earnings. Prior periods are not required to be restated and can only be restated without using hindsight. An entity is required to disclose information about financial assets that change their measurement category due to the amendments.

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

Annual Improvements to IFRS Accounting Standards—Volume 11

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS. In July 2024, the IASB issued Annual Improvements to IFRS Accounting Standards — Volume 11.
The following is a summary of the amendments from the Annual Improvements to IFRS Accounting Standards—Volume 11:

IFRS 1 First-time Adoption of International Financial Reporting Standards	Hedge Accounting by a First-time Adopter Paragraphs B5 and B6 of IFRS 1 have been amended to include cross references to the qualifying criteria for hedge accounting in paragraph 6.4.1(a), (b) and (c) of IFRS 9. These amendments are intended to address potential confusion arising from an inconsistency between the wording in IFRS 1 and the requirements for hedge accounting in IFRS 9. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.
IFRS 7 Financial Instruments: Disclosures	Gain or Loss on Derecognition The amendments update the language on unobservable inputs in paragraph B38 of IFRS 7 and include a cross reference to paragraphs 72 and 73 of IFRS 13 Fair Value Measurement. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.
Guidance on implementing IFRS 7 Financial Instruments: Disclosures	Introduction The amendments to paragraph IG1 of the Guidance on implementing IFRS 7 clarify that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7, nor does it create additional requirements.

2 Material accounting policies (continued)

2.1 Basis of preparation (continued)

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

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

Annual Improvements to IFRS Accounting Standards—Volume 11 (continued)

Guidance on implementing IFRS 7 Financial Instruments: Disclosures	Disclosure of Deferred Difference between Fair Value and Transaction Price Paragraph IG14 of the Guidance on implementing IFRS 7 has been amended mainly to make the wording consistent with the requirements in paragraph 28 of IFRS 7 and with the concepts and terminology used in IFRS 9 and IFRS 13.
Guidance on implementing IFRS 7 Financial Instruments: Disclosures	Credit Risk Disclosures Paragraph IG20B of the Guidance on implementing IFRS 7 has been amended to simplify the explanation of which aspects of the IFRS requirements are not illustrated in the example.
IFRS 9 Financial Instruments	Transaction Price Paragraph 5.1.3 of IFRS 9 has been amended to replace the reference to 'transaction price as defined by IFRS 15 Revenue from Contracts with Customers' with 'the amount determined by applying IFRS 15'. The use of the term 'transaction price' in relation to IFRS 15 was potentially confusing and so it has been removed. The term was also deleted from Appendix A of IFRS 9. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.
IFRS 10 Consolidated Financial Statements	Determination of a 'De Facto Agent' Paragraph B74 of IFRS 10 has been amended to clarify that the relationship described in paragraph B74 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor. The amendments are intended to remove the inconsistency with the requirement in paragraph B73 for an entity to use judgement to determine whether other parties are acting as de facto agents. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.
IAS 7 Statement of Cash Flows	Cost Method Paragraph 37 of IAS 7 has been amended to replace the term 'cost method' with 'at cost', following the prior deletion of the definition of 'cost method'. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

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

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

Amendments to IFRS 9 and IFRS 7- Contracts Referencing Nature-dependent Electricity

The amendment is effective for annual periods beginning on or after 1 January 2026.

The amendments include:

- Clarifying the application of the ‘own-use’ requirements
- Permitting hedge accounting if these contracts are used as hedging instruments
- Adding new disclosure requirements to enable investors to understand the effect of these contracts on a company’s financial performance and cash flows

The clarifications regarding the ‘own use’ requirements must be applied retrospectively, but the guidance permitting hedge accounting have to be applied prospectively to new hedging relationships designated on or after the date of initial application.

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

IFRS 18 – Presentation and Disclosure in Financial Statements

The standard is effective for annual periods beginning on or after 1 January 2027.

IFRS 18 introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information
An entity will be required to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. In addition, IFRS 18 requires an entity to present subtotals and totals for ‘operating profit or loss’, ‘profit or loss before

financing and income taxes’ and ‘profit or loss’.

Management-defined performance measures

IFRS 18 introduces the concept of a management-defined performance measure (MPM) which it defines as a subtotal of income and expenses that an entity uses in public communications outside financial statements, to communicate management’s view of an aspect of the financial performance of the entity as a whole to users. IFRS 18 requires disclosure of information about all of an entity’s MPMs within a single note to the financial statements and requires several disclosures to be made about each MPM, including how the measure is calculated and a reconciliation to the most comparable subtotal specified by IFRS 18 or another IFRS accounting standard.
The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.

IFRS 19 - Subsidiaries without Public Accountability: Disclosures

The standard is effective for annual periods beginning on or after 1 January 2027.

In May 2024, the Board issued IFRS 19 Subsidiaries without Public Accountability: Disclosures, which allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

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

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

IFRS 19 - Subsidiaries without Public Accountability: Disclosures (Continued)

An entity applying IFRS 19 is required to disclose that fact as part of its general IFRS accounting standards compliance statement. IFRS 19 requires an entity whose financial statements comply with IFRS accounting standards including IFRS 19 to make an explicit and unreserved statement of such compliance.

An entity may elect to apply IFRS 19 if at the end of the reporting period:

- It is a subsidiary as defined in IFRS 10;
- It does not have public accountability; and
- It has a parent (either ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards

An entity is required, during the first period (annual and interim) in which it applies the standard, to align the disclosures in the comparative period with the disclosures included in the current period under IFRS 19, unless IFRS 19 or another IFRS accounting standard permits or requires otherwise.

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

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

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

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

2.2 Consolidation

The consolidated financial statements comprise the financial statements of NCBA Group PLC (the "Company") and its subsidiaries (see note 31) and equity accounted stake in associates (see note 30) up to 31 December 2024 (together the "Group). All inter-company transactions, balances and gains or losses on transactions between Group companies are eliminated in full on consolidation.

i) Investment in subsidiaries

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

2. Material accounting policies (continued)

2.2 Consolidation (Continued)

ii) Investment in associates

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

iii) Changes in ownership interest

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

When the Group ceases to have control, any retained interest in the entity is measured to its fair value at the date when control is lost, with any resulting gain or loss recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

iv) Non-controlling interest (NCI)

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

2.3 Business combinations

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. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase consideration is recognised in profit and loss immediately.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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.

Any contingent consideration to be transferred by the acquirer will be recognised 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 *Financial Instruments*, is measured at fair value with the changes in fair value recognised 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 recognised in profit or loss.

2. Material accounting policies (continued)

2.4 Interest income and expense recognition

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or
– the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

For purchased or originated credit- impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.
The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount
The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

2.5 Fee and commission income

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

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

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

2.6 Other income

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

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

2. Material accounting policies (continued)

2.7 Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

The results and financial position of the subsidiaries have been translated into the presentation currency as follows:

(i) Assets and liabilities at each reporting period are translated at the closing rate at the reporting date;

(ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates

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

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

Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

2.8 Financial assets

i) Recognition and subsequent measurement

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss.

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

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

The Group classifies its financial assets into the following categories:

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

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

2. Material accounting policies (continued)

2.8 Financial assets (Continued)

i) Recognition and subsequent measurement (Continued)

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. Material accounting policies (continued)

2.8 Financial assets (Continued)

ii) Modification of loans

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

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

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

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

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

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

	2024	2023
	Shs '000	Shs '000
Financial assets (with loss allowance based on lifetime ECL) modified during the period		
Carrying amount before modification	19,346,681	67,396,003
Loss allowance before modification	(4,887,680)	(3,558,419)
Net amortised cost before modification	**14,459,001**	**63.837,584**
Net modification loss	(292,246)	(310,731)
Net amortised cost after modification	**14,166,755**	**63,526,853**

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

iii) Derecognition other than on a modification

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. Material accounting policies (continued)

2.8 Financial assets (continued)

iii) Derecognition other than on a modification

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

iv) Impairment of financial assets

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

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

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

Equity Instruments

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

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

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

2.9 Financial liabilities

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

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

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

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

2. Material accounting policies (continued)

2.9 Financial liabilities (Continued)

Derecognition and of financial liabilities

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

Modification of financial liabilities

When the modification of the terms of an existing financial liability is not judged to be substantial and, consequently, does not result in derecognition, the amortised cost of the financial liability is recalculated by computing the present value of estimated future contractual cash flows that are discounted at the financial liability's original Effective Interest Rate. Any resulting difference is recognised immediately in profit or loss. For financial liabilities, the Group considers a modification to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

2.10 Financial guarantee contracts and loan commitments

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

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

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

2.11 Offsetting financial instruments

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

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

2.12 Insurance contracts

(i) Summary of measurement approaches

The Group issues general insurance products to individuals and companies. These include property, financial lines, marine, personal accident and motor products. These products offer protection of a policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

The Group also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities.

The Group does not issue any contracts with direct participating features. No contracts are within the scope of the Variable Fee Approach

2. Material accounting policies (continued)

2.12 Insurance contracts (Continued)

(ii) Definition and classification

A contract is recognized as an insurance contract if it involves the assumption by the Company of significant insurance risk. Insurance risk is transferred to the Group where it agrees to compensate a policyholder if a specified uncertain future event, other than those caused by changes in a financial variable such as interest and foreign exchange rates, adversely affects the policyholder. The Group uses judgement to assess whether a contract transfers insurance risk (i.e., if there is a scenario with commercial substance in which the Group has the possibility of a loss on a present value basis) and whether the insurance risk accepted is significant. Once a contract has been classified as an insurance contract, it remains an insurance contract until derecognized even if the insurance risk becomes insignificant during this period.

In the ordinary course of business, the Group places reinsurance with affiliated and unaffiliated reinsurance and insurance companies in order to manage exposures by limiting its maximum net loss arising from large risks or catastrophic events and protect the capital position of the Group. A reinsurance contract is deemed to transfer significant insurance risk if it transfers to the reinsurer substantially all of the insurance risk from the reinsured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

A variety of traditional reinsurance products are used in connection with the Group's risk management strategy. These products include all lines quota share treaties as well as an accident year stop loss treaty.

All references to 'insurance contracts' in these financial statements apply equally to insurance contracts issued or acquired (including assumed reinsurance contracts from reinsurance and insurance companies) and reinsurance contracts held, unless specifically stated otherwise.
Any contract that has the legal form of an insurance contract but does not involve the transfer of significant insurance risk is accounted for as an investment contract. Transactions under investment contracts are not recognized through the Statement of Profit or Loss and Other Comprehensive Income and are accounted for as financial instruments under IFRS 9.

(iii) Combination and separation of insurance contracts

Before measuring an insurance contract under the requirements of IFRS 17, the Group evaluates whether the contract contains components that should be separated. IFRS 17 distinguishes the following categories of non-insurance components that are required to be identified and accounted for separately:

- Cash flows related to embedded derivatives identified and, where applicable, measured applying IFRS 9;
- Cash flows related to distinct investment components measured applying IFRS 9; and
- Promises to transfer distinct goods or non-insurance services, measured applying IFRS 15, Revenue from Contracts with Customers ("IFRS 15").

The Group applies IFRS 17 to all remaining components of the contract that are not separated. Where multiple insurance components are incorporated into a single contract, these multiple insurance components are measured separately where facts and circumstances indicate that separation more appropriately reflects the economic substance of the contract.

Where a set or series of insurance contracts is issued to the same or a related counterparty and achieves, or is designed to achieve, an overall commercial effect, the Group combines the set or series of contracts as a whole to reflect the economic substance of the individual contracts.

(iv) Unit of account

The Group identifies portfolios of insurance contracts that are subject to similar risks and managed together. Each portfolio is further disaggregated into groups of insurance contracts that are issued within a calendar year (annual cohorts) and are:

a. contracts that are onerous at initial recognition;
b. contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or

a group of remaining contracts.

2. Material accounting policies (continued)

2.12 Insurance contracts (Continued)

(iv) Unit of account (continued

These groups represent the level of aggregation at which insurance contracts are initially recognized and measured. Once established at initial recognition, the composition of the groups is not reassessed subsequently.

For each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and, for the remaining contracts, whether they have no significant possibility of becoming onerous subsequently. This level of granularity determines sets of insurance contracts. The Group uses judgement to determine the level at which the Group has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogenous that they can be allocated to the same group without performing an individual contract assessment. Where no such information is identified, insurance contracts are allocated to a group on the basis of a contract-by-contract review.

Where the Group is constrained by laws or regulation from setting a price to different policyholders fully reflective of their different risk profiles, the effect of such constraints is disregarded when applying the aggregation requirements of IFRS 17.

For insurance contracts measured using the PAA, the Group assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts may be onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous contracts. For non-onerous contracts, the Group assesses the likelihood of changes in relevant facts and circumstances in subsequent periods in determining whether contracts have no significant possibility of becoming onerous subsequent to initial recognition.

Portfolio of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued and, unless the economic substance of the Group's rights and obligations under reinsurance contracts held meet the separation requirements, a group of reinsurance contracts held may provide coverage for underlying contracts that are included in different groups.

Within a portfolio, the Group aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of:

a. contracts for which there is a net gain at initial recognition;
b. contracts that at initial recognition, there is no significant possibility of a net gain arising subsequently; or
c. other remaining contracts.

Reinsurance contracts are assessed for grouping purposes on an individual contract basis.

(v) Recognition and derecognition

The Group initially recognizes a group of insurance contracts issued from the earlier of the following:

- The beginning of the coverage period;
- The date when the first payment from a policyholder in the group becomes due or, if there is no due date, is actually received; and
- The date when the Group determines that the group becomes onerous.

The Group recognizes a group of reinsurance contracts held that cover losses of separate (underlying) insurance contracts on a proportionate basis (proportionate or quota share reinsurance) at the later of:

- The beginning of the coverage period of the group of reinsurance contracts held; or
- The date of initial recognition of any underlying contract.

2. Material accounting policies (continued)

2.12 Insurance contracts (Continued)

(v) Recognition and derecognition (Continued)

A group of reinsurance contracts held that cover aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contracts, such as excess of loss reinsurance) is recognized at the beginning of the coverage period of the group.

Insurance contracts acquired in a business combination or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

Only contracts that meet the recognition criteria at the reporting date are included within the groups. Where contracts meet the recognition criteria after the reporting date, they are added to groups in the reporting period in which the recognition criteria are met, subject to meeting the annual cohorts' requirements. The composition of groups is not reassessed in subsequent periods.

(vi) Accounting for contract modification and derecognition

An insurance contract is derecognized when:

- it is extinguished (i.e., when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified, subject to certain conditions being met.

Where the terms of a contract are modified by agreement between the parties to the contract or by a change in regulation, the Group accounts for any changes in expected fulfilment cash flows (**"**FCF") as a change in estimates unless any of the following conditions are present, in which case the Group derecognizes the original contract and treats the modified contract as a new contract. The relevant conditions are that:

a. If the modified terms had been included in the contract at its inception:
   - i. The modified contract would not have been within scope of IFRS 17;
   - ii. The Group would have separated different components from the host contract, resulting in different insurance components to which IFRS 17 is applied;
   - iii. The modified contract would have a different contract boundary; or
   - iv. The modified contract would have been in a different group.

b. The original contract was accounted for under the PAA, but the modifications mean that the contract no longer meets the eligibility criteria for that approach.

When an insurance contract accounted for under the PAA is derecognized, adjustments to the FCF to remove related rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

a. if the contract is extinguished, any net difference between the derecognized part of the LRC of the original contract and any other cash flows arising from extinguishment;

b. if the contract is transferred to the third party, any net difference between the derecognized part of the LRC of the original contract and the premium charged by the third party;

c. if the original contract is modified resulting in its derecognition, any net difference between the derecognized part of the LRC and the hypothetical premium the entity would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

2. Material accounting policies (continued)

2.12 Insurance contracts (Continued)

(vii) Fulfilment cash flows

Fulfilment cash flows within the contract boundary

The FCF are current estimates of all the future cash flows within the boundary of each contract in the group that the Group expects to collect from premiums and disburse for claims and related expenses, adjusted to reflect the timing and uncertainty of those amounts.

The estimates of future cash flows are:

- A probability weighted mean of the full range of expected outcomes;
- Reflective of the perspective of the Group, provided that estimates of any relevant market variables are consistent with observable market prices for those variables;
- Current, reflecting conditions existing at the measurement date; and
- Explicit – the Group estimates the adjustment for non-financial risk separately from other estimates. Cash flows are also estimated separately from the adjustment for the time value of money and financial risk, except where the most appropriate measurement technique combines these estimates.

The estimates for future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent that financial risks are not included in the estimates of future cash flows. The discount rates applied to the future cash flows:

- Reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- Are consistent with observable current market prices (where available) for financial instruments with cash flows with characteristics similar to those of the insurance contracts, including in terms of timing, currency and liquidity; and
- Excludes the effect of factors that influence the observable market prices but that do not impact the future cash flows of the insurance contracts.

An explicit risk adjustment for non-financial risk is estimated separately from other components of measurement. For contracts measured under the PAA, provided the contracts are not onerous, the explicit risk adjustment for non-financial risk is only estimated for the LIC.

In the measurement of reinsurance contracts held, the present value of the probability weighted mean of future cash flows includes an allowance for potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The Group uses consistent assumptions to measure the estimates of the present value of the future cash flows for groups of reinsurance contracts held as for the estimates for the groups of underlying insurance contracts.

The Group estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts.

Contract boundary

The measurement of a group of insurance contracts includes all the cash flows within the boundary of each contract in the group. The assessment of the contract boundary is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

a. The Group has the practical ability to reprice the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
b. Both of the following criteria are satisfied:
   The Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; or

2. Material accounting policies (continued)

2.12 Insurance contracts (Continued)

(vii) Fulfilment cash flows (Continued)

Contract boundary

The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

In assessing the practical ability to reprice, the Group considers all risks transferred from the policyholder to the Group, such as insurance risk and financial risk; with other non-policyholder risks, such as lapse or surrender and expense risk, being excluded.

Riders, being optional add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at an additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all the cash flows within its boundary.

Cash flows outside of the boundary of the insurance contract are excluded from measurement. These cash flows relate to future insurance contracts.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive insurance contract services from the reinsurer.

The Group's quota share reinsurance contracts held have an unlimited duration but are cancellable for new business with a [period to be inserted] notice period by either party. This cancellation period is included within the contract boundary of the reinsurance contracts. Estimates of future cash flows arising from all underlying contracts either: issued at the reporting date; or, expected to be issued during the cancellation period after the reporting date, are included in each of the reinsurance contracts' measurement.

Insurance acquisition cash flows

Insurance acquisition cash flows represent cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued).

Such costs include:

- Costs directly attributable to individual contracts and groups of contracts; and
- Costs directly attributable to the portfolio of insurance contracts to which the group belongs.

The Group uses a reasonable and consistent method to allocate insurance acquisition cashflow as below:

a. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:

   i) To that group; and
   ii) to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.

b. Insurance acquisition cash flows directly attributable to the portfolio of insurance contracts that are not directly attributable to a group of insurance contracts, to groups in the portfolio.

Where insurance acquisition cash flows have been paid or incurred prior to the recognition of the related group of insurance contracts in the Statement of Financial Position, a separate asset for insurance acquisition cash flows is recognized for each related group.

An asset for insurance acquisition cash flows is derecognized and included in the measurement of the group of insurance contracts when the group to which they are allocated is initially recognized. Where, in a reporting period, the Group only recognizes some of the insurance contracts expected to be included in the group, the Group determines the related portion of the asset for insurance acquisition cash flows for the group on a systematic and rational basis, taking into consideration the expected timing of recognition of contracts in the group. The Group derecognizes that portion and includes it in the measurement of the group of insurance contracts.

At the end of each reporting period, the Group assesses the recoverability of any asset for insurance acquisition cash flows. If facts and circumstances indicate that the asset may be impaired, the Group adjusts the carrying amount of the asset and recognizes an impairment loss in profit or loss. To the extent that an impairment condition no longer exists or has improved, the Group recognizes a reversal of some or all of an impairment previously recognized and increases the carrying amount of the asset

2. Material accounting policies (continued)

2.12 Insurance contracts (Continued)

(vii) Fulfilment cash flows (Continued)

Other pre-recognition cash flows

Before a group of insurance contracts is recognized, the Group recognizes an asset or liability for any cash flows related to a group of insurance contracts other than insurance acquisition cash flows either due to the occurrence of the cash flows or due to the requirements of another IFRS standard. Cash flows are related to a group of insurance contracts if they would have been included as FCF at initial recognition of the group if they had been paid or received at that date. These cash flows are included within the measurement of the related portfolios of insurance contracts issued or reinsurance contracts held.

Risk adjustment for non-financial risk

Amount and timing of the cash flows that arises from non-financial risk as the Group fulfils insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer.

viii) Initial and subsequent measurement – Groups measured under the PAA

The Group uses the PAA for measuring insurance contracts where:

- The coverage period of the contracts is one year or less; or
- The Group has determined that the LRC measured under the PAA for a group of insurance contracts would not differ materially from the LRC measured under the GMM.

The Group has determined that all insurance contracts issued and reinsurance contracts held by the Group are eligible to apply the PAA and the Group has elected to apply this measurement model to all insurance contracts.

For insurance contracts issued, insurance acquisition costs are deferred and recognized over the coverage period of the contracts in a group.

Initial recognition

For insurance contracts issued, the Group measures the LRC for the group of insurance contracts:

a. at the amount of premiums received, if any, in cash; plus
b. any insurance acquisition cash flows paid at that date; plus or minus
c. any amounts arising from the derecognition at that date of:

    i) any asset for insurance acquisition cash flows; and
    ii) any other asset or liability previously recognized for cash flows related to the group of contracts.

For reinsurance contracts held, the asset for remaining coverage is measured at the amount of ceding premiums paid.

Subsequent measurement

For insurance contracts issued, the carrying amount of a group of insurance contracts at the reporting date is the sum of:

a. The LRC, measured as discussed below: and
b. The LIC, comprising the FCF related to past service allocated to the group at the reporting date.

2. Material accounting policies (continued)

2.12 Insurance contracts (Continued)

viii) Initial and subsequent measurement – Groups measured under the PAA (continued)

Subsequent measurement (continued)

At each subsequent reporting date, the LRC for a group of insurance contracts is comprised of:

- The amount of the LRC at the beginning of the period; plus
- Premiums received in cash during the period; less
- Insurance acquisition cash flows paid; less
- Amounts of expected premiums recognized as insurance revenue for services provided in the period; plus
- Amortization of insurance acquisition cash flows recognized as insurance service expenses for services provided in the period; plus or minus
- The effect of any currency exchange differences on the LRC; and plus or minus
- An adjustment to a financing component.

Where a policyholder remits premiums to an intermediary that is acting as an agent of the Group, premiums are recognized as received when the policyholder remits cash to the intermediary. The amount due to the Group from the intermediary is in scope of IFRS 9 and recognized as a receivable amount within Other Assets.

For reinsurance contracts held, the carrying amount of a group of insurance contracts at the reporting date is the sum of:

- The asset for remaining coverage (“ARC”): and
- The asset for incurred claims recoveries (“AIC”), comprising the FCF related to past service allocated to the group at the reporting date.

At each subsequent reporting date, the ARC for a group of reinsurance contracts held is comprised of:

- The amount of the remaining coverage at the beginning of the period; plus
- Ceding premiums paid in cash during the period; less
- Amounts of ceding premiums recognized as reinsurance expenses for services received in the period; plus or minus
- The effect of any currency exchange differences on the ARC; and plus or minus
- An adjustment to a financing component.

The AIC is measured similarly to the LIC measurement under the PAA

Adjustment to a financing component

Where insurance contracts in a group of insurance contracts have a significant financing component, the Group adjusts the carrying amount of the LRC to reflect the time value of money and the effect of financial risk using the discount rates determined at initial recognition. The Group has elected not to adjust the carrying amount of the LRC for the time value of money and the effect of financial risk where the period between the Group providing insurance services and the due date for the receipt of the related premium is no more than one year.

The Group has also elected not to adjust the carrying amount of the LIC for the time value of money and the effect of financial risk where the period between the date a claim is incurred and the expected settlement date of the relevant cash flows is one year or less.

2. Material accounting policies (continued)

2.12 Insurance contracts (Continued)

viii) Initial and subsequent measurement – Groups measured under the PAA (continued)

Onerous contracts

Where a group of insurance contracts is onerous, either at initial recognition or subsequently, the Group increases the carrying amount of the LRC to be equivalent to the FCF determined under the GMM, with the increase recognized immediately in insurance service expenses and presented as a loss component of the LRC for the group. In subsequent periods, the Group amortizes the loss component of the LRC, decreasing insurance service expenses.

The reversal of the loss component is based on the passage time over the remaining coverage period of contracts included within the onerous group. Where facts and circumstances indicate that the expected profitability of the onerous group during the remaining coverage period has changed, the Group remeasures the FCF, applying the principles of the GMM, and recognizes any change in the FCF by adjusting the loss component until the loss component is reduced to zero.

Reinsurance contracts held

When a loss is recognized on initial recognition of an onerous group of underlying insurance contracts, the Group adjusts the carrying amount of the ARC for a related reinsurance contract held by the amount of income recognized in profit or loss and establishes or adjusts a loss-recovery component of the ARC for the amount of income recognized.

Amounts recognized in total comprehensive income

Insurance service result from insurance contracts issued

Insurance revenue

Insurance revenue for the period depicts the transfer of promised insurance services at an amount that reflects the portion of consideration the Group expects to be entitled to in exchange for those services.

For groups of contracts measured under the PAA, the Group allocates expected premium receipts and recognizes insurance revenue during the coverage period based on the passage of time, unless the expected pattern of release from risk during the coverage period differs significantly from the passage of time, in which case the allocation is made on the basis of the expected timing of incurred insurance service expenses.

Insurance service expenses

Insurance service expenses include the following:

- Incurred claims and benefits excluding investment components, including an estimate for claims incurred but not reported at the reporting date;
- Other incurred directly attributable insurance service expenses;
- Amortization of insurance acquisition cash flows;
- Changes that relate to past service (i.e., changes in FCF relating to the LIC);
- Changes that relate to future service – losses (and reversals of losses) on onerous groups of insurance contracts from changes in the loss components); and
- Impairment, and reversals of impairment, of an asset for insurance acquisition cash flows

For contracts measured under the PAA, amortization of insurance acquisition cash flows is based on the passage of time.

2. Material accounting policies (continued)

2.12 Insurance contracts (Continued)

viii) Initial and subsequent measurement – Groups measured under the PAA (continued)

Insurance service result from reinsurance contracts held

The financial performance of groups of reinsurance contracts held is presented on a net basis comprising:

- Reinsurance expenses;
- Incurred claims recoveries;
- Other incurred directly attributable insurance service expenses;
- Effect of changes in risk of reinsurer non-performance;
- Changes relating to past service (i.e., changes that adjust expected amounts recoverable for incurred claims); and
- Amounts relating to the accounting for onerous groups of underlying insurance contracts issued:
- Income on initial recognition of onerous underlying contracts;

Reinsurance expenses are recognized similarly to insurance revenue. The amount of reinsurance expenses recognized in the reporting period depicts the transfer of reinsurance services received at an amount that reflects the portion of ceding premium the Group expects to pay in exchange for those services.For groups of reinsurance contracts held measured under the PAA, the Group recognizes reinsurance expenses based on the passage of time over the coverage period of a group of contracts.
Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

Insurance service result from reinsurance contracts held
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.

For groups of insurance contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

- Interest accreted on the LRC and LIC;
- The effect of changes in interest rates and other financial assumptions; and
- Foreign exchange differences arising from contracts denominated in a foreign currency.

The Group includes all insurance finance income or expense for the period in profit or loss, and does not apply the OCI option.

2.13 Property and equipment

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

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

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

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

2. Material accounting policies (continued)

2.13 Property and equipment (continued)

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

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

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

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

Fair value measurement of the Group's Building

Building on leased property is measured at fair value, less accumulated depreciation and impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus 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 surplus relating to the particular asset being sold is transferred to retained earnings.

2.14 Intangible assets

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

i) Software

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

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

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

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

2. Material accounting policies (continued)

2.14 Intangible assets

ii) Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous 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 recognised 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 recognised in profit or loss.

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

2.13 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, non–restricted balances with central banks, treasury bills and amounts due from or to banks on demand or with an original maturity of three months or less, net of amounts due to other banks on demand or with an original maturity of three months or less. These are subject to insignificant risk of changes in their fair value.

2.14 Provisions and contingent liabilities

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

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

2.15 Employee benefits

i) Retirement benefit obligations

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

ii) Other entitlements

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

2. Material accounting policies (continued)

2.16 Income tax

i) Income tax charge

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

ii) Current income tax

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

iii) Deferred income tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination and which affects neither accounting nor taxable profit. It is also not recognised for temporary differences related to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future and the investor is able to control the timing of the reversal of the temporary difference.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws applicable at the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

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

2.17 Derivative financial instruments

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

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

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

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

2.18 Leases

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

i) The Group is the lessee

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

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

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

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

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

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

ii) With the Group as lessor

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

2.19 Sale and repurchase agreements

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

2.20 Assets obtained by taking possession of collateral

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

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

2.21 Dividends

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

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

2. Material accounting policies (continued)

2.22 Share capital

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

2.23 Off balance sheet letters of credit, acceptances and guarantees

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

2.24 Fiduciary activities

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

2.25 Statutory loan loss reserve

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

2.26 Segment reporting

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

2.27 Earnings per share

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

2.28 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication that an asset may be impaired. If any such indication exists, then the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

2.29 Comparatives

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

3 Financial risk management

3.1 Risk management framework

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

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

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

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

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

3.2 Credit risk

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

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

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

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

a) Credit related commitments

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

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

3 Financial risk management (Continued)

3.2 Credit risk (Continued)

a) Credit related commitments (Continued)

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

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

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

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

- The Group exercises stringent controls over the granting of new loans.
- 80% (2023: 82%) of the loans and advances portfolio are neither past due nor impaired.
- 93% (2023: 93%) of the debt securities are government securities.

b) Loans and advances

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

i) Expected credit loss measurement

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

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

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

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

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

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

3 Financial risk management (Continued)

3.2 Credit risk (Continued)

b) Loans and advances (Continued)

i) Expected credit loss measurement (Continued)

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

Change in credit quality since initial recognition

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

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

ii) Significant Increase in credit risk (SICR)

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

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

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

<u>Quantitative Criteria</u>

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

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

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

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

3. Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

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

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

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

<u>Qualitative Criteria</u>

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

- Significant changes in the terms of the same instrument if it were issued at the reporting date that indicate a change in credit risk since initial recognition, e.g.: increase in credit spread; more stringent covenants; increased amounts of collateral or guarantees; or higher income coverage.
- Significant changes in external market indicators of credit risk for the same financial instrument (or similar instrument of the borrower), e.g.: credit spread; credit default swap prices; length of time or the extent to which the fair value of a financial asset has been less than its amortised cost; other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments; or external credit rating (actual or expected).
- Changes in the Group's credit management approach in relation to the financial instrument (e.g. based on emerging indicators of changes in the credit risk of the financial instrument, the Group's credit risk management practice is expected to become more active or focused on managing the instrument, including the instrument becoming more closely monitored or controlled, or the Group specifically intervening with the borrower).
- Actual or expected adverse changes in business, financial or economic conditions significantly affecting borrower's ability to meet its debt obligations (e.g. increase in interest rates or unemployment rates); operating results of the borrower e.g. declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organizational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations; or regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations (e.g. a decline in the demand for the borrower's sales product because of a shift in technology).
- Significant changes in the value of collateral or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to pay or otherwise affect the probability of default; or quality of a guarantee provided by a shareholder (or an individual's parents) if the shareholder (or parents) have an incentive and financial ability to prevent default by capital or cash infusion.

3. Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

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

Qualitative Criteria (Continued)

- Expected changes in the loan documentation (e.g. breach of contract leading to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees).
- Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group (e.g. increase in delayed contractual payments or number of credit card borrowers expected to approach or exceed their credit limit or who are expected to be paying the minimum monthly amount).

ii) Definition of default and credit-impaired assets

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

Qualitative criteria

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

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

The group has not rebutted the 90 days past due (DPD) rule for identifying default.

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

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

3. Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

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

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

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

LGD refers to the loss that is expected to arise on default, incorporating the impact of forward-looking economic assumptions where relevant, which represents the difference between the contractual cash flows due and those that the Group expects to receive. The Group estimate LGD based on the history of recovery rates and consider the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.

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

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

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

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

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

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

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

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

3. Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

iii) Measuring expected credit loss – inputs, assumptions and estimation techniques (Continued)

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

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

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

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

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

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

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

v) Forward-looking information incorporated in the ECL models

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

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

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

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

3. Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

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

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have been considered, but are not deemed to have a material impact on therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness annually.

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2024 for the years 2024 to 2029.

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

Macro-Economic Factors	***Base Forecast***			***Best Case***			***Worst Case***		
	2024	**2025**	**Remaining Forecast Period**	**2024**	**2025**	**Remaining Forecast Period**	**2024**	**2025**	**Remaining Forecast Period**
GDP Growth (YoY%)	13.27%	10.64%	8.93%	13.93%	11.17%	9.38%	12.61%	10.11%	8.49%
GDP Per Capita (YoY%)	3.01%	3.44%	3.36%	3.16%	3.61%	3.53%	2.86%	3.27%	3.20%
FX Rate (YoY%)	-14.36%	2.24%	2.00%	-15.08%	2.35%	2.10%	-13.64%	2.13%	1.90%
Lending Rate-Base Rate (%)	15.97%	11.61%	10.89%	16.77%	12.19%	11.43%	15.17%	11.03%	10.35%
Household Spending (YoY%)	10.28%	9.36%	10.39%	10.79%	9.83%	10.91%	9.77%	8.89%	9.87%
Foreign Reserves (YoY%)	25.00%	10.01%	11.25%	26.25%	10.51%	11.81%	23.75%	9.51%	10.69%
Consumer Price Index (YoY%)	2.90%	5.10%	5.75%	3.05%	5.36%	6.04%	2.76%	4.85%	5.46%

3. Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

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

Macro-Economic Factors	*Base Forecast*			*Best Case*			*Worst Case*		
	2023	**2024**	**Remaining Forecast Period**	**2023**	**2024**	**Remaining Forecast Period**	**2023**	**2024**	**Remaining Forecast Period**
GDP Growth (YoY%)	7.34%	-3.88%	8.47%	8.07%	-3.50%	9.32%	6.61%	-4.27%	7.62%
GDP Per Capita (YoY%)	3.08%	2.86%	3.14%	3.39%	3.15%	3.45%	2.77%	2.58%	2.83%
FX Rate (YoY%)	1.75%	5.50%	2.20%	1.93%	6.05%	2.42%	1.58%	4.95%	1.98%
Lending Rate-Base Rate (%)	11.07%	16.33%	11.32%	12.18%	17.96%	12.46%	9.96%	14.70%	10.19%
Household Spending (YoY%)	11.40%	12.04%	10.67%	12.54%	13.25%	11.74%	10.26%	10.84%	9.60%
Foreign Reserves (YoY%)	13.99%	11.70%	11.00%	15.39%	12.87%	12.10%	12.59%	10.53%	9.90%
Consumer Price Index (YoY%)	5.50%	5.00%	5.68%	4.95%	4.50%	5.11%	6.05%	5.50%	6.25%

vi) Write-off policy

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

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

vii) Restructured/renegotiated facilities

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

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

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

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

3. Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

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

Group	**2024**	**2023**
At 31 December	**Shs' 000**	**Shs' 000**
Gross loans and advances		
Stage 1	244,430,156	283,598,769
Stage 2	35,173,100	26,954,101
Stage 3	26,150,563	36,253,433
Total gross loans advanced	**305,753,819**	**346,806,303**
Impairment allowances		
Stage 1	2,103,843	2,372,860
Stage 2	1,392,471	2,437,697
Stage 3	11,716,301	15,877,191
Impairment allowances	**15,212,615**	**20,687,748**
Fair-value		
Loan notes at FVTPL	3,391,146	4,095,870
Net loans and advances	**293,932,350**	**330,214,425**
Coverage ratio of the individually impaired loans and advances	45%	44%

Included in loans and advances above are loan notes valued at Shs 3.4 billion (2023: Shs 4.1 billion) which were held at fair value through profit or loss. All other loans and advances are classified at amortised cost.

Staging of loans and advances

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

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

Credit quality of loans and advances

An analysis of the Group's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Loans and advances to customers at amortised cost
Year ended 31 December 2024

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL		
	Shs '000	Shs '000	Shs '000	Shs '000
Grade 1: Normal	244,430,156	-	-	**244,430,156**
Grade 2: Watch	-	35,173,100	-	**35,173,100**
Grade 3: Substandard	-	-	3,416,365	**3,416,365**
Grade 4: Doubtful	-	-	20,591,195	**20,591,195**
Grade 5: Loss	-	-	2,143,003	**2,143,003**
Total gross carrying amount	**244,430,156**	**35,173,100**	**26,150,563**	**305,753,819**
Loss allowance	(2,055,448)	(1,349,680)	(11,714,304)	**(15,119,432)**
Carrying amount	**242,374,708**	**33,823,420**	**14,436,259**	**290,634,387**
Year ended 31 December 2023				
Grade 1: Normal	283,598,769	-	-	**283,598,769**
Grade 2: Watch	-	26,954,101	-	**26,954,101**
Grade 3: Substandard	-	-	4,714,621	**4,714,621**
Grade 4: Doubtful	-	-	25,875,108	**25,875,108**
Grade 5: Loss	-	-	5,663,704	**5,663,704**
Total gross carrying amount	**283,598,769**	**26,954,101**	**36,253,433**	**346,806,303**
Loss allowance	(2,304,904)	(2,401,998)	(15,843,220)	**(20,550,122)**
Carrying amount	**281,293,865**	**24,552,103**	**20,410,213**	**326,256,181**

Letters of Credit, Guarantees and Acceptances

Year ended 31 December 2024

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL		
	Shs '000	Shs '000	Shs '000	Shs '000
Grade 1: Normal	50,991,244	-	-	50,991,244
Grade 2: Watch	-	3,788,090	-	3,788,090
Grade 3: Substandard	-	-	1,027	1,027
Grade 4: Doubtful	-	-	136,365	136,365
Total gross carrying amount	**50,991,244**	**3,788,090**	**137,392**	**54,916,726**
Loss allowance	(48,395)	(42,791)	(1,997)	(93,183)
Carrying amount	**50,942,849**	**3,745,299**	**135,395**	**54,823,543**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

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

Letters of Credit, Guarantees and Acceptances (continued)

	Year ended 31 December 2023			
	Stage 1 12-month ECL	Stage 2	Stage 3	Total
		Lifetime ECL		
	Shs '000	Shs '000	Shs '000	Shs '000
Grade 1: Normal	64,878,254	-	-	**64,878,254**
Grade 2: Watch	-	6,820,906	-	**6,820,906**
Grade 3: Substandard	-	-	1,000	**1,000**
Grade 4: Doubtful	-	-	168,810	**168,810**
Grade 5: Loss	-	-	3,983	**3,983**
Total gross carrying amount	**64,878,254**	**6,820,906**	**173,793**	**71,872,953**
Loss allowance	(67,956)	(35,699)	(33,971)	**(137,626)**
Carrying amount	**64,810,298**	**6,785,207**	**139,822**	**71,735,327**

c) Other non-loan financial assets

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

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

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

Group

The summarised information on other financial instruments is tabulated below:

	2024				2023			
	Gross Balances Shs '000	Stage	ECL Shs '000	Net Shs '000	Gross Balance Shs '000	Stage	ECL Shs '000	Net Shs '000
Balances with the central banks	24,633,951	2	120	24,633,831	28,887,822	1	2,317	28,885,505
Items in the course of collection	553,733	2	-	553,733	381,443	1	-	381,443
Due from banking institutions	53,007,679	2	51,599	52,956,080	66,761,090	1	12,025	66,749,065
Investment securities	15,007,964	1	15,079	14,992,885	15,934,709	1	2,360	15,932,349
Investment securities	233,945	3	-	233,945	233,200	3	-	233,200
Government securities	207,652,187	2	135,895	207,516,292	228,987,908	1	126,935	228,860,973
Other assets	16,688,226	2	-	16,688,226	15,788,209	1	-	15,788,209
Gross maximum exposure	**317,777,685**		**202,693**	**317,574,992**	**356,974,381**		**143,637**	**356,830,744**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management (continued)

3.2 Credit risk (continued)

c) Other non-loan financial assets (continued)

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

	2024 Shs '000	2023 Shs '000
Balances with central banks	24,633,831	28,885,505
Due from banking institutions	52,956,080	66,749,065
Items in the course of collection	553,733	381,443
Government securities	207,516,292	228,860,973
Investment securities	15,226,830	16,165,549
Derivatives	18,089	8,438
Customer loans and advances	293,932,350	330,214,425
Other assets (financial)*	16,688,226	15,788,209
	611,525,431	**687,053,607**
Credit risk exposures relating to off-balance sheet items are as follows:		
Letters of credit	21,031,011	15,100,932
Acceptances	6,709,153	27,568,527
Guarantees	27,176,562	29,203,494
	54,916,726	**71,872,953**
Total credit risk exposure	**666,442,157**	**758,926,560**

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

Credit risk exposure for Company

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

	2024 Balance Shs '000	Stage	ECL Shs '000	2023 Balance Shs '000	Stage	Balance Shs '000	ECL Shs '000	Balance Shs '000
Other assets	674,531	1	-	674,531	1	241,319	-	241,319
Due from group companies	1,375,062	1	-	1,375,062	1	528,000	-	528,000
Total	**2,049,593**		**-**	**2,049,593**		**769,319**	**-**	**769,319**

3. Financial risk management (continued)

3.2 Credit risk (continued)

d) Concentrations of risk

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

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

Group

	2024	**2023**
	%	**%**
Manufacturing	23.9%	26.1%
Trade	13.9%	14.2%
Personal and household	20.4%	20.0%
Transport and communications	14.7%	12.0%
Energy and water	3.2%	3.5%
Financial services	5.2%	11.2%
Mining and quarrying	8.4%	3.4%
Building and construction	3.6%	3.2%
Real estate	4.3%	3.8%
Tourism, restaurant and hotels	1.1%	1.4%
Agriculture	1.4%	1.3%
	100.0%	**100.0%**

3. Financial risk management (continued)

3.2 Credit risk (continued)

d) Concentrations of risk (continued)

	Gross carrying amount				Allowance for ECL				ECL coverage %			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Analysis based on industry - 2024												
Manufacturing	52,208,840	10,841,416	10,000,328	**73,050,584**	80,330	307,903	3,968,149	**4,356,382**	0.15%	2.84%	39.68%	**5.96%**
Trade	34,581,816	3,451,406	4,392,611	**42,425,833**	220,981	138,345	2,271,208	**2,630,534**	0.64%	4.01%	51.71%	**6.20%**
Personal and household	55,746,188	2,300,171	4,319,238	**62,365,597**	1,461,791	431,428	3,283,286	**5,176,505**	2.62%	18.76%	76.02%	**8.30%**
Transport and communications	34,100,882	9,062,888	1,755,496	**44,919,266**	145,502	153,390	807,046	**1,105,938**	0.43%	1.69%	45.97%	**2.46%**
Energy and water	7,064,500	2,404,472	444,710	**9,913,682**	12,877	561	258,054	**271,492**	0.18%	0.02%	58.03%	**2.74%**
Financial services	11,196,314	4,499,917	112,755	**15,808,986**	61,771	91,218	74,806	**227,795**	0.55%	2.03%	66.34%	**1.44%**
Mining and quarrying	24,686,387	404,887	480,650	**25,571,924**	29,246	29,678	235,451	**294,375**	0.12%	7.33%	48.99%	**1.15%**
Real estate	9,121,879	1,038,181	2,946,611	**13,106,671**	38,560	95,778	31,326	**165,664**	0.42%	9.23%	1.06%	**1.26%**
Building and Construction	9,597,339	676,995	754,906	**11,029,240**	41,023	167,009	320,786	**528,818**	0.43%	24.67%	42.49%	**4.79%**
Tourism, restaurant and hotels	2,352,192	380,606	650,943	**3,383,741**	7,858	1,794	299,245	**308,897**	0.33%	0.47%	45.97%	**9.13%**
Agriculture	3,773,819	112,161	292,315	**4,178,295**	3,904	(24,633)	166,944	**146,215**	0.10%	-21.96%	57.11%	**3.50%**
Total	**244,430,156**	**35,173,100**	**26,150,563**	**305,753,819**	**2,103,843**	**1,392,471**	**11,716,301**	**15,212,615**	**0.86%**	**3.96%**	**44.80%**	**4.98%**
Analysis based on industry - 2023												
Manufacturing	67,682,619	7,009,358	15,917,190	**90,609,167**	63,611	542,323	5,292,272	**5,898,206**	0.09%	7.74%	33.25%	**6.51%**
Trade	36,702,793	6,629,340	5,807,834	**49,139,967**	279,957	377,859	2,531,164	**3,188,980**	0.76%	5.70%	43.58%	**6.49%**
Personal and household	60,105,629	2,458,675	6,834,138	**69,398,442**	1,460,758	1,125,396	5,334,164	**7,920,318**	2.43%	45.77%	78.05%	**11.41%**
Transport and communications	34,558,526	4,408,252	2,563,939	**41,530,717**	180,041	36,247	766,032	**982,320**	0.52%	0.82%	29.88%	**2.37%**
Energy and water	10,024,761	1,655,236	427,341	**12,107,338**	25,343	1,721	217,891	**244,955**	0.25%	0.10%	50.99%	**2.02%**
Financial services	38,626,239	86,301	198,614	**38,911,154**	57,425	216	86,034	**143,675**	0.15%	0.25%	43.32%	**0.37%**
Mining and quarrying	11,065,616	525,696	220,003	**11,811,315**	25,082	30,726	102,428	**158,236**	0.23%	5.84%	46.56%	**1.34%**
Real estate	8,678,636	1,518,927	2,858,598	**13,056,161**	117,417	11,336	693,557	**822,310**	1.35%	0.75%	24.26%	**6.30%**
Building and Construction	9,255,539	892,660	789,218	**10,937,417**	123,267	193,110	486,110	**802,487**	1.33%	21.63%	61.59%	**7.34%**
Tourism, restaurant and hotels	2,889,609	1,627,835	175,851	**4,693,295**	21,113	110,690	130,618	**262,421**	0.73%	6.80%	74.28%	**5.59%**
Agriculture	4,008,802	141,821	460,707	**4,611,330**	18,846	8,073	236,921	**263,840**	0.47%	5.69%	51.43%	**5.72%**
Total	**283,598,769**	**26,954,101**	**36,253,433**	**346,806,303**	**2,372,860**	**2,437,697**	**15,877,191**	**20,687,748**	**0.84%**	**9.04%**	**43.80%**	**5.97%**

3. Financial risk management (continued)

3.2 Credit risk (continued)

e) Collateral

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

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

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

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

Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse purchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held as at 31 December 2022 and 2023. The forced sale value of the collateral held is undiscounted.

An estimate of the forced sale value (FSV) of collaterals held against loans and advances to customers at the end of the year was as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management (continued)

3.3 Credit risk (continued)

e) Collateral (continued)

Group

	Stage 1 Shs '000	Stage 2 Shs '000	Stage 3 Shs '000	Total Shs '000
Year ended 2024				
Outstanding loans and advances	**244,430,156**	**35,173,100**	**26,150,563**	**305,753,819**
Secured	165,821,263	33,488,434	21,833,193	221,142,890
Unsecured	78,608,893	1,684,666	4,317,370	84,610,929
Outstanding off-balance sheet exposure	**50,991,244**	**3,788,090**	**137,392**	**54,916,726**
Secured	27,198,275	2,835,383	137,392	30,171,050
unsecured	23,792,969	952,707	-	24,745,676
Total outstanding loans and advances	**295,421,400**	**38,961,190**	**26,287,955**	**360,670,545**
Collateral held				
Land and property	244,439,548	50,222,875	40,024,326	334,686,749
Debentures	65,334,883	14,057,319	852,894	80,245,096
Motor vehicles and equipment	49,607,212	4,053,491	2,441,147	56,101,850
Others	27,027,908	713,371	212,215	27,953,494
Total Collateral Held	**386,409,551**	**69,047,056**	**43,530,582**	**498,987,189**
Excess coverage	90,988,151	30,085,866	17,242,627	138,316,644
Year ended 2023				
Outstanding loans and advances	**283,598,769**	**26,954,101**	**36,253,433**	**346,806,303**
Secured	142,672,907	20,107,455	28,200,082	190,980,444
Unsecured	140,925,862	6,846,646	8,053,351	155,825,859
Outstanding off-balance sheet exposure	**64,878,254**	**6,820,906**	**173,793**	**71,872,953**
Secured	25,159,926	3,130,978	168,610	28,459,514
Unsecured	39,718,328	3,689,928	5,183	43,413,439
Total outstanding loans and advances	**348,477,023**	**33,775,007**	**36,427,226**	**418,679,256**
Collateral held				
Land and property	260,528,342	51,496,652	33,893,245	345,918,239
Debentures	64,561,424	2,322,763	5,511,636	72,395,823
Motor vehicles and equipment	50,170,160	2,066,276	2,550,681	54,787,117
Others	31,189,226	7,005,757	172,590	38,367,573
Total Collateral Held	**406,449,152**	**62,891,448**	**42,128,152**	**511,468,752**
Excess coverage	**57,972,129**	**29,116,441**	**5,700,926**	**92,789,496**

The collateral value of tangible assets including land and property, debentures, motor vehicles and equipment as well as Others which include (GOK Guarantee, SBLC, Shares and Cash) have been disclosed at forced sale value..

3. Financial risk management (continued)

3.2 Credit risk (continued)

e) Collateral (continued)

Repossession of collateral

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

Valuation of collateral

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

Financial effect of collateral

As at 31 December 2024 the Group held collateral amounting to 166% (2023: 116%) of the value of impaired loans.

3. Financial risk management

3.2 Currency risk

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

Group	**USD**	**GBP**	**EUR**	**Other**	**Total**
At 31 December 2024	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
Assets					
Cash in hand	1,764,190	180,669	432,124	59,802	2,436,785
Central banks balances	2,603,303	880,744	666,508	47,850	4,198,405
Government securities	15,376,396	-	-	-	15,376,396
Due from banking institutions	32,633,765	5,248,987	8,097,806	737,990	46,718,548
Investment securities	5,259,695	-	-	-	5,259,695
Customer loans and advances	80,975,868	142,192	1,859,263	3,531	82,980,854
Other assets	355,031	55,454	45,031	-	455,516
Total assets	**138,968,248**	**6,508,046**	**11,100,732**	**849,173**	**157,426,199**
Liabilities					
Customer deposits	134,277,738	6,319,345	10,169,401	798,217	151,564,701
Due to banking institutions	1,344,983	3,469	14,892	28,384	1,391,728
Borrowings	8,609,761	-	379,072	-	8,988,833
Other liabilities	2,388,104	-	61,395	21,755	2,471,254
Lease liability	681,885	-	-	-	681,885
Total liabilities	**147,302,471**	**6,322,814**	**10,624,760**	**848,356**	**165,098,401**
Net on-balance sheet position	**(8,334,223)**	**185,232**	**475,972**	**817**	**(7,672,202)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management (Continued)

3.2 Currency risk (Continued)

Group

At 31 December 2023	**USD Shs '000**	**GBP Shs '000**	**EUR Shs '000**	**Other Shs '000**	**Total Shs '000**
Assets					
Cash in hand	1,590,764	122,056	315,800	31,185	2,059,805
Central banks balances	4,045,673	1,588,111	1,068,965	48,296	6,751,045
Government securities	27,709,404	-	-	-	27,709,404
Due from banking institutions	50,795,389	5,643,377	10,228,849	941,856	67,609,471
Investment securities	4,913,100	-	-	-	4,913,100
Customer loans and advances	102,732,804	36,470	3,026,789	260,929	106,056,992
Other assets	1,055,225	18,936	190	108	1,074,459
Total assets	**192,842,359**	**7,408,950**	**14,640,593**	**1,282,374**	**216,174,276**
Liabilities					
Customer deposits	184,414,731	7,265,197	12,835,612	1,002,575	205,518,115
Due to banking institutions	12,666,624	23,046	21,181	25,809	12,736,660
Other liabilities	379,695	-	752,129	37,982	1,169,806
Lease liability	352,811	-	-	-	352,811
Borrowings	2,703,526	-	644,623	-	3,348,149
Total liabilities	**200,517,387**	**7,288,243**	**14,253,545**	**1,066,366**	**223,125,541**
Net on-balance sheet position	**(7,675,028)**	**120,707**	**387,048**	**216,008**	**(6,951,265)**

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Interest rate risk

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

Group **As At 31 December 2024**	**Up to 1 month** **Shs '000**	**1 to 3 months** **Shs '000**	**3 to 12 months** **Shs '000**	**1 to 5 years** **Shs '000**	**Over 5 years** **Shs '000**	**Non - interest bearing** **Shs '000**	**Total** **Shs '000**
Assets							
Cash in hand	-	-	-	-	-	19,045,550	19,045,550
Central bank balances	-	-	-	-	-	24,633,831	24,633,831
Government securities	4,670,647	5,939,085	15,971,543	84,826,788	96,108,229	-	207,516,292
Due from banking institutions	22,886,688	12,703,182	757,369	2,854,034	-	13,754,807	52,956,080
Investment securities	8,641,857	403,616	403,616	2,692,617	2,657,771	427,353	15,226,830
Customer loans and advances	293,932,350	-	-	-	-	-	293,932,350
Item in the course of collection	-	-	-	-	-	553,733	553,733
Derivative assets	-	-	-	-	-	18,089	18,089
Other assets	-	-	-	-	-	16,688,226	16,688,226
Total assets	**330,131,542**	**19,045,883**	**17,132,528**	**90,373,439**	**98,766,000**	**75,121,589**	**630,570,981**
Liabilities							
Customer deposits	232,088,042	65,946,237	83,643,499	707,481	402,187	119,229,047	502,016,493
Due to banking institutions	3,077,247	8,969,098	-	-	-	1,361,312	13,407,657
Other liabilities	-	-	-	-	-	16,610,233	16,610,233
Lease liability	504,997	93,963	503,218	2,468,085	600,341	-	4,170,604
Borrowings	163,444	6,604,389	1,155,066	-	2,249,326	-	10,172,225
Total liabilities	**235,833,732**	**81,613,687**	**85,301,783**	**3,175,566**	**3,251,854**	**137,200,592**	**546,377,214**
Interest sensitivity gap	**94,297,810**	**(62,567,804)**	**(68,169,255)**	**87,197,873**	**95,514,146**	**(62,079,003)**	**84,193,767**

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Interest rate risk (Continued)

Group **As At 31 December 2023**	**Up to 1 month** **Shs '000**	**1 to 3 months** **Shs '000**	**3 to 12 months** **Shs '000**	**1 to 5 years** **Shs '000**	**Over 5 years** **Shs '000**	**Non - interest bearing** **Shs '000**	**Total** **Shs '000**
Assets							
Cash in hand	-	-	-	-	-	14,691,059	14,691,059
Central bank balances	-	-	-	-	-	28,636,825	28,636,825
Government securities	3,803,999	10,841,556	17,615,081	56,865,622	139,734,715	-	228,860,973
Due from banking institutions	36,491,102	236,004	-	3,179,821	-	26,842,138	66,749,065
Investment securities	4,660,722	3,943,398	2,196,162	4,290,164	-	2,595,002	17,685,448
Customer loans and advances	330,214,425	-	-	-	-	-	330,214,425
Item in the course of collection	-	-	-	-	-	381,443	381,443
Derivative assets	-	-	-	-	-	8,438	8,438
Other assets	-	-	-	-	-	15,788,209	15,788,209
Total assets	**375,170,248**	**15,020,958**	**19,811,243**	**64,335,607**	**139,734,715**	**88,943,114**	**703,015,885**
Liabilities							
Customer deposits	269,901,521	98,412,832	79,376,111	145,116	424,385	131,141,953	579,401,918
Due to banking institutions	16,464,684	-	400,697	-	-	9,815,176	26,680,557
Other liabilities	-	-	-	-	-	13,006,386	13,006,386
Lease liability	428,414	130,208	420,443	2,354,953	263,114	188,162	3,785,294
Borrowings	1,890,587	834,813	700,463	1,047,854	1,938,254	-	6,411,971
Total liabilities	**288,685,206**	**99,377,853**	**80,897,714**	**3,547,923**	**2,625,753**	**154,151,677**	**629,286,126**
Interest sensitivity gap	**86,485,042**	**(84,356,895)**	**(61,086,471)**	**60,787,684**	**137,108,962**	**(65,208,563)**	**73,729,759**

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.4 Liquidity risk

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

NCBA GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.4 Liquidity risk (Continued)

Group	Up to 1 month Shs'000	1 to 3 months Shs'000	3 to 12 months Shs'000	1 to 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
At 31 December 2024						
Financial assets						
Cash in hand	19,045,550	-	-	-	-	19,045,550
Central banks balances	24,581,757	-	52,074	-	-	24,633,831
Government securities	1,722,396	6,690,508	36,648,666	143,696,257	123,248,348	312,006,175
Due from banking institutions	37,517,190	12,831,292	980,337	2,457,542	-	53,786,361
Investment securities	8,771,274	409,919	638,395	3,879,195	6,646,373	20,345,156
Customer loans and advances	76,085,463	18,129,028	39,241,271	152,374,855	120,605,608	406,436,225
Due from Group companies						-
Derivative assets	18,089	-	-	-	-	18,089
Items in course of collection	553,733	-	-	-	-	553,733
Other Financial assets	16,688,226	-	-	-	-	16,688,226
Total financial assets	**184,983,678**	**38,060,747**	**77,560,743**	**302,407,849**	**250,500,329**	**853,513,346**
Financial liabilities						
Customer deposits	354,639,356	74,015,968	84,360,776	772,953	585,521	514,374,574
Due to banking institutions	6,076,611	9,342,537	-	-	-	15,419,148
Due to Group companies	2,826,882	1,280,934	50,978	-	-	4,158,794
Other financial liabilities	15,517,783	-	996,517	95,933	-	16,610,233
Lease Liability	433,221	139,156	686,172	2,660,433	582,350	4,501,332
Borrowings	171,661	2,030,243	1,904,602	7,970,017	2,024,898	14,101,421
Total financial liabilities	**379,665,514**	**86,808,838**	**87,999,045**	**11,499,336**	**3,192,769**	**569,165,502**
Net on- balance sheet liquidity gap	**(194,681,836)**	**(48,748,091)**	**(10,438,302)**	**290,908,513**	**247,307,560**	**284,347,844**
Un-recognised financial instruments						
Letters of credit and bankers' acceptances	(7,193,353)	(12,706,951)	(16,247,744)	(6,912,385)	(8,984,304)	(52,044,737)
Irrevocable un-utilised facilities	(17,244,520)	-	-	-	-	(17,244,520)
Total off-balance sheet notional position	**(24,437,873)**	**(12,706,951)**	**(16,247,744)**	**(6,912,385)**	**(8,984,304)**	**(69,289,257)**
Total on and off-balance sheet net liquidity gap	**(219,119,709)**	**(61,455,042)**	**(26,686,046)**	**283,996,128**	**238,323,256**	**215,058,587**

NCBA GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.4 Liquidity risk (Continued)

Group	Up to 1 month Shs'000	1 to 3 months Shs'000	3 to 12 months Shs'000	1 to 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
At 31 December 2024						
Financial assets						
Cash in hand	19,045,550	-	-	-	-	19,045,550
Central banks balances	24,581,757	-	52,074	-	-	24,633,831
Government securities	1,722,396	6,690,508	36,648,666	143,696,257	123,248,348	312,006,175
Due from banking institutions	37,517,190	12,831,292	980,337	2,457,542	-	53,786,361
Investment securities	8,771,274	409,919	638,395	3,879,195	6,646,373	20,345,156
Customer loans and advances	76,085,463	18,129,028	39,241,271	152,374,855	120,605,608	406,436,225
Due from Group companies						-
Derivative assets	18,089	-	-	-	-	18,089
Items in course of collection	553,733	-	-	-	-	553,733
Other Financial assets	16,688,226	-	-	-	-	16,688,226
Total financial assets	**184,983,678**	**38,060,747**	**77,560,743**	**302,407,849**	**250,500,329**	**853,513,346**
Financial liabilities						
Customer deposits	354,639,356	74,015,968	84,360,776	772,953	585,521	514,374,574
Due to banking institutions	6,076,611	9,342,537	-	-	-	15,419,148
Due to Group companies	2,826,882	1,280,934	50,978	-	-	4,158,794
Other financial liabilities	15,517,783	-	996,517	95,933	-	16,610,233
Lease Liability	433,221	139,156	686,172	2,660,433	582,350	4,501,332
Borrowings	171,661	2,030,243	1,904,602	7,970,017	2,024,898	14,101,421
Total financial liabilities	**379,665,514**	**86,808,838**	**87,999,045**	**11,499,336**	**3,192,769**	**569,165,502**
Net on- balance sheet liquidity gap	**(194,681,836)**	**(48,748,091)**	**(10,438,302)**	**290,908,513**	**247,307,560**	**284,347,844**
Un-recognised financial instruments						
Letters of credit and bankers' acceptances	(7,193,353)	(12,706,951)	(16,247,744)	(6,912,385)	(8,984,304)	(52,044,737)
Irrevocable un-utilised facilities	(17,244,520)	-	-	-	-	(17,244,520)
Total off-balance sheet notional position	**(24,437,873)**	**(12,706,951)**	**(16,247,744)**	**(6,912,385)**	**(8,984,304)**	**(69,289,257)**
Total on and off-balance sheet net liquidity gap	**(219,119,709)**	**(61,455,042)**	**(26,686,046)**	**283,996,128**	**238,323,256**	**215,058,587**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.4 Liquidity risk (Continued)

Group	Up to 1 month Shs'000	1 to 3 months Shs'000	3 to 12 months Shs'000	1 to 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
At 31 December 2023						
Financial assets						
Cash in hand	14,691,059	-	-	-	-	**14,691,059**
Central banks balances	28,636,825	-	63,240	-	-	**28,700,065**
Government securities	18,183,080	9,666,339	33,649,647	137,444,708	192,078,020	**391,021,794**
Derivative assets	8,438	-	-	-	-	**8,438**
Due from banking institutions	65,697,092	239,126	789,282	2,357,855	-	**69,083,355**
Investment securities	1,878,185	3,989,679	2,412,533	12,406,661	35,937	**20,722,995**
Customer loans and advances	90,612,443	20,085,267	40,789,645	147,399,269	124,714,492	**423,601,116**
Other financial assets	15,381,009	407,200	-	-	-	**15,788,209**
Total financial assets	**235,088,131**	**34,387,611**	**77,704,347**	**299,608,493**	**316,828,449**	**963,617,031**
Financial liabilities						
Customer deposits	409,186,564	93,872,853	81,164,320	989,317	553,475	**585,766,529**
Due to banking institutions	37,684,093	-	416,930	-	-	**38,101,023**
Other financial liabilities	12,797,951	-	173,894	34,541	-	**13,006,386**
Lease liability	479,855	89,070	405,215	2,145,177	3,539,220	**6,658,537**
Borrowings	2,106,252	465,358	764,641	2,051,145	1,760,199	**7,147,595**
Total financial liabilities	**462,254,715**	**94,427,281**	**82,925,000**	**5,220,180**	**5,852,894**	**650,680,070**
Net on- balance sheet liquidity gap	**(227,166,584)**	**(60,039,670)**	**(5,220,653)**	**294,388,313**	**310,975,555**	**312,936,961**
Un-recognised financial instruments						
Letters of credit and bankers' acceptances	(12,249,064)	(15,210,890)	(22,392,420)	(6,708,727)	(8,677,851)	(65,238,952)
Irrevocable un-utilised facilities	(12,608,891)	-	-	-	-	(12,608,891)
Total off-balance sheet notional position	**(24,857,955)**	**(15,210,890)**	**(22,392,420)**	**(6,708,727)**	**(8,677,851)**	**(77,847,843)**
Total on and off-balance sheet net liquidity gap	**(252,024,539)**	**(75,250,560)**	**(27,613,073)**	**287,679,586**	**302,297,704**	**235,089,118**

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 a) Market risk sensitivity analysis

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

The Group is exposed to risks associated with the effects of fluctuations in prevailing levels of market interest. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. At 31 December 2024, the effect of a 100 basis points change in net interest margin would have resulted in an increase or decrease of Shs 255 million (2023 - Shs 463 million) on the profit after income tax expense.

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

At 31 December 2024, if the functional currencies in the economic environment in which the Group operates i.e. the Kenya Shilling had weakened or strengthened by 10% against the world's major currencies, with all other variables held constant, consolidated profit before income tax expense would have been higher or lower as depicted in below table.

	2024 Shs '000	2023 Shs '000
10% depreciation/appreciation		
USD	833,422	767,503
GBP	18,523	12,071
EUR	47,597	38,705
Total	**899,543**	**818,278**

3.5 b) Sensitivity analysis to underwriting risk variables

The following table present information on the sensitivity of insurance contracts assets and liabilities and profit or loss and equity for reasonable changes in estimates and assumptions for underwriting risk variables. As possible changes in underwriting variables only impact the LIC for contracts measured under the PAA, the tables do not include the LRC for these groups of insurance contracts. The analysis is presented for the indicated change in a variable with all other variables remaining constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. No changes were made by the Group in the methods and assumptions used in preparing the above analysis.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 b) Sensitivity analysis to underwriting risk variables (continued)

	2024			
	LIC as at 31 December 2024 Shs '000	**Impact on LIC Shs '000**	**Impact on profit before income tax Shs '000**	**Impact on equity Shs '000**
Net insurance contract liabilities	2,151,016	-	-	-
Net reinsurance contract assets	(1,658,083)	-	-	-
Net insurance contract liabilities	492,933	-	-	-
Discount rate – 5% increase				
Net insurance contract liabilities	2,043,465	107,551	107,551	75,286
Net reinsurance contract assets	(1,575,179)	(82,904)	(82,904)	(58,033)
Net insurance contract liabilities	468,286	24,647	24,647	17,253
Expense rates – 5% increase				
Net insurance contract liabilities	2,182,415	(31,399)	(31,399)	(21,979)
Net reinsurance contract assets	(1,626,684)	(31,399)	(31,399)	(21,979)
Net insurance contract liabilities	555,731	(62,798)	(62,798)	(43,958)
Risk adjustment – 5% increase				
Net insurance contract liabilities	2,153,499	(2,483)	(2,483)	(1,738)
Net reinsurance contract assets	(1,655,600)	(2,483)	(2,483)	(1,738)
Net insurance contract liabilities	497,899	(4,966)	(4,966)	(3,476)
Unpaid claims– 5% increase				
Net insurance contract liabilities	2,168,355	(17,339)	(17,339)	(12,137)
Net reinsurance contract assets	(1,640,744)	(17,339)	(17,339)	(12,137)
Net insurance contract liabilities	**527,611**	**(34,678)**	**(34,678)**	**(24,274)**

3. FINANCIAL RISK MANAGEMENT (Continued)

3.6 Management of insurance and financial risk

The Group's activities expose it to a variety of risks, including insurance risk, financial risk, credit risk, and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates.

The Group's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and a defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.
This section summarises the way the Group manages its key risks:

Insurance risk

Insurance risk refers to fluctuations in the timing, frequency, and severity of insured events relative to the expectations at the time of underwriting. Insurance risk can also refer to fluctuations in the timing and amount of claim settlements and reserves.
Insurance risk is historically the single most significant risk area within the Group. It is split between four principal key risks, which are all managed through the application of controls as well as the use of reinsurance to offset exposures through the transfer of risk. These four key risks are as follows:

Failure of pricing

The Group faces the risk of incorrect pricing of products resulting in financial losses or reduced profit, through being set too high (therefore losing market share) or too low (therefore resulting in an unacceptable profit contribution for that product). The Group seeks to manage this through the setting and review of pricing guidelines relevant to each business line and the application of a strict hierarchy of underwriting authorities that is in place to ensure that policies are underwritten with management oversight. In addition, large and unusual transactions are referred to the Risk and Capital Committee (RCC) for consideration from a Statement of Financial Position, liquidity and risk portfolio point of view before the Group becomes committed. This helps to ensure compliance with the Board approved risk appetite. The Group also mitigates exposures to pricing risk through purchase of reinsurance.

Ineffective Strategy/Failure of Product

When an inappropriate strategy or product is introduced for a specific business line or the Group as whole, there is an increased risk that material financial and reputational losses will occur. The Group seeks to manage this through the use of processes and procedures in place over the production, review and analysis of annual business plans and the introduction of new products for each line of business, prior to approval and execution. The Group also has processes in place for the identification, assessment and approval of key projects and strategic investments. Strategic initiatives are tracked monthly and all staff are set personal goals which align to the strategic direction of the Group.

Failure to Manage Risk Aggregation/Accumulation

The Group may be exposed to an increased likelihood of disproportionate losses for specific perils if insured risks are overly focused on a specific geographical area or type of policy cover. The Group seeks to manage this through the use of pre-bind rules and authorities to manage significant within line and cross-line exposures, as well as quarterly Realistic Disaster Scenario runs to determine whether aggregate exposures are being adequately managed within the parameters of approved business plans for each line of business. In addition, large and unusual transactions that may have a material impact on risk aggregation exposures for an individual line of business are referred to the RCC for further consideration.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.6 Management of insurance and financial risk (continued)

Adverse Reserve Development: The Group may be exposed to reserve shortfalls or distortions through failing to set sufficient case reserves or through failing to adopt a robust and consistent reserve strategy across products offered to insured and countries. The Group seeks to manage this through monitoring adherence to established policies and procedures in place governing claims reserving practices. In addition, the Group's Actuarial Team conducts annual reserve reviews of the Group's overall book to determine appropriate IBNR levels and quarterly reviews of the Group's expected reserve adequacy. The Group also employs external consultants to perform reviews of its reserves to provide an independent review of their adequacy.

Concentration risk

Concentration of insurance risk can be a cause of elevated claims volatility and refers to the possibility of significant financial losses arising from a lack of diversification, either geographical or by product type, of the Group's portfolio. Certain events may give rise to higher levels of adverse development and exhibit geographical concentrations.

The Group's geographical spread and product portfolio creates natural diversification and reduces the extent to which concentrations of insurance risk arise. The Group has a broad geographical footprint across Asia Pacific and its results are not overly dependent upon any one of these individual markets. This provides a natural diversification of geographic concentrations of insurance and other risks (such as political risks).

Concentrations of risk are managed with each market through the monitoring of product sales and size of the in-force book by product. The Group mitigates this risk by adhering to the underwriting and claims management policies and procedures that have been developed based on extensive historical experience. Lastly, reinsurance solutions are also used to help reduce concentration risk.

The table below sets out the concentration of insurance liabilities by type of contract:

	31 December 2024		
	Net insurance contract liabilities Shs '000	**Net reinsurance contract assets Shs '000**	**Total Shs '000**
Motor Private	(747,635)	598,017	(149,618)
Liability	(390,526)	312,373	(78,153)
Fire Industrial	(297,373)	237,863	(59,510)
Personal Accident	(29,216)	23,369	(5,847)
Engineering	(113,863)	91,077	(22,786)
Marine	(13,531)	10,823	(2,708)
Motor Commercial	(61,663)	49,323	(12,340)
Theft	(285,157)	228,091	(57,066)
Fire Domestic	(35,849)	28,675	(7,174)
Workmen's Compensation	(176,172)	140,916	(35,256)
Miscellaneous	(31)	25	(6)
Net insurance contract (liability) / (reinsurance contract asset)	**(2,151,016)**	**1,720,552**	**(430,464)**

3. FINANCIAL RISK MANAGEMENT (Continued)

3.6 Management of insurance and financial risk (continued)

Concentration risk (Continued)

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

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

The Group holds master netting agreements for derivative instruments only and has no further netting agreements on other financial instruments. The gross amount of derivative instruments subject to offsetting at 31 December 2024 were below 1% of Group total assets and have been measured at fair value in the statement of financial position. No netting has been applied.

3.7 Fair value hierarchy

Financial instruments measured at fair value

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

Specific valuation techniques used to value financial instruments include:

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

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation technique based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: Valuation technique based on inputs for the asset or liability that are not observable market data (that is, unobservable inputs).

3. FINANCIAL RISK MANAGEMENT (Continued)

3.7 Fair value hierarchy (Continued)

Financial instruments measured at fair value

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

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Group				
At 31 December 2024				
Financial assets at fair value through profit or loss				
Equity securities – listed (note 23)	-	-	-	-
Loan notes	-	3,391,146	-	3,391,146
Derivative assets	-	18,089	-	18,089
Unit trusts and other investment securities (note 23)	165,476	-	-	165,476
Other assets	-	90,000	-	90,000
Property and Equipment - building			634,000	634,000
Financial assets at FVOCI				
Fixed rate Treasury bills FVOCI – (note 22)	**-**	9,169,977	-	9,169,977
Fixed rate Treasury bonds FVOCI – (note 22)	**-**	75,482,300	-	75,482,300
Total assets	**165,476**	**88,151,512**	**634,000**	**88,950,988**
	=======	========	========	========
Group				
At 31 December 2023				
Financial assets at fair value through profit or loss				
Equity securities – listed (note 26)	1,519,899	-	-	**1,519,899**
Loan notes	-	4,095,870	-	**4,095,870**
Derivative assets	-	8,438	-	**8,438**
Unit trusts and other investment securities (note 26)	183,699	-	-	**183,699**
Other assets	-	90,000	-	**90,000**
Financial assets at FVOCI				
Fixed rate Treasury bills - FVOCI – (note 25)	-	1,972,527	-	**1,972,527**
Fixed rate treasury bonds – FVOCI (note 25)	-	82,494,116	-	**82,494,116**
Total assets	**1,703,598**	**88,660,951**	**-**	**90,364,549**
	=======	========	========	========

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

Financial instruments not measured at fair value

i) Cash and balances with central banks

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

ii) Government securities

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

iii) Due to banking institutions

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.7 Fair value hierarchy (Continued)

Financial instruments measured at fair value (Continued)

iv) Customer loans and advances

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

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

Group

		Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Fair value Shs'000	Carrying value Shs'000
At 31 December 2024						
Assets						
Cash and balances with CBK	21	-	-	43,679,381	43,679,381	43,679,381
Items in course of collection	22	-	-	553,733	553,733	553,733
Loans and advances to Customers	27	-	-	290,541,204	290,541,204	290,541,204
Balances due from banking institutions	23	-	-	52,956,080	52,956,080	52,956,080
Government securities – Amortised cost		-	122,864,015	-	122,864,015	122,864,015
Investment securities	26	-	-	15,226,830	15,226,830	15,226,830
Other assets		-	-	19,268,491	19,268,491	19,268,491
Total		**-**	**122,864,015**	**422,225,719**	**545,089,734**	**545,089,734**
Liabilities						
Customer deposits	38	-	-	502,016,493	502,016,493	502,016,493
Due to banking institutions	39	-	-	13,407,659	13,407,659	13,407,659
Borrowings	42	-	-	10,172,225	10,172,225	10,172,225
Due to group companies				-	-	-
Other Liabilities	41	-	-	23,566,322	23,566,322	23,566,322
Total		**-**	**-**	**549,162,699**	**549,162,699**	**549,162,699**
At 31 December 2023						
Assets						
Cash and balances with CBK	21	-	-	43,327,884	43,327,884	43,327,884
Items in course of collection	22	-	-	381,443	381,443	381,443
Loans and advances to Customers	27	-	-	326,118,555	326,118,555	326,118,555
Balances due from banking institutions	23	-	-	66,749,065	66,749,065	66,749,065
Government securities – Amortised cost		-	127,459,852	-	127,459,852	127,459,852
Investment securities	26	-	-	16,165,549	16,165,549	16,165,549
Other assets		-	-	16,988,474	16,988,474	16,988,474
Total		**-**	**127,459,852**	**469,730,970**	**597,190,822**	**597,190,822**
Liabilities						
Customer deposits	38	-	-	579,401,918	579,401,918	579,401,918
Due to banking institutions	39	-	-	26,680,557	26,680,557	26,680,557
Borrowings	42	-	-	6,411,971	6,411,971	6,411,971
Other Liabilities	41	-	-	21,229,439	21,229,439	21,229,439
Total		**-**	**-**	**633,723,885**	**633,723,885**	**633,723,885**

3. FINANCIAL RISK MANAGEMENT (Continued)

3.7 Fair value hierarchy (continued)

Financial instruments not measured at fair value

Company	**Level 3 Shs' 000**	**Fair Value Shs'000**	**Carrying value Shs'000**
At 31 December 2024			
Assets			
Due from group companies	1,371,867	1,371,867	1,371,867
Other assets	674,531	674,531	674,531
	2,046,398	**2,046,398**	**2,046,398**
Liabilities			
Due to group companies	7,892,756	7,892,756	7,892,756
Other liabilities	300,083	300,083	300,083
Unclaimed dividends	675,902	675,902	675,902
Total	**8,868,741**	**8,868,741**	**8,868,741**
At 31 December 2023			
Assets			
Due from group companies	528,000	528,000	528,000
Other assets	241,319	241,319	241,319
	769,319	**769,319**	**769,319**
Liabilities			
Due to group companies	9,079,786	9,079,786	9,079,786
Other liabilities	458,616	458,616	458,616
Unclaimed dividends	241,319	241,319	241,319
Total	**9,779,721**	**9,779,721**	**9,779,721**

4. CAPITAL MANAGEMENT

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are to comply with the capital requirements set by the regulators and safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders as well as maintain a strong capital base to support the development of its business.

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

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

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

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

4. CAPITAL MANAGEMENT (Continued)

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

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

Risk weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of (and reflecting an estimate of the credit risk associated with) each asset and counterparty. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and capital adequacy ratios of the Group's Banking subsidiaries as at 31 December 2023.

As at 31 December 2024	**Kenya** **Shs '000**	**Tanzania** **Shs '000**	**Uganda** **Shs '000**	**Rwanda** **Shs '000**
Tier I capital	89,085,488	4,109,824	6,406,237	3,268,770
Tier II capital	-	-	106,577	133,671
Total capital	**89,085,488**	**4,109,824**	**6,512,814**	**3,402,441**
Risk-weighted assets				
Credit risk weighted assets	313,707,388	13,114,418	15,222,222	12,656,144
Market risk weighted assets equivalent	31,264,526	355,450	1,639,588	35,223
Operational risk equivalent assets	92,851,721	1,586,905	-	3,272,045
Total risk-weighted assets (TRWA)	**437,823,635**	**15,056,774**	**16,861,811**	**15,963,412**

	Kenya	**Tanzania**	**Uganda**	**Rwanda**
Core capital/TRWA	20.3%	27.3%	38.0%	20.5%
Regulator minimum requirement	10.5%	12.5%	12.5%	12.5%
Total capital/TRWA	20.3%	27.3%	38.0%	21.3%
Regulator minimum requirement	14.5%	14.5%	14.5%	15.0%

4. CAPITAL MANAGEMENT (Continued)

As at 31 December 2023	Kenya Shs '000	Tanzania Shs '000	Uganda Shs '000	Rwanda Shs '000
Tier I capital	82,120,807	3,963,850	5,397,362	3,264,866
Tier II capital	-	-	111,928	203,235
Total capital	**82,120,807**	**3,963,850**	**5,509,290**	**3,468,101**
Risk-weighted assets				
Credit risk weighted assets	347,184,707	13,959,038	15,665,952	16,817,147
Market risk weighted assets equivalent	35,736,789	569,858	1,691,542	537,607
Operational risk equivalent assets	85,915,722	1,608,847	-	3,214,096
Total risk-weighted assets (TRWA)	**468,837,218**	**16,137,743**	**17,357,494**	**20,568,850**

	Kenya	Tanzania	Uganda	Rwanda
Core capital/TRWA	17.52%	24.56%	31.10%	15.87%
Regulator minimum requirement	10.50%	10.00%	10.00%	10.00%
Total capital/TRWA	17.52%	24.56%	31.74%	16.86%
Regulator minimum requirement	14.50%	12.00%	12.00%	12.00%

Capital management insurance entity (NCBA Insurance Company Limited)

The table below summarises the composition of regulatory capital and capital adequacy ratios of the Group's Insurance subsidiary as at 31 December 2024.

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the Statement of Financial Position, are:

- to comply with the capital requirements as set out in the Insurance Act;
- to comply with regulatory solvency requirements as set out in the Insurance Act.
- to safeguard the NCBA Insurance Company Limited's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

Under the Risk Based Capital (RBC) regime, the minimum regulatory capital is set as the higher of:

- absolute minimum floor amount of Shs 600 million;
- 20% of prior year's net premiums earned; and
- • RBC requirement, which is made up of capital required for operational risk plus the square root of the sum of the squares of the capital required for insurance risk, market risk and credit risk.

The Group has complied with the RBC requirements as at 31 December 2024.

Capital adequacy and the solvency margin are monitored regularly by management. The required information is filed with the Insurance Regulatory Authority on a quarterly basis. During the year the NCBA Insurance Company Limited held the minimum paid up capital required as well as met the required solvency margins.

The NCBA Insurance Company Limited's Capital Adequacy Ratio (CAR) position as at 31 December 2024 and 2023 is illustrated below:

	31 December 2024 Shs '000	31 December 2023 Shs '000
Total capital available	1,971,467	1,674,638
Minimum required capital	600,000	600,000
Capital adequacy ratio	**329%**	**279%**
Required capital adequacy Ratio (%)	**200%**	**200%**

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

The Group reviews its financial assets especially the loan and receivables portfolio to assess impairment on a continuous basis. The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area where the Group requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

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

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

The above assumptions are reviewed regularly to reduce any differences between loss estimates and actual loss experience. As at 31 December 2024, were the net present value of estimated cash flows to differ by +/-1%, the impairment loss is estimated to be Shs 109 million higher or lower (2023: Shs 290.0 million).

The most significant period-end assumptions used for the ECL estimate as at 31 December 2024 was cost of recovery.

b) Amortised cost investments

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

The investments would therefore be measured at fair value and not at amortised cost. If all financial investments at amortised cost were to be so reclassified, the carrying value would increase by Shs 10,211 million (2023: increase by Shs 16,927 million), with a corresponding entry in the fair value reserves in shareholders' equity.

c) Income taxes

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

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

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

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

d) Valuation of loan notes held at fair value

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

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

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

Changes in assumptions about these factors could affect the reported fair value of loan notes. As at 31 December 2024, the fair value of the loan notes would have been estimated at Shs 109 million higher / lower if the determined share price was assumed to be 25% higher /lower (2023 – Shs 145 million).

e) Critical Judgements in the application of IFRS 17

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the financial information.

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provides an explanation of each below.

(i) Estimates and assumptions
Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provides an explanation of each below.
In applying the measurement requirements of IFRS 17, the following methods and inputs were used that include significant estimates.

(ii) Estimates of future cash flows to fulfil insurance contracts

The cash flows related to the LIC can generally be categorized into two distinct groups. One group is short-tail classes of business consisting mainly of property, consumer lines, marine and energy. The other group is long-tail commercial lines of business which includes primary liability, Directors and Officers (D&O), professional liability, employers' liability, general liability and related classes.

Short-tail classes do not have a significant delay from the date of accident to date of report to the Group and then settled by the Group. The estimates for these classes are more reliant on the case estimate on individual claims and utilize loss development methodologies in the projection of the future development of these case estimates.

Long-tail classes generally relate to coverage where litigation is frequent or where there is an element of bodily injury, especially in situations with long term injury. For these classes it may take some time from the date of accident for the claim to emerge and for claims to be settled from notification date due to the time taken to establish liability. Estimation of ultimate net indemnity losses and loss expenses for long-tail lines of business is a complex process and depends on a number of factors, including the class and volume of business involved as well as the complexity of the individual claim and the uncertainty of the business environment.

The actuarial methods used by the group for most long-tail commercial lines include loss development methods and expected loss ratio methods, including the Bornhuetter-Ferguson method. Exceptional large claims or events, to the extent that these distort the historical development, are often removed from the analysis and considered separately.

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

e) Critical Judgements in the application of IFRS 17

(iii) Discount rates

The Group applies a bottom-up approach to deriving the discount rate for each group of insurance contracts. The Group determines the discount rates based on a liquid risk-free yield curve and then adjusts this to take into account the difference between the liquidity characteristics of the group of insurance contracts and the liquidity characteristics of the assets used to determine the yield curve.

The yield curves that have been used to discount estimates of future cash flows to fulfil insurance contracts are as follows.

31 December 2024						
	1 year	**2 years**	**3 years**	**5 years**	**10 years**	**20 years**
Risk free rate	11.41%	13.25%	16.04%	14.05%	13.51%	21.21%
Illiquidity premium	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	11.41%	13.25%	16.04%	14.05%	13.51%	21.21%

The Group has elected to use zero illiquidity risk premium adjustment since from a qualitative and quantitative analysis the impact is considered immaterial. Further, government bond markets where the Group transacts that have been used for discounting are not sufficiently deep and transparent to derive reliable estimates for the credit risk premia and as a consequence the liquidity risk premia.

(iv) Risk adjustment

The risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favorable and unfavorable outcomes in a way that reflects the Group's degree of risk aversion. The Group estimates an adjustment for non-financial risk separately from all other estimates.

The risk adjustment is calculated at the entity level and then allocated down to each group of insurance contracts in accordance with their risk profiles. The gross risk adjustment estimation approach uses a statistical modelling tool to generate an independent risk coefficient of variation (CoV). The CoV is used as inputs and actuarial judgement is exercised to derive the gross risk adjustment for non-financial risk. The ceded risk adjustment is calibrated at a 75% level of sufficiency after taking into account diversification benefits.

6. INTEREST INCOME

	Group		**Company**	
	2024	**2023**	**2024**	**2023**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Government securities:				
- Amortised cost	14,475,166	15,288,545	-	-
- Fair value through OCI	10,083,771	11,127,404	-	-
Customer loans and advances	47,229,128	37,290,051	-	-
Credit related fees	12,304,342	11,755,622	-	-
Due from banking institutions	3,594,669	1,640,967	39,878	85,228
Investment securities	932,985	823,439	-	-
	88,620,061	**77,926,028**	**39,878**	**85,228**

Interest income is recognised using the effective interest method.

7 INTEREST EXPENSE

	Group		Company	
	2024	2023	2024	2023
	Shs '000	Shs '000	Shs '000	Shs '000
Customer deposits	38,067,748	27,965,001	-	-
Deposit from other banking institutions	1,996,807	1,797,212	-	-
Borrowings – note 41	662,079	442,232	-	-
Lease liability – note 42	446,651	433,528	-	-
	41,173,285	**30,637,973**	**-**	**-**

Interest expense is recognised using the effective interest method.

8 IMPAIRMENT LOSSES

	Group		Company	
	2024	2023	2024	2023
	Shs '000	Shs '000	Shs '000	Shs '000
Impairment charge for loans and advances				
Stage 1	(10,135)	388,482	-	-
Stage 2	(1,315,717)	584,994	-	-
Stage 3	9,943,628	9,154,797	-	-
Subtotal (note 27)	**8,617,776**	**10,128,273**	-	-
Bad debts recoveries	(3,630,397)	(2,699,095)	-	-
Other impairment charges				
Impairment (release) /charges on other assets	59,056	12,052	-	-
Total impairment charges	**5,046,435**	**7,441,230**	**-**	**-**
Total impairment charges, may be analysed as follows:				
Loans and advances to customers	4,987,379	7,429,178	-	-
Other impairment (release)/charges	59,056	12,052	-	-
	5,046,435	**7,441,230**	**-**	**-**

Other impairment charges includes ECL on balances with Central Banks, items in due course of collection, due from banking institutions, Governments securities, and Investments securities**.**

9. NET FEES AND COMMISSION INCOME

	Group		Company	
	2024	2023	2024	2023
	Shs '000	Shs '000	Shs '000	Shs '000
Fees and commission income				
Service and transaction fees	5,151,000	4,586,919	-	-
Fees and commission on bills, letters of credit and guarantees	1,070,872	1,093,257	-	-
Gross fees and commission income	**6,221,872**	**5,680,176**	**-**	**-**
Fees and commission expense	(641,293)	(599,072)	-	-
Net fees and commission income	**5,580,579**	**5,081,104**	**-**	**-**
	========	=========	=======	======

10. (a) INSURANCE REVENUE

	Group		Company	
	2024	2023	2024	2023
	Shs '000	Shs '000	Shs '000	Shs '000
Motor private	584,754	-	-	-
Liability	237,795	-	-	-
Fire industrial	439,831	-	-	-
Others	455,253	-	-	-
	1,717,633	**-**	**-**	**-**
	=========	=========	=========	========

Others majorly relate to revenues from property, financial lines, marine, personal accident product lines.

(b) INSURANCE SERVICE EXPENSES

	Motor Private	Liability	Fire Industrial	Others	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Incurred claims	377,854	124,001	295,199	261,782	1,058,836
Other directly attributable expenses	(16,006)	59,383	56,616	183,561	283,554
Other movements related to current service	(13,235)	(94,118)	(22,546)	(37,358)	(167,257)
Amortisation of insurance acquisition cash flows	29,919	85,034	65,120	53,809	233,882
Changes that relate to past service	(201,666)	310,459	81,909	354,911	545,613
Changes that relate to future service	(30,984)	(493,960)	(429,208)	(504,784)	(1,458,936)
Total	**145,882**	**(9,201)**	**47,090**	**311,921**	**495,692**
	========	========	=========	========	========

11. NET EXPENSES FROM REINSURANCE CONTRACTS HELD

	Motor Private Shs '000	Liability Shs '000	Fire Industrial Shs '000	Others Shs '000	Total Shs '000
Allocation of the premiums paid	(167,700)	(120,837)	(173,174)	(283,412)	(745,123)
Less amounts recovered from reinsurance:					
Incurred insurance service expenses	(268,254)	250,546	45,502	(182,437)	(154,643)
Changes that relate to past service	(519,754)	1,377,231	478,498	(336,223)	999,752
Changes that relate to future service	1,082	(353,200)	(360,989)	(200,095)	(913,202)
Net expenses from reinsurance contracts held	**(954,626)**	**1,153,740**	**(10,163)**	**(1,002,167)**	**(813,216)**

12. NET FINANCE INCOME FROM INSURANCE AND REINSURANCE CONTRACTS

	Motor Private Shs '000	Liability Shs '000	Fire Industrial Shs '000	Others Shs '000	Total Shs '000
(a) Net finance expenses from insurance contracts					
Interest accreted on present value cash flows	(148,206)	(87,268)	(69,466)	84,258	(220,682)
Interest accreted on risk adjustment	(9,794)	(16,874)	(6,238)	9,747	(23,159)
Effect of financial risk and changes in financial risk	(10,709)	19,564	4,485	(196,631)	(183,291)
	(168,709)	**(84,578)**	**(71,219)**	**(102,626)**	**(427,132)**
(b) **Net finance expenses from reinsurance contracts**					
Interest accreted on present value cash flows	6,915	8,530	9,329	76,199	100,973
Interest accreted on risk adjustment	768	1,171	432	14,957	17,328
Effect of financial risk and changes in financial risk	6,147	22,318	4,162	18,425	51,052
	13,830	**32,019**	**13,923**	**109,581**	**169,353**
Net insurance finance expenses	**(154,879)**	**(52,559)**	**(57,296)**	**6,955**	**(257,779)**

13. FOREIGN EXCHANGE INCOME

	Group		Company	
	2024 Shs '000	2023 Shs '000	2024 Shs '000	2023 Shs '000
Realised gains	6,253,099	8,770,648	-	-
Unrealised loss	(3,336)	(393,707)	-	-
	6,249,763	**8,376,941**	**-**	**-**

14. GAINS ON DISPOSAL OF FINANCIAL ASSETS

	Group		Company	
	2024	**2023**	**2024**	**2023**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Gain on disposal of financial instruments	334,328	78,176	-	-
	========	=========	=========	========

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

15. OTHER INCOME

	Group		Company	
	2024	**2023**	**2024**	**2023**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
(a) Fair value loss of financial assets				
Fair value loss of loan note through profit and loss*(note 24)	**(94,249)**	**(1,730,879)**	-	-
(b) Other income				
Dividend income	-	-	12,144,600	7,086,744
Wealth management fees	641,929	567,435	-	-
Insurance brokerage commission	676,028	354,777	-	-
Fair value (loss)/gain on equity securities at fair value through profit or loss (note 26)	-	565,970	-	-
Management fees (Group recharges)	-	-	305,279	488,902
Operating lease rentals	583,970	587,138	-	-
Gain on disposal of property and equipment	21,283	8,464	-	-
Corporate finance/advisory income	92,188	63,568	-	-
Other**	313,080	336,406	-	-
	2,328,478	**2,483,758**	**12,449,879**	**7,575,646**
	========	=========	=========	========

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

**Other income includes loan discount amortisation.

16. OPERATING EXPENSES

	Notes	Group		Company	
		2024	2023	2024	2023
		Shs '000	Shs '000	Shs '000	Shs '000
Employee benefits	17 (a)	13,897,679	12,535,693	354,747	566,489
Premises and maintenance expenses		713,865	654,935	-	-
Equipment and motor vehicle expenses		580,728	436,831	-	-
Marketing and business development expenses		1,956,482	1,457,095	-	-
Security and insurance expenses		1,002,023	1,139,402	-	-
Information technology expenses		4,890,185	3,448,127	-	-
Communication and stationery		921,751	854,587	-	-
Professional fees		924,257	1,254,547	-	-
Depreciation of property and equipment	33	936,674	745,889	-	-
Amortisation of intangible assets (software)	32	1,193,001	1,174,139	-	-
Amortisation of operating lease	35	125	125	-	-
Regulatory deposits insurance		842,769	779,450	-	-
Auditors' remuneration (inclusive of VAT)	17 (b)	70,841	83,510	1,767	1,659
Depreciation on right of use assets	36	1,023,765	1,757,505	-	-
Other expenses *		3,228,580	2,373,888	104,273	160,312
Total expenses		**32,182,725**	**28,695,723**	**460,787**	**728,460**
Non attributable expenses**		(292,842)	-	-	-
		31,889,883	**28,695,723**	**460,787**	**728,460**

*Other expenses mainly include operational expenses and credit card expenses.
**Non-attributable expenses are overhead costs that are excluded from the measurement of insurance contract liabilities and hence not part of insurance service result

17.(a) EMPLOYEE BENEFITS

	Group	Group	Company	Company
	2024	2023	2024	2023
	Shs '000	Shs '000	Shs '000	Shs '000
Salaries and allowances	10,559,103	9,741,134	203,261	334,032
Contributions to defined contribution scheme	999,640	781,894	148,142	230,922
Medical	632,364	537,248	(3,686)	1,535
Training	235,734	251,057	-	-
Staff benefits	357,151	311,169	-	-
Other staff costs*	1,113,687	913,191	7,030	-
	13,897,679	**12,535,693**	**354,747**	**566,489**

*Other staff costs mainly include recruitment and other staff wellness costs.
The total number of employees for the period ending 31 December 2024 stood at 3,793 (2023:3,514).

17.(b) AUDITORS' REMUNERATION

	Group		Company	
	2024	2023	2024	2023
	Shs 000	Shs 000	Shs 000	Shs 000
Statutory audit fees	43,444	42,634	1,359	1,276
Other regulatory mandated audits	24,386	25,148	-	-
Other fees	3,011	15,728	408	383
	70,841	83,510	1,767	1,659

The above auditor's remuneration fees relate to statutory audit services offered by Deloitte & Touche LLP to all the Group entities with the exception of NCBA Rwanda PLC and NCBA Insurance Kenya Limited which are audited by Ernst and Young LLP and PWC consecutively.

18. INCOME TAX EXPENSE

	Group		Company	
	2024	2023	2024	2023
	Shs '000	Shs '000	Shs '000	Shs '000
Current tax				
Income tax based on taxable profit for the year	2,566,642	4,913,884	118,561	125,444
Prior year (over)/under provision of current tax	(344,721)	(344,186)	661	320
Deferred tax:				
Deferred income tax (credit)/charge (note 34)	1,127,338	(480,218)	39,526	(33,233)
(Over)/under provision of deferred tax in prior year (note 34)	(77,521)	(71,250)	(35,479)	-
Deferred tax on tax losses not recognized(note 34)	3,543	-	-	-
Effect of change in tax rate	-	7,043	-	-
	3,275,281	**4,025,273**	**123,269**	**92,531**
Profit before tax	**25,141,048**	**25,481,906**	**12,028,970**	**6,932,414**
Income tax at statutory rates*	7,514,964	7,638,347	3,608,692	2,079,724
Expenses not deductible for tax purposes	692,917	2,533,623	91,573	138,510
Income not assessable for tax purposes	(4,426,876)	(5,529,891)	(3,542,178)	(2,126,023)
Share of profits taxed on associates	(87,025)	-	-	-
(Over)/under provision of current tax in prior year	(344,721)	(344,186)	661	320
(Over)/under provision of deferred tax in prior year	(77,521)	(71,250)	(35,479)	-
Effect of change in tax rate	-	7,043	-	-
Deferred income tax not recognised	3,543	(208,413)	-	-
	3,275,281	**4,025,273**	**123,269**	**92,531**

18. INCOME TAX EXPENSE (Continued)

	Group		Company	
	2024	**2023**	**2024**	**2023**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Current income tax(recoverable)/ payable				
At 1 January	148,444	(1,604,931)	(2,786)	(11,093)
NCBA Insurance acquisition	(294,561)	-	-	-
Exchange difference on translation	34,678	34,169	-	-
Tax charge - current year	2,566,642	4,913,884	118,561	125,444
Prior year under/(over) provision of current tax	(344,721)	(344,187)	661	320
Income tax paid	(3,983,752)	(2,850,491)	(115,064)	(117,457)
At 31 December	**(1,873,270)**	**148,444**	**1,372**	**(2,786)**
Comprising:				
Current income tax recoverable	(1,880,967)	(59,291)	-	(2,786)
Current income tax payable	7,697	207,735	1,372	-
At 31 December	**(1,873,270)**	**148,444**	**1,372**	**(2,786)**

*Income tax for the Group has been computed based on a 30% rate(28% for NCBA Bank Rwanda PLC)
The Group has tax losses that arose in 2024 of Shs 283 million that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

19. DIVIDENDS PER SHARE

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

At the Annual General Meeting to be held on 28 May 2025, a final dividend in respect of the year ended 31 December 2024 of Shs 3.25 per share is to be proposed (2023: Shs 3.00 per share). During the year, the interim dividend paid for 2024 was Shs 2.25 per share (2023: Shs 1.75 per share).

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

20. EARNINGS PER SHARE (EPS)

Earnings per share (EPS) is calculated by dividing the profit for the year after taxation by the weighted average number of ordinary shares in issue during the year. There were no potentially dilutive shares outstanding at 31 December 2024 or 2023. Diluted earnings per share are therefore equal to basic earnings per share.

	Group		Company	
	2024	**2023**	**2024**	**2023**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Group net profit	21,881,139	21,456,630	11,905,701	6,839,883
Weighted average number of ordinary shares				
Number of shares issued/deemed to be outstanding 1 January ('000)	1,647,519	1,647,519	1,647,519	1,647,519
Weighted average number of shares ('000) 31 December	1,647,519	1,647,519	1,647,519	1,647,519
Basic EPS (Shs)	**13.28**	**13.02**	**7.23**	**4.15**

21. CASH AND BALANCES WITH CENTRAL BANK

	Group		Company	
	2024	2023	2024	2023
	Shs '000	Shs '000	Shs '000	Shs '000
Cash in hand	19,045,550	14,442,379	-	-
Balances with central banks	2,803,408	3,939,673	-	-
Included in cash and cash equivalent	**21,848,958**	**18,382,052**	**-**	**-**
Mandatory reserve deposits	21,830,543	24,948,149	-	-
Less: Impairment loss allowance	(120)	(2,317)	-	-
	43,679,381	**43,327,884**	**-**	**-**

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

22. ITEMS IN THE COURSE OF COLLECTION

	Group		Company	
	2024	2023	2024	2023
	Shs '000	Shs '000	Shs '000	Shs '000
Clearing account balances	553,733	381,443	-	-

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

23. DUE FROM BANKING INSTITUTIONS

	Group		Company	
	2024	2023	2024	2023
	Shs '000	Shs '000	Shs '000	Shs '000
Current accounts, overnight and call deposits	23,454,990	38,504,221	-	-
Time deposits	29,552,689	28,256,869	-	-
Impairment	(51,599)	(12,025)	-	-
	52,956,080	**66,749,065**	**-**	**-**

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

24. DERIVATIVE ASSETS

	Group		Company	
	2024	2023	2024	2023
	Shs '000	Shs '000	Shs '000	Shs '000
Derivative assets	**18,089**	**8,438**	**-**	**-**

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

25. GOVERNMENT SECURITIES

	Group		Company	
	2024	**2023**	**2024**	**2023**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Fixed rate Treasury bonds – amortised cost	119,754,941	131,675,531	-	-
Fixed rate Treasury bonds - FVOCI	75,482,300	82,494,116	-	-
Treasury bills – amortised cost	3,109,074	12,718,799	-	-
Treasury bills – FVOCI	9,169,977	1,972,527	-	-
	207,516,292	**228,860,973**	**-**	**-**
Treasury bills and bonds maturing within 91 days from date of acquisition	5,893,863	9,098,231	-	-
Treasury bills and bonds maturing after 91 days but within 360 days from date of acquisition	12,071,895	8,040,874	-	-
Treasury bills and bonds maturing after 360 days from date of acquisition	189,550,534	211,721,868	-	-
	207,516,292	**228,860,973**	**-**	**-**

	Group		Company	
	2024	**2023**	**2024**	**2023**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
The movement in Treasury bonds at amortised cost was as follows:				
At start of year	131,675,531	122,262,834	-	-
Additions during the year	5,260,271	9,574,350	-	-
Maturities and disposals	(13,236,747)	(4,702,388)	-	-
Impairment	(9,449)	(6,676)	-	-
Foreign exchange movement	(3,934,665)	4,547,411	-	-
At end of year	**119,754,941**	**131,675,531**	**-**	**-**
The movement in Treasury bonds – FVOCI was as follows:				
At start of year	82,494,116	88,356,374	-	-
NCBA Insurance Kenya Limited acquisition	1,876,590	-		
Additions during the year	22,136,968	19,629,020	-	-
Maturities and disposals	(33,284,585)	(25,595,237)	-	-
Changes in fair value	3,320,726	(3,795,414)	-	-
Impairment	1,324	(2,430)	-	-
Foreign exchange movement	(1,062,839)	3,901,803	-	-
At end of year	**75,482,300**	**82,494,116**	**-**	**-**

25. GOVERNMENT SECURITIES (CONTINUED)

	Group 2024 Shs '000	Group 2023 Shs '000	Company 2024 Shs '000	Company 2023 Shs '000
The movement in Treasury bills at amortised cost was as follows:				
At start of year	12,718,799	10,685,145	-	-
NCBA Insurance Kenya Limited acquisition	13,017			
Additions during the year	3,047,310	31,493,551	-	-
Maturities and disposals	(11,496,584)	(29,879,173)	-	-
Impairment	4,180	(897)	-	-
Foreign exchange movement	(1,177,648)	420,173	-	-
At end of year	**3,109,074**	**12,718,799**	**-**	**-**
The movement in Treasury bills at FVOCI was as follows:				
At start of year	1,972,527	1,146,307	-	-
Additions during the year	49,199,503	5,958,537	-	-
Maturities and disposals	(41,840,097)	(5,415,125)	-	-
Changes in fair value	3,660	(4,722)	-	-
Impairment	(4,070)	233	-	-
Foreign exchange movement	(161,546)	287,297	-	-
At end of year	**9,169,977**	**1,972,527**	**-**	**-**
Expected credit losses movement was as follows:				
At start of year	(126,935)	(117,165)	-	-
NCBA Insurance Kenya Limited acquisition	(945)	-	-	-
Impairment	(8,015)	(9,770)	-	-
At end of year	**(135,895)**	**(126,935)**	-	-

26. INVESTMENT SECURITIES

	Group 2024 Shs '000	Group 2023 Shs '000	Company 2024 Shs '000	Company 2023 Shs '000
Listed equity securities at FVTPL	-	1,519,899	-	-
Unit trusts at FVTPL	49,882	59,097	-	-
Other investment securities at FVTPL	72,124	73,995	-	-
Other investment securities at FVTOCI	43,470	50,607	-	-
Other investment securities at amortised cost	824,553	651,003	-	-
Financial assets at amortised cost	14,236,801	15,330,847	-	-
	15,226,830	**17,685,448**	**-**	**-**
Expected credit losses movement was as follows:				
At start of year	(2,360)	(9,727)	-	-
(Increase)/decrease in ECL	(12,719)	7,367	-	-
At end of year	**(15,079)**	**(2,360)**	-	-

26. INVESTMENT SECURITIES (Continued)

	Group		Company	
	2024	2023	2024	2023
	Shs '000	Shs '000	Shs '000	Shs '000
The movement in financial assets held at amortised cost was as follows:				
At start of year	15,330,847	8,838,703	-	-
Transfer from loans and advances (note 27b)	-	1,482,021	-	-
Additions	1,931,452	5,002,756	-	-
Disposals	(3,012,779)	-	-	-
(Increase)/decrease in ECL	(12,719)	7,367	-	-
At end of year	**14,236,801**	**15,330,847**	**-**	**-**
The movement in equity securities was as follows:				
At start of year	1,519,899	953,929	-	-
Fair value gain on equity securities at fair value through profit or loss (note 15)	-	565,970	-	-
Disposal in the year	(1,519,899)			
At end of year	**-**	**1,519,899**	**-**	**-**
The movement in unit trusts at fair value through profit or loss was as follows:				
At start of year	59,097	50,769	-	-
Fair value gain on equity securities at fair value through profit or loss	(9,215)	8,328	-	-
At end of year	**49,882**	**59,097**	**-**	**-**
The movement in other investment securities at fair value through profit or loss was as follows:				
At start of year	73,995	70,772	-	-
Fair value (loss) / gain on equity securities at fair value through profit or loss	(1,871)	3,223	-	-
At end of year	**72,124**	**73,995**	**-**	**-**
The movement in other investment securities at amortised costs was as follows:				
At start of year	651,003	254,311	-	-
Disposals	-	(254,311)	-	-
Additions	173,550			
Fair value gain on equity securities at fair value through profit or loss	-	651,003	-	-
At end of year	**824,553**	**651,003**	**-**	**-**

26. INVESTMENT SECURITIES (Continued)

	Group 2024 Shs '000	Group 2023 Shs '000	Company 2024 Shs '000	Company 2023 Shs '000
The movement in other investment securities at fair value through other comprehensive incomes was as follows:				
At start of year	50,607	-	-	-
Reclass from government securities	-	50,607	-	-
Foreign currency movement	(7,137)			
At end of year	**43,470**	**50,607**	**-**	**-**
Classified as:				
Non-current	14,381,664	16,058,993	-	-
Current	845,166	1,626,455	-	-
Total	**15,226,830**	**17,685,448**	**-**	**-**

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

The shares were disposed in 2024.

27. CUSTOMER LOANS AND ADVANCES - GROUP

i) Summary of customer loans and advances

	2024 Shs '000	2023 Shs '000
Loans and advances classified as:		
a) Loans and receivables (amortised cost) net of ECL	290,541,204	326,118,555
b) Loan notes at FVTPL	3,391,146	4,095,870
	293,932,350	**330,214,425**
(a) Loans and advances at amortised cost		
Overdrafts	26,674,529	38,108,208
Term loans	271,158,394	289,478,995
Credit cards	1,365,660	1,198,050
Bills discounted	6,555,236	18,021,050
	305,753,819	**346,806,303**
Provisions for impairment		
Stage 3	(11,716,301)	(15,877,191)
Stage 2	(1,392,471)	(2,437,697)
Stage 1	(2,103,843)	(2,372,860)
	(15,212,615)	**(20,687,748)**
Net loans and advances at amortised cost	**290,541,204**	**326,118,555**

27. CUSTOMER LOANS AND ADVANCES - GROUP (Continued)

i) Summary of customer loans and advances (Continued)

	2024 Shs '000	2023 Shs '000
(b) Loan notes at fair value through profit or loss		
Loans notes	3,391,146	4,095,870
At start of year	4,095,870	4,144,045
Fair value loss	(94,449)	(1,730,879)
Foreign currency exchange movements	(610,275)	1,682,704
At end of year	**3,391,146**	**4,095,870**
(c) Current and non-current analysis		
Current	129,698,250	136,917,734
Non-current	164,234,100	193,296,691
	293,932,350	**330,214,425**

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

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

	Stage 1 12-month ECL Shs '000	Stage 2 Lifetime ECL Shs '000	Stage 3 Lifetime ECL Shs '000	Total Shs '000
Gross carrying amount as at 1 January 2024	**283,598,769**	**26,954,101**	**36,253,433**	**346,806,303**
Transfer to stage 1	2,671,162	(2,226,972)	(444,190)	-
Transfer to stage 2	(22,656,845)	28,194,429	(5,537,584)	-
Transfer to stage 3	(3,543,519)	(6,095,084)	9,638,603	-
Net new financial assets originated or purchased	34,428,954	1,100,784	5,717,685	41,247,423
Foreign exchange and other changes	(35,190,604)	(10,739,778)	(5,542,681)	(51,473,063)
Repayments	(14,805,490)	(1,864,682)	(2,545,190)	(19,215,362)
Write-offs	(72,271)	(149,698)	(11,389,513)	(11,611,482)
Gross carrying amounts as at 31 December 2024	**244,430,156**	**35,173,100**	**26,150,563**	**305,753,819**

27. CUSTOMER LOANS AND ADVANCES – GROUP (Continued)

	Stage 1 12-month ECL Shs '000	Stage 2 Lifetime ECL Shs '000	Stage 3 Lifetime ECL Shs '000	Total Shs '000
Gross carrying amount as at 1 January 2023	**228,669,234**	**31,497,403**	**32,869,198**	**293,035,835**
Transfer to stage 1	1,791,519	(1,213,785)	(577,734)	-
Transfer to stage 2	(6,321,392)	6,799,682	(478,290)	-
Transfer to stage 3	(3,280,336)	(8,626,039)	11,906,375	-
Net new financial assets originated or purchased	55,252,608	3,160,990	5,005,509	63,419,107
Transfer to investment securities (note 26)	(1,482,021)	-	-	(1,482,021)
Foreign exchange and other changes	30,629,951	75,938	(1,420,449)	29,285,440
Financial assets derecognized (including repayments)	(21,660,794)	(4,740,088)	(11,051,176)	(37,452,058)
Gross carrying amounts as at 31 December 2023	**283,598,769**	**26,954,101**	**36,253,433**	**346,806,303**

Impairment of financial assets

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

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

27. CUSTOMER LOANS AND ADVANCES – GROUP (CONTINUED)

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

	12-month ECL Shs '000	Lifetime ECL Shs '000	Lifetime ECL Shs '000	Total Shs '000
At start of year	**2,372,860**	**2,437,697**	**15,877,191**	**20,687,748**
Transfer to stage 1	466,463	(259,317)	(207,146)	-
Transfer to stage 2	(67,880)	159,771	(91,891)	-
Transfer to stage 3	(98,662)	(762,289)	860,951	-
Net new impairments created/(released)	(59,771)	(673,747)	9,351,294	8,617,776
Total charge to profit or loss	**240,150**	**(1,535,582)**	**9,913,208**	**8,617,776**
Foreign exchange and other movements	(436,896)	592,803	(2,442,232)	(2,286,325)
Write-offs	(72,271)	(102,447)	(11,631,866)	(11,806,584)
At 31 December 2024	**2,103,843**	**1,392,471**	**11,716,301**	**15,212,615**
	=========	=========	==========	=========
At start of year	**2,327,097**	**2,740,074**	**16,079,525**	**21,146,696**
Transfer to stage 1	(17,330)	(86,658)	103,988	-
Transfer to stage 2	(8,207)	(157,119)	165,326	-
Transfer to stage 3	(6,708)	(154,055)	160,763	-
Net new impairments created/(released)	483,165	813,241	4,679,408	5,975,814
Transfer from Investment Securities	(209)	-	-	(209)
Foreign exchange and other movements	(62,229)	169,585	4,045,312	4,152,668
Total charge to profit or loss	**388,482**	**584,994**	**9,154,797**	**10,128,273**
Financial assets derecognized	(342,719)	(887,371)	(9,357,131)	(10,587,221)
At 31 December 2023	**2,372,860**	**2,437,697**	**15,877,191**	**20,687,748**
	=========	=========	==========	=========

28. (a) INSURANCE CONTRACT LIABILITIES

Contracts measured under the PAA – total insurance contracts issued
Reconciliation of the liability for remaining coverage and the liability for incurred claims

Year ended 31 December 2024	**LRC**		**LIC**		
	Excluding loss component	**Loss component**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
	Shs ‘000	**Shs ‘000**	**Shs ‘000**	**Shs ‘000**	**Shs ‘000**
Opening insurance contract assets	-	-	-	-	-
Opening insurance contract liabilities	575,954	152,566	1,733,924	230,951	2,693,395
Net balance at 1 July 2024	**575,954**	**152,566**	**1,733,924**	**230,951**	**2,693,395**
Insurance revenue	**(1,717,633)**	**-**	**-**	**-**	**(1,717,633)**
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	(25,966)	(1,382)	(122,683)	(150,031)
Insurance acquisition cash flows amortization	233,881	-	-	-	233,881
Changes that relate to past service – adjustments to the LIC	-	-	541,372	4,241	545,613
Losses on onerous contracts and reversal of those losses	-	(133,771)	-	-	(133,771)
Insurance service expenses	**233,881**	**(159,737)**	**539,990**	**(118,442)**	**495,692**
	-	**-**	**-**	**-**	**-**
Insurance service result	**(1,483,752)**	**(159,737)**	**539,990**	**(118,442)**	**(1,221,941)**
Net finance expenses from insurance contracts issued	-	111,330	285,338	30,464	427,132
Total changes in the statement of financial performance	**(1,483,752)**	**(48,407)**	**825,328**	**(87,978)**	**(794,809)**
Cash flows					
Premiums received	1,536,804	-	-	-	1,536,804
Claims and other directly attributable expenses paid	-	-	(1,135,291)	-	(1,135,291)
Insurance acquisition costs	(149,083)		-	-	(149,083)
Total cash flows	**1,387,721**	**-**	**(1,135,291)**	**-**	**252,430**
Closing insurance contract liabilities	479,923	104,159	1,423,961	142,973	2,151,016
Net balance at 31 December 2024	**479,923**	**104,159**	**1,423,961**	**142,973**	**2,151,016**

28.(a) INSURANCE CONTRACT LIABILITIES (Continued)

(i) Contracts measured under the PAA – insurance contracts issued (Motor Private)
Reconciliation of the liability for remaining coverage and the liability for incurred claims

Year ended 31 December 2024	**LRC**		**LIC**		
	Excluding loss component	**Loss component**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
Opening insurance contract assets	-	-	-	-	-
Opening insurance contract liabilities	400,975	36,971	315,350	20,812	774,108
Net balance at 1 July 2024	**400,975**	**36,971**	**315,350**	**20,812**	**774,108**
Insurance revenue	**(584,754)**	**-**	**-**	**-**	**(584,754)**
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	339,566	9,047	348,613
Insurance acquisition cash flows amortization	29,919	-	-	-	29,919
Changes that relate to past service – adjustments to the LIC	-	-	(196,527)	(5,138)	(201,665)
Losses for the net outflow recognized on initial recognition	-	(36,971)	-	-	(36,971)
Losses on onerous contracts and reversal of those losses	-	5,986	-	-	5,986
Insurance service expenses	**29,919**	**(30,985)**	**143,039**	**3,909**	**145,882**
Insurance service result	**(554,835)**	**(30,985)**	**143,039**	**3,909**	**(438,872)**
Net finance expenses from insurance contracts issued	-	-	66,627	4,196	70,823
Total changes in the statement of financial performance	**(554,835)**	**(30,985)**	**209,666**	**8,105**	**(368,049)**
Cash flows					
Premiums received	465,923	-	-	-	465,923
Claims and other directly attributable expenses paid	-	-	(135,808)	-	(135,808)
Insurance acquisition costs	11,459	-	-	-	11,459
Total cash flows	**477,382**	**-**	**(135,808)**	**-**	**341,574**
Closing insurance contract assets	-	-	-	-	-
Closing insurance contract liabilities	323,522	5,986	389,208	28,917	747,633
Net balance at 31 December 2024	**323,522**	**5,986**	**389,208**	**28,917**	**747,633**

28.(a) INSURANCE CONTRACT LIABILITIES(Continued)

(ii) Contracts measured under the PAA – insurance contracts issued (Liability)
Reconciliation of the liability for remaining coverage and the liability for incurred claims

Year ended 31 December 2024	**LRC**		**LIC**		
	Excluding loss component	**Loss component**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
Opening insurance contract assets	-	-	-	-	-
Opening insurance contract liabilities	31,515	-	596,870	143,631	772,016
Net balance at 1 July 2024	31,515	-	596,870	143,631	772,016
Insurance revenue	(237,795)	-	-	-	(237,795)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	(259,045)	(89,692)	(348,737)
Insurance acquisition cash flows amortization	85,033	-	-	-	85,033
Changes that relate to past service – adjustments to the LIC	-	-	316,778	(6,319)	310,459
Losses for the net outflow recognized on initial recognition	-	(55,956)	-	-	(55,956)
Losses on onerous contracts and reversal of those losses	-	-	-	-	-
Insurance service expenses	85,034	(55,956)	57,733	(96,011)	(9,201)
Insurance service result	**(152,762)**	**(55,956)**	**57,733**	**(96,011)**	**(246,996)**
Net finance expenses from insurance contracts issued	-	55,956	67,297	8,515	131,768
Total changes in the statement of financial performance	(152,762)	-	125,030	(87,496)	(115,228)
Cash flows					
Premiums received	131,018	-	-	-	131,018
Claims and other directly attributable expenses paid	-	-	(330,592)	-	(330,592)
Insurance acquisition costs	(66,688)	-	-	-	(66,688)
Total cash flows	64,330	-	(330,592)	-	(266,262)
Closing insurance contract liabilities	(56,917)	-	391,308	56,135	390,526
Net balance at 31 December 2024	(56,917)	-	391,308	56,135	390,526

28.(a) INSURANCE CONTRACT LIABILITIES (Continued)

(iii) Contracts measured under the PAA – insurance contracts issued (Fire industrial)

Reconciliation of the liability for remaining coverage and the liability for incurred claims

Year ended 31 December 2024	LRC		LIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Opening insurance contract assets	-	-	-	-	-
Opening insurance contract liabilities	(23,499)	-	284,273	26,002	286,776
Net balance at 1 July 2024	**(23,499)**	**-**	**284,273**	**26,002**	**286,776**
Insurance revenue	**(439,832)**	**-**	**-**	**-**	**(439,832)**
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	(69,049)	(20,109)	(89,158)
Insurance acquisition cash flows amortization	65,119	-	-	-	65,119
Changes that relate to past service – adjustments to the LIC	-	-	81,477	433	81,910
Losses for the net outflow recognized on initial recognition	-	(10,781)	-	-	(10,781)
Losses on onerous contracts and reversal of those losses	-	-	-	-	-
Insurance service expenses	**65,119**	**(10,781)**	**12,428**	**(19,676)**	**47,090**
Insurance service result	**(374,713)**	**(10,781)**	**12,428**	**(19,676)**	**(392,742)**
Net finance expenses from insurance contracts issued	-	10,781	37,936	1,715	50,432
Total changes in the statement of financial performance	**(374,711)**	**-**	**50,364**	**(17,961)**	**(342,310)**
Cash flows					
Premiums received	573,716	-	-	-	573,716
Claims and other directly attributable expenses paid	-	-	(191,563)	-	(191,563)
Insurance acquisition costs	(29,245)	-	-	-	(29,245)
Total cash flows	**544,471**	**-**	**(191,563)**	**-**	**352,908**
Closing insurance contract assets	-	-	-	-	-
Closing insurance contract liabilities	146,259	-	143,074	8,041	297,374
Net balance at 31 December 2024	**146,259**	**-**	**143,074**	**8,041**	**297,374**

28.(a) INSURANCE CONTRACT LIABILITIES (Continued)

(iv) Contracts measured under the PAA – insurance contracts issued (Others)

Year ended 31 December 2024	**LRC**		**LIC**		
	Excluding loss component	**Loss component**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
Opening insurance contract assets	-	-	-	-	-
Opening insurance contract liabilities	166,963	115,595	537,431	40,506	860,495
Net balance at 1July 2024	166,963	115,595	537,431	40,506	860,495
Insurance revenue	(455,252)	-	-	-	(455,252)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	(25,966)	(12,854)	(21,929)	(60,749)
Insurance acquisition cash flows amortization	53,810	-	-	-	53,810
Changes that relate to past service – adjustments to the LIC	-	-	339,644	15,265	354,909
Losses for the net outflow recognized on initial recognition	-	103,708	-	-	103,708
Losses on onerous contracts and reversal of those losses	-	(139,757)	-	-	(139,757)
Insurance service expenses	**53,810**	**(62,015)**	**326,790**	**(6,664)**	**311,921**
Insurance service result	(401,442)	(62,015)	326,790	(6,664)	**(143,331)**
Net finance expenses from insurance contracts issued	-	44,593	113,478	16,038	174,109
Total changes in the statement of financial performance	(401,442)	(17,422)	440,268	9,374	**(30,778)**
Cash flows					
Premiums received	366,147	-	-	-	366,147
Claims and other directly attributable expenses paid	-	-	(477,328)	-	(477,328)
Insurance acquisition costs	(64,609)	-	-	-	(64,609)
Total cash flows	301,538	-	(477,328)	-	**(175,790)**
Closing insurance contract assets	-	-	-	-	-
Closing insurance contract liabilities	67,059	98,173	500,371	49,880	715,483
Net balance at 31 December 2024	67,059	98,173	500,371	49,880	**715,483**

28. (b) REISURANCE CONTRACTS ASSETS AND LIABILITIES

Contracts measured under the PAA – total reinsurance contracts held

Reconciliation of the remaining coverage and incurred claims

	ARC		AIC		
Year ended 31 December 2024	**Excluding loss-recovery**	**Loss-recovery component**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
Opening reinsurance contract assets	289,324	104,630	1,442,704	182,583	2,019,241
Opening reinsurance contract liabilities	-	-	-	-	-
Net balance at 1 July 2024	**289,324**	**104,630**	**1,442,704**	**182,583**	**2,019,241**
Allocation of premiums paid	(745,123)	-	-	-	(745,123)
Recoveries of incurred claims and other insurance	-	(37,321)	(924,473)	(117,749)	(1,079,543)
Changes related to past service (changes related to incurred claims component)	-	-	993,532	6,218	999,750
Changes that relate to future service: Recoveries and reversals of recoveries of losses on onerous underlying contracts - subsequent measurement	-	11,700	-	-	11,700
Total amounts recovered from reinsurance	**(745,123)**	**(25,621)**	**69,059**	**(111,531)**	**(813,216)**
Total net expenses from reinsurance	**(745,123)**	**(25,621)**	**69,059**	**(111,531)**	**(813,216)**
Net finance income from reinsurance contracts held	-	-	147,085	22,267	169,352
Total changes in the statement of financial	**(745,123)**	**(25,621)**	**216,144**	**(89,263)**	**(643,863)**
Cash flows					
Premiums paid net of ceding commissions and other	575,844	-	-	-	575,844
Reinsurance recoveries	-	-	(293,141)	-	(293,141)
Total cash flows	**575,844**	**-**	**(293,141)**	**-**	**282,703**
Balance at 31 December 2024					
Closing reinsurance contract assets	196,768	76,221	1,355,227	92,336	1,720,552
Closing reinsurance contract liabilities	(76,723)	2,788	10,481	984	(62,469)
Net balance at 31 December 2024	**120,045**	**79,009**	**1,365,707**	**93,321**	**1,658,081**

28 (b) REISURANCE CONTRACTS ASSETS AND LIABILITIES (Continued)

(i) Contracts measured under the PAA – reinsurance contracts held (Motor Private)

Reconciliation of the remaining coverage and incurred claims

	ARC		AIC		
Year ended 31 December 2024	**Excluding loss-recovery component**	**Loss-recovery component**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
Opening reinsurance contract assets	83,155	30,072	414,647	52,476	580,350
Opening reinsurance contract liabilities	-	-	-	-	-
Net balance at 1 July 2024	**83,155**	**30,072**	**414,647**	**52,476**	**580,350**
Allocation of premiums paid	(311,151)	-	-	-	(311,151)
Recoveries of incurred claims and other insurance service	-	10,229	(90,012)	(18,164)	(97,947)
Changes related to past service (changes related to incurred claims component)	-	-	237,263	(10,769)	226,494
Changes that relate to future service: Recoveries and reversals of recoveries of losses on onerous underlying contracts - subsequent measurement	-	(12,840)	-	-	(12,840)
Total amounts recovered from reinsurance	**(311,151)**	**(2,611)**	**147,251**	**(28,933)**	**(195,444)**
Total net expenses from reinsurance	**(311,151)**	**(2,610)**	**147,251**	**(28,933)**	**(195,444)**
Net finance income from reinsurance contracts held	-	-	57,803	8,891	66,694
Total changes in the statement of financial performance	**(311,151)**	**(2,610)**	**205,054**	**(20,042)**	**(128,750)**
Cash flows					
Premiums paid net of ceding commissions and other directly	269,720	-	-	-	269,720
Reinsurance recoveries	-	-	(145,018)	-	(145,018)
Total cash flows	**269,720**	**-**	**(145,018)**	**-**	**124,702**
Balance at 31 December 2024					
Closing reinsurance contract assets	68,391	26,492	471,040	32,093	598,016
Closing reinsurance contract liabilities	(26,667)	969	3,643	341	(21,714)
Net balance at 31 December 2024	**41,724**	**27,461**	**474,683**	**32,434**	**576,302**

28.(b) REISURANCE CONTRACTS ASSETS AND LIABILITIES (Continue)

(ii) Contracts measured under the PAA – reinsurance contracts held (Liability)

Reconciliation of the remaining coverage and incurred claims

	ARC		AIC		
Year ended 31 December 2024	**Excluding loss-recovery**	**Loss-recovery component**	**Present value of future cash flows**	**Risk adjustment for non-financial**	**Total**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
Opening reinsurance contract assets	82,930	29,990	413,527	52,334	578,781
Opening reinsurance contract liabilities	-	-	-	-	-
Net balance at 1 July 2024	**82,930**	**29,990**	**413,527**	**52,334**	**578,781**
Allocation of premiums paid	(44,169)	-	-	-	(44,169)
Recoveries of incurred claims and other insurance service	-	(47,023)	(571,838)	(61,135)	(679,996)
Changes related to past service (changes related to incurred claims component)	-	-	369,116	23,712	392,828
Changes that relate to future service: Recoveries and reversals of recoveries of losses on onerous underlying contracts - subsequent measurement	-	31,377	-	-	31,377
Total amounts recovered from reinsurance	**(44,169)**	**(15,646)**	**(202,722)**	**(37,423)**	**(255,760)**
Total net expenses from reinsurance	**(44,169)**	**(15,646)**	**(202,722)**	**(37,423)**	**(299,960)**
Net finance income from reinsurance contracts held	-	-	15,035	2,032	17,067
Total changes in the statement of financial performance	**(44,169)**	**(15,646)**	**(187,687)**	**(35,391)**	**(282,893)**
Cash flows					
Premiums paid net of ceding commissions and other	(16,966)	-	-	-	(16,966)
Reinsurance recoveries	-	-	22,110	-	22,110
Total cash flows	**(16,966)**	**-**	**22,110**	**-**	**5,144**
Balance at 31 December 2024	**-**	**-**	**-**	**-**	
Closing reinsurance contract assets	35,724	13,838	246,047	16,764	312,373
Closing reinsurance contract liabilities	(13,929)	506	1,903	179	(11,341)
Net balance at 31 December 2024	**21,795**	**14,344**	**247,950**	**16,943**	**301,032**

28.(b) REISURANCE CONTRACTS ASSETS AND LIABILITIES (Continued)

(iii) Contracts measured under the PAA – reinsurance contracts held (Others)

Reconciliation of the remaining coverage and incurred claims

	ARC		AIC		
Year ended 31 December 2024	**Excluding loss-recovery**	**Loss-recovery component**	**Present value of future cash flows**	**Risk adjustment for non-financial**	**Total**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
Opening reinsurance contract assets	92,434	33,428	460,920	58,333	645,115
Opening reinsurance contract liabilities	-	-	-	-	-
Net balance at 1 July 2024	**92,434**	**33,428**	**460,920**	**58,333**	**645,115**
Allocation of premiums paid	(259,241)	-	-	-	(259,241)
Recoveries of incurred claims and other insurance	-	(5,591)	(199,834)	(34,193)	(239,618)
Changes related to past service (changes related to incurred claims component)	-	-	249,725	(756)	248,969
Changes that relate to future service: Recoveries and reversals of recoveries of losses on onerous underlying contracts - subsequent measurement	-	(1,555)	-	-	(1,555)
Total amounts recovered from reinsurance	**(259,241)**	**(7,146)**	**49,891**	**(34,949)**	**(251,445)**
Total net expenses from reinsurance	**(259,241)**	**(7,146)**	**49,891**	**(34,949)**	**(251,445)**
Net finance income from reinsurance contracts held	**-**	-	50,384	7,658	58,042
Total changes in the statement of financial	**(259,241)**	**(7,146)**	**100,275**	**(27,291)**	**(193,403)**
Cash flows					
Premiums paid net of ceding commissions and other	**206,737**	**-**	**-**	**-**	**206,737**
Reinsurance recoveries	-	-	**(106,927)**	**-**	**(106,927)**
Total cash flows	**206,737**	**-**	**(106,927)**	**-**	**99,810**
Balance at 31 December 2024					
Closing reinsurance contract assets	65,450	25,354	450,782	30,714	572,300
Closing reinsurance contract liabilities	(25,520)	928	3,486	328	(20,778)
Net balance at 31 December 2024	**39,930**	**26,282**	**454,268**	**31,042**	**551,522**

28.(b) REISURANCE CONTRACTS ASSETS AND LIABILITIES (Continued)

(iv) Contracts measured under the PAA – reinsurance contracts held (Fire Industrial)
Reconciliation of the remaining coverage and incurred claims

Year ended 31 December 2024	ARC Excluding loss recovery component Shs '000	Loss recovery component Shs '000	AIC Present value of future cash flows Shs '000	Risk adjustment for non-financial risk Shs '000	Total Shs '000
Opening reinsurance contract assets	30,805	11,140	153,610	19,440	214,995
Opening reinsurance contract liabilities	-	-	-	-	-
Net balance at 1 July 2024	**30,805**	**11,140**	**153,610**	**19,440**	**214,995**
Allocation of premiums paid	(130,562)	-	-	-	(130,562)
Recoveries of incurred claims and other insurance service expense	-	5,064	(62,789)	(4,257)	(61,982)
Changes related to past service (changes related to incurred claims component)	-	-	137,428	(5,968)	131,460
Changes that relate to future service: Recoveries and reversals of recoveries of losses on onerous underlying contracts - subsequent measurement	-	(5,282)	-	-	(5,282)
Total amounts recovered from reinsurance	**(130,562)**	**(218)**	**74,639**	**(10,225)**	**(66,366)**
Total net expenses from reinsurance	**(130,562)**	**(218)**	**74,639**	**(10,225)**	**(66,366)**
Net finance income from reinsurance contracts held	-	-	23,863	3,686	27,549
Total changes in the statement of financial performance	**(130,562)**	**(218)**	**98,502**	**(6,539)**	**(38,817)**
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	116,353	-	-	-	116,353
Reinsurance recoveries	-	-	(63,305)	-	(63,305)
Total cash flows	**116,353**	**-**	**(63,305)**	**-**	**53,048**
Balance at 31 December 2024	**-**	**-**	**-**	**-**	
Closing reinsurance contract assets	27,203	10,537	187,358	12,765	237,863
Closing reinsurance contract liabilities	(10,607)	385	1,449	136	(8,637)
Net balance at 31 December 2024	**16,596**	**10,922**	**188,807**	**12,901**	**229,226**

28 (c) CLAIMS DEVELOPMENT TABLE

The tables below illustrate how estimates of cumulative claims for the Group have developed over time on a gross and net of reinsurance basis. Each table shows how the Group's estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position. Balances have been translated at the exchange rates prevailing at the reporting date.

The tables present the following:

- Undiscounted estimates of cash outflows for incurred claims for each accident year from 2018, with comparisons to previous estimates of these undiscounted cash outflows;
- The cumulative actual cash payments made for incurred claims and other directly attributable expenses by accident year from 2018;
- Gross cumulative claims liabilities for accidents years prior to 2018;
- The effect of discounting and the risk adjustment for non-financial risk.

Insurance claims – gross

All amounts in Shs '000'	**2018 and prior**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
Estimates of undiscounted ultimate claim costs – gross								
At end of accident year	696,4 84	435,736	299,972	363,060	382,632	656,253	511,088	511,088
One year later	1,119,077	736,936	488,223	654,257	911,748	1,215,248	-	1,215,248
Two years later	1,202,611	804,610	530,639	734,125	951,718	-	-	951,718
Three years later	1,247,502	904,199	549,123	787,035	-	-	-	787,035
Four years later	1,282,342	971,718	566,366	-	-	-	-	566,366
Five years later	1,292,581	980,983	-	-	-	-	-	980,983
Six years later	1,288,289	-	-	-	-	-	-	1,288,289
Seven years later	1,313,880	-	-	-	-	-	-	1,313,880
Estimate of cumulative claim liabilities – accident years 2017-2024	2,938,296	1,008,623	646,281	865,848	1,112,800	1,484,106	1,111,245	9,167,199
Cumulative claim payments to date	2,602,169	980,983	566,366	787,035	951,718	1,215,248	511,088	7,614,607
OCR	339,624	23,968	86,568	68,729	107,369	209,180	430,528	1,265,966
IBNR	(3,497)	3,672	(6,787)	10,084	53,712	59,679	169,629	286,492
ULAE								80,885
Effect of discounting								(209,382)
Effect of the risk adjustment margin for non-financial risk								142,973
Liabilities for incurred claims for insurance contracts issued								**1,556,934**

NCBA GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 (c) CLAIMS DEVELOPMENT TABLE (continued)

Insurance claims – net

All amounts in Shs '000'	2018 and prior	2019	2020	2021	2022	2023	2024	Total
Estimates of undiscounted ultimate claim costs – net								
At end of accident year	459,555	126,122	82,521	96,472	117,090	155,930	199,411	199,411
One year later	650,960	205,452	136,164	174,946	248,858	312,113	-	312,113
Two years later	683,584	221,560	147,514	201,151	261,543	-	-	261,543
Three years later	701,467	246,827	151,886	217,669	-	-	-	217,669
Four years later	723,085	264,985	158,766	-	-	-	-	158,766
Five years later	729,228	267,028	-	-	-	-	-	267,028
Six years later	732,581	-	-	-	-	-	-	732,581
Seven years later	738,087	-	-	-	-	-	-	738,087
Estimate of cumulative claim liabilities – accident years 2017-2024	612,531	268,474	237,681	178,472	307,215	400,360	926,190	2,930,923
Cumulative claim payments to date	1,084,238	267,028	158,766	217,669	261,543	312,113	199,411	2,500,768
OCR	102,124	5,992	21,642	17,182	26,818	39,551	133,475	346,784
IBNR	(1,117)	938	(1,630)	2,524	13,369	14,658	54,628	83,370
ULAE								80,885
Effect of discounting								(60,918)
Effect of the risk adjustment margin for non-financial risk								49,653
Liabilities for incurred claims for insurance contracts issued								**499,774**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. OTHER ASSETS

	Group 2024 Shs '000	Group 2023 Shs '000	Company 2024 Shs '000	Company 2023 Shs '000
Deposits and prepayments	2,580,265	1,200,265	-	-
Receivables from mobile banking operators*	13,654,965	11,165,404	-	-
Other receivables	3,033,261	4,622,805	674,533	241,319
	19,268,491	**16,988,474**	**674,533**	**241,319**

*Receivables from mobile banking relates to funding for mobile initiated transactions and other mobile banking funding accounts.
Other receivables mainly relates to suspense accounts across the Group. It includes amounts acquired from NCBA Insurance Kenya Limited of Shs 77.8 million.

30. INVESTMENT IN ASSOCIATES

	Country of incorporation	Interest in associates	2024 Shs 000	2023 Shs 000
CBA Mutuya Property Group Limited	**Kenya**	**23.34%**		
As start of the year			**2,994,572**	**2,997,946**
Share of profits				
Share of associates profits prior year adjustment			(2,056)	(4,011)
Share of associate's profits current year			65,617	637
Total share of profits			**63,561**	**(3,374)**
At end of year			**3,058,133**	**2,994,572**
AIG Kenya Insurance Company Limited	**Kenya**	**33.33%**		
At start of the year			**921,237**	**1,028,041**
Share of profits				
Share of associates profits prior year adjustment			(1,367)	(3,134)
Share of associate's profits current year			24,062	12,996
Total share of profits			**22,695**	**9,862**
Transfer to Investment in subsidiary on 100% acquisition of AIG Kenya Insurance company Limited			(943,932)	-
Dividends received			-	(116,666)
At end of year			**-**	**921,237**
Bridge MicroFinance	**Cote d'Ivoire**	**35.00%**		
As start of the year			**307,865**	**43,673**
Additional investment			-	228,976
Share of profits				
Associated profits prior year adjustment			8,896	35
Share of associate's (loss) / profits current year			(8,127)	35,181
Total share of profits			**769**	**35,216**
At end of year			**308,634**	**307,865**
Total investment in associates			**3,366,767**	**4,223,674**

30 INVESTMENT IN ASSOCIATES (Continued)

Summarised statement of financial position

	CBA Mutuya Property Group Limited		AIG Kenya Insurance Limited		Bridge MicroFinance	
	2024	2023	2024	2023	2024	2023
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Current						
Assets	2,195,928	2,093,879	-	2,030,356	2,269,650	2,841,152
Liabilities	(188,211)	(298,702)	-	(1,775,292)	(628,570)	(987,892)
Net current assets	**2,007,717**	**1,795,177**	**-**	**255,064**	**1,641,080**	**1,853,260**
Non-current						
Assets	13,465,906	13,345,744	-	5,203,697	4,933,191	5,733,200
Liabilities	(937,879)	(877,624)	-	(3,482,354)	(5,811,878)	(7,156,348)
Net non-current assets	**12,528,027**	**12,468,120**	**-**	**1,721,343**	**(878,687)**	**(1,423,148)**
Net assets	**14,535,744**	**14,263,297**	**-**	**1,976,407**	**762,393**	**430,112**

Summarised statement of comprehensive income

	CBA Mutuya Property Group Limited		AIG Kenya Insurance Limited		Bridge MicroFinance	
	2024	2023	2024	2023	2024	2023
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Revenue	**465,109**	**453,656**	**982,160**	**1,988,384**	**752,222**	**543,262**
Profit for the year	281,137	2,731	72,192	38,993	(23,219)	100,517
Total share of associate's profit/(loss) for the year	**63,561**	**(3,374)**	**22,695**	**9,862**	**769**	**35,216**

Share of associates profit/(loss) for the year

	2024	2023
	Shs '000	Shs '000
CBA Mutuya Property Group Limited	63,561	(3,374)
AIG Kenya Insurance Limited	22,695	9,862
Bridge Microfinance	769	35,216
	87,025	**41,704**

30. INVESTMENT IN ASSOCIATES (Continued)

The associates are unlisted.

- On July 1, 2024, NCBA Group PLC completed the full acquisition of AIG Kenya Limited from AIG MEA Limited by purchasing 66.66% of the outstanding ordinary shares. As a result, NCBA Group PLC's ownership in AIG Kenya Limited increased to 100%, up from 33.33%. NCBA Group PLC had initially acquired a 33.33% minority stake in AIG Kenya Limited in 2006 as detailed under business combination note 51.
- CBA Mutuya Property Group Limited is a property holding company which invests in investment property for rental income.

- Bridge Microfinance, a company registered in the Republic of Cote d'Ivoire. The company is mainly involved in collection of savings and the financing of micro, small and medium enterprises; and provision of financial services to micro-entrepreneurs or small and medium-sized enterprises

Investments in associates are classified as non-current assets.

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

31. INVESTMENT IN SUBSIDIARIES

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

Company name	**Country of incorporation**	**Principal activity**	**Percentage of ownership interest (%)**	**2024 Shs '000**	**2023 Shs '000**
NCBA Bank Kenya PLC	Kenya	Banking	100	57,247,745	57,247,745
NCBA Insurance Company Limited	Kenya	Insurance	100	1,407,593	-
NCBA Bank Tanzania Limited	Tanzania	Banking	100	7,085,647	7,085,647
NCBA Bank Uganda Limited	Uganda	Banking	100	4,946,083	4,946,083
NCBA Bank Rwanda PLC	Rwanda	Banking	100	3,300,113	3,300,113
NIC Properties Limited	Kenya	Property	100	550,000	550,000
NCBA Investment Bank Limited	Kenya	Financial advisory	100	500,000	500,000
NCBA Leasing LLP	Kenya	Leasing	100	200,000	200,000
Mercantile Finance Company Limited	Kenya	Dormant	100	50,000	50,000
NCBA Bancassurance Intermediary Limited	Kenya	Insurance Agency	100	1,000	1,000
National Industrial Credit Trustees	Kenya	Dormant	100	500	500
LOOP DFS Limited	Kenya	Financial Innovation	100	200,001	200,001
NIC Bank Kenya PLC	Kenya	Dormant	100	-	-
Uniproperty Management Limited	Kenya	Dormant	100	-	-
CBA Tanzania Limited	Tanzania	Dormant	100	-	-
CBA Uganda Limited	Uganda	Dormant	100	-	-
				75,488,682	**74,081,089**

On July 1, 2024, NCBA Group PLC completed the full acquisition of AIG Kenya Limited and was subsequently rebranded as NCBA insurance Company Limited.

31. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Year 2023	**NCBA Bank Kenya Shs'000**	**NCBA Bank Tanzania Shs'000**	**NCBA Bank Uganda Shs'000**	**NCBA Bank Rwanda Shs'000**	**Others**	**Total Shs'000**
Balance as at 1 January and 31 December 2023	**57,247,745**	**7,085,647**	**4,946,083**	**3,300,113**	**1,501,501**	**74,081,089**
Year 2024						
Balance as at 1 January 2024	**57,247,745**	**7,085,647**	**4,946,083**	**3,300,113**	**1,501,501**	**74,081,089**
Additional capital injection during the year	-	-	-	-	1,075,000	1,075,000
Transfer of associate	-	-	-	-	332,593	332,593
Balance at end of year	**57,247,745**	**7,085,647**	**4,946,083**	**3,300,113**	**2,909,094**	**75,488,682**

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

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

Company name	**Country of incorporation**	**Principal activity**	**Percentage of ownership interest (%)**	**2024 Shs '000**	**2023 Shs '000**
CBA Capital Limited	Kenya	Dormant	100	-	-
Syndicate Nominees Limited	Kenya	Nominee	100	2	2
CBA Insurance Agency Limited	Kenya	Dormant	100	-	-
First American Bank of Kenya Limited	Kenya	Dormant	100	-	-
First American Finance Company Limited	Kenya	Dormant	100	-	-
First Investment Limited	Kenya	Dormant	100	23,000	23,000
				23,002	**23,002**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. INVESTMENT IN SUBSIDIARIES (Continued)

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

Company name	Country of incorporation	Principal activity	Percentage of ownership interest (%)	2024 Shs '000	2023 Shs '000
LOOP Payco Limited	Kenya	Payment Service Provider	100.00%	6,000	6,000
Loop Capital Limited*	Kenya	Digital Credit Provider	100.00%	-	-
Loop Payco Trustee Limited	Kenya	Corporate Trustee of LOOP Payco Limited established to manage LOOP Payco Trust	100.00%	-	-
Loop DFS Uganda Limited*	Uganda	Digital Financial Services and country holding company and Payment Service Provider	100.00%	-	-
LOOP Payco Trust	Kenya	Incorporated under the Perpetual Succession Act to hold custodial rights of the balances held in the Trust Fund	100.00%	-	-
Loop Capital Uganda Limited*	Uganda	Digital Credit Provider	100.00%	-	-
Loop DFS Rwanda Limited*	Rwanda	Digital Financial Services and country holding company and Payment Service Provider	100.00%	-	-
Loop Payco Rwanda Limited*	Rwanda	Payment Service Provider	100.00%	-	-
Loop Capital Rwanda Limited*	Rwanda	Digital Credit Provider	100.00%	-	-
Loop DFS Ghana Limited	Ghana	Digital Financial Services	70.00%	18,932	18,932
				24,932	**24,932**

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

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

*The subsidiaries are yet to commence operations.

Investment in subsidiaries is classified as non-current asset.

Below is the contribution for Non-Controlling Interest (NCI) arising from their ownership of Loop DFS Ghana

Company name	Percentage of ownership interest (%)	Start of the year 1 Jan 2024	Other reserves Shs '000	Total Shs '000
LOOP DFS Limited	70%	-	(35,368)	(35,368)
Kulana Limited	30%	-	(15,372)	(15,372)
Total			**(50,740)**	**(50,740)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. INTANGIBLE ASSETS - GROUP

Software

	2024 Shs '000	2023 Shs '000
At start of year	7,779,007	5,810,137
NCBA insurance acquisition	331,785	-
Additions during the year	817,215	3,092,421
Amortisation charge for the year (note 16)	(1,193,001)	(1,174,139)
Write off	(219,039)	(10,737)
Foreign currency exchange movements on consolidation	(60,849)	61,325
At end of year	**7,455,118**	**7,779,007**

Cost	18,847,730	18,145,738
Accumulated amortisation	(11,331,763)	(10,428,056)
Foreign currency exchange movements on consolidation	(60,849)	61,325
	7,455,118	**7,779,007**

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

Computer software materially comprises of the core Banking and mobile banking systems with a net book value of Shs 3.4 billion (2023: Shs 1.8 billion) being amortized over a period of 10 years and work in progress of Shs 2.4 billion (2023: 3.8 billion) as of December 2024. During the year the Group wrote off Shs 218.5 million relating to software that was declared redundant.

Intangible assets are classified as noncurrent.

33. PROPERTY AND EQUIPMENT – GROUP

	Improvements on leased properties Shs '000'	Equipment, furniture and fittings Shs '000	Motor vehicles Shs '000	Work in progress Shs '000	Total Shs '000
At 1 January 2024					
Cost	3,297,264	7,159,474	229,192	224,269	10,910,199
Accumulated depreciation	(2,204,932)	(6,059,994)	(161,152)	-	(8,426,078)
Net book amount	**1,092,332**	**1,099,480**	**68,040**	**224,269**	**2,484,121**
Year ended 31 December 2024					
Opening net book amount	**1,092,332**	**1,099,480**	**68,040**	**224,269**	**2,484,121**
NCBA insurance acquisition	-	82,328	1,423	-	83,751
Asset additions - at cost	451,754	448,281	41,694	1,754,476	2,696,205
Revaluation adjustments	151,457	-	-	-	151,457
Exchange rate movements	(358)	(3,248)	-	(130,522)	(134,128)
Capitalisation of work in progress	159,862	1,465,492	34,002	(1,659,356)	-
Asset disposals	(222)	(392,854)	(5,533)	-	(398,609)
Depreciation eliminated on disposals	-	381,529	5,533	-	387,062
Depreciation charge	(289,118)	(609,550)	(31,200)	(6,806)	(936,674)
	1,565,707	**2,471,458**	**113,959**	**182,061**	**4,333,185**
At 31 December 2024					
Cost	4,059,757	8,759,473	300,778	188,867	13,308,875
Accumulated depreciation	(2,494,050)	(6,288,015)	(186,819)	(6,806)	(8,975,690)
Net book amount	**1,565,707**	**2,471,458**	**113,959**	**182,061**	**4,333,185**

Revaluation gain

As of 31 December 2024, the Group's leased properties were revalued at Shs 634 million, up from Shs 482 million, resulting in a gain of Shs 151 million. The valuation was carried out by Knight Frank Valuers Limited, who exercised independence in the valuation. Knight Frank Valuers Limited is a member of the Institute of Surveyors of Kenya and possesses the necessary qualifications and recent experience in the fair value assessment of properties in the relevant areas. The valuation adheres to the International Valuation Standards (IVS) and the guidelines of the Institute of Surveyors of Kenya (ISK).

The fair value of the buildings was determined using the Discounted Cash Flow (DCF) method, based on the principle of anticipation, which states that the present value of an income-generating asset is determined by the expected future benefits. There have been no changes to the valuation technique during the period

33. PROPERTY AND EQUIPMENT – GROUP (CONTINUED)

	Improvements on leased properties	Equipment, furniture and fittings	Motor vehicles	Work in progress	Total
	Shs '000'	Shs '000	Shs '000	Shs '000	Shs '000
At 1 January 2023					
Cost	3,003,166	6,742,948	194,621	263,241	10,203,976
Accumulated depreciation	(1,954,587)	(5,733,499)	(158,513)	-	(7,846,599)
Net book amount	**1,048,579**	**1,009,449**	**36,108**	**263,241**	**2,357,377**
Year ended 31 December 2023					
Opening net book amount	1,048,579	1,009,449	36,108	263,241	2,357,377
Asset additions – at cost	152,313	397,346	54,986	201,842	806,487
Exchange rate movements	19,124	46,278	837	2,159	68,398
Capitalisation of work in progress	138,851	104,122	-	(242,973)	-
Asset disposals	(16,190)	(131,220)	(21,252)	-	(168,662)
Depreciation eliminated on disposals	16,190	128,968	21,252	-	166,410
Depreciation charge	(266,535)	(455,463)	(23,891)	-	(745,889)
	1,092,332	1,099,480	68,040	224,269	2,484,121
At 31 December 2023					
Cost	3,297,264	7,159,474	229,192	224,269	10,910,199
Accumulated depreciation	(2,204,932)	(6,059,994)	(161,152)	-	(8,426,078)
Net book amount	**1,092,332**	**1,099,480**	**68,040**	**224,269**	**2,484,121**

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

Property and equipment with a cost of Shs 7.5 billion were fully depreciated as at 31 December 2024 (2023 - Shs 7.2 billion). All property plant and equipment are classified as non-current assets.

Valuation technique (Building)	Significant unobservable inputs	Sensitivity
Discounted Cash Flow Method – Principal Method	Discount rate applied in the valuation of investment properties is determined based on the market-derived All Risks Yield (ARY) and an estimated sustainable rental growth rate. The ARY is obtained from an analysis of historical transactions of commercial properties within the Nairobi market, reflecting prevailing market conditions and risk perceptions. The sustainable rental growth rate represents the long-term expected annual increase in rental income, considering market trends, inflation, and economic fundamentals.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.

34. DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted income tax rate of 30% (2022 - 30%) with the exception of Rwanda whose tax rate changed to 28% from 30% in September 2023. The movements in the deferred income tax account were as follows:

	Group		Company	
	2024	2023	2024	2023
	Shs '000	Shs '000	Shs '000	Shs '000
At start of year	12,274,664	10,300,722	92,453	59,220
NCBA Insurance acquisition	70,687			
Profit or loss credit (note 18)	(1,127,338)	480,218	(39,526)	33,233
Prior year under (over) provision	77,521	71,250	35,479	-
Effect of change in tax rate	-	(7,043)	-	-
Income tax on changes in value of FVOCI financial instruments	(1,277,928)	1,429,517	-	-
Deferred tax asset on tax losses not recognized	(3,543)	-	-	-
-				
At end of year	**10,014,063**	**12,274,664**	**88,406**	**92,453**
	========	========	========	========

Group	At start of year Shs '000	NCBA Insurance acquisition	Prior year over/under provision Shs '000	Recognised in profit and loss account Shs '000	Recognised in other comprehensive income Shs '000	At end of year Shs '000
Year ended 31 December 2024						
Property and equipment	517,263	(17,008)	184	(202,490)	(45,437)	252,512
Accelerated depreciation	3,610	-	-	-	-	3,610
Exchange rate difference on consolidation	291,949	-	-		(242,931)	49,018
IFRS 16 right of use and lease liability	193,356	-	-	4,495	-	197,851
Leave pay provision	25,304			(1,858)	-	23,446
Loan loss provision	6,700,549	61,499	73,617	(1,657,278)	-	5,178,387
Changes in fair value of FVOCI financial instruments (note 45)	3,255,925	26,196	-	770	(997,316)	2,285,575
Changes in fair value of assets carried at FVTPL	11,507	-	-	-	-	11,507
Tax losses	2,624,693	-	3,720	85,089	-	2,713,502
Effect of change in tax rate	(7,043)	-		-	-	(7,043)
Deferred income tax not recognised	(1,342,449)	-	(3,543)	643,934	7,756	(694,302)
Net deferred income tax asset	**12,274,664**	**70,687**	**73,978**	**(1,127,338)**	**(1,277,928)**	**10,014,063**
	========	========	=========	========	=========	========

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. DEFERRED INCOME TAX (Continued)

Group	At start of year Shs '000	NCBA Insurance acquisition	Prior year over/under provision Shs '000	Recognised in profit and loss account Shs '000	Recognised in other comprehensive income Shs '000	At end of year Shs '000
Year ended 31 December 2023						
Property and equipment	698,617	-	4,871	(186,225)	-	517,263
Accelerated depreciation	3,610	-	-	-	-	3,610
Exchange rate difference on consolidation	78,277	-	(2,123)	(73,681)	289,476	291,949
IFRS 16 right of use and lease liability	184,618	-	(3,770)	12,508	-	193,356
Leave pay provision	18,346	-	-	6,958	-	25,304
Loan loss provision	6,013,217	-	(80,426)	767,758	-	6,700,549
Changes in fair value of FVOCI financial instruments (note 45)	2,115,884	-	-	-	1,140,041	3,255,925
Changes in fair value of assets carried at FVTPL	11,507	-	-	-	-	11,507
Tax losses	2,519,095	-	152,698	(47,100)	-	2,624,693
Effect of change in tax rate	-	-	-	(7,043)	-	(7,043)
Deferred income tax not recognised	(1,342,449)	-	-	-	-	(1,342,449)
Net deferred income tax asset	**10,300,722**	**-**	**71,250**	**473,175**	**1,429,517**	**12,274,664**

The Group has tax losses that arose in 2024 of Shs 283 million that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Company

	At start of year Shs 000	(Debited) / Credited to profit and loss account Shs 000	Debited to revaluation reserve Shs 000	At end of year Shs 000
Year ended 31 December 2024				
Deferred income tax asset				
Provisions for staff bonus accrual and other general accruals	92,453	(39,526)	35,479	88,406
Year ended 31 December 2023				
Deferred income tax asset				
Provisions for staff bonus accrual and other general accruals	59,220	33,233	-	92,453

The management evaluated the recoverability of the deferred tax asset and considers that sufficient taxable profits will be generated in future to utilize these assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. LEASE PREPAYMENTS – LEASEHOLD LAND

Group

	2024 Shs '000	2023 Shs '000
Cost		
At start of year and end of year	526,000	526,000
Amortisation		
At start of year	4,000	3,875
Charge for the year	125	125
At end of year	4,125	4,000
Net book value	**521,875**	**522,000**

This relates to land leased by the Group from the Government of Kenya for a lease term period of 99 years. The total amount disclosed as a lease liability in respect of this lease is non-current.

The charge for the year is recognised in profit or loss.

36. RIGHT OF USE ASSET – GROUP

	2024 Shs '000	2023 Shs '000
At 1 January	**3,028,501**	**2,940,348**
NCBA Insurance acquisition	26,829	-
Additions during the year	1,681,597	765,518
Prior period lease amendment	(1,810)	(1,949)
Derecognition of right of use asset on terminated leases	(99,786)	(50,002)
Depreciation charge for the year	(1,023,765)	(1,152,705)
Foreign currency exchange movements	(145,575)	527,291
Net book value	**3,465,991**	**3,028,501**

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

The depreciation charge for the year is recognised in profit or loss.

The Group leases property for use as branches, offices and Automated Teller Machines (ATMs) spaces. The leases of branches, offices and ATM spaces are for periods between 5 years and 6 years, with options to renew. None of the leases carry a residual value guarantee or contain any restrictions or covenants other than the protective rights of the lessor.

37. GOODWILL - GROUP

	2024 Shs '000	2023 Shs '000
At start of year and end of year	34,000	34,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37. GOODWILL – GROUP (Continued)

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

Ordinarily goodwill is recognised upon consolidation of interest in subsidiaries.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposals. Any impairment is recognised immediately as an expense and is not subsequently reversed. The assessment of goodwill for impairment has been carried out in respect of the respective entities considered to be the cash generating units by computing the value in use based on projected cash flows discounted using a weighted average rate.

38. CUSTOMER DEPOSITS - GROUP

	2024 **Shs '000**	**2023** **Shs '000**
Current accounts	234,279,064	257,323,349
Call deposits	36,416,655	54,975,608
Time deposits	208,724,350	241,175,497
Savings accounts	20,915,803	24,025,314
Others	1,680,621	1,902,150
	502,016,493	**579,401,918**
Current and non-current analysis		
Current	500,906,825	578,832,417
Non-current	1,109,668	569,501
	502,016,493	**579,401,918**
Split as below		
Repayable on demand	293,292,143	338,226,421
Maturing within 12 months	207,614,682	240,605,996
Maturing after 12 months	1,109,668	569,501
	502,016,493	**579,401,918**

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

39. DUE TO BANKING INSTITUTIONS – GROUP

	2024 Shs '000	2023 Shs '000
Maturing within 3 months		
Time deposits	11,317,009	15,585,974
Current account balances	2,090,650	11,094,583
Total due to banking institutions	**13,407,659**	**26,680,557**

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

40. OTHER LIABILITIES

	Group		Company	
	2024 Shs '000	2023 Shs '000	2024 Shs '000	2023 Shs '000
Accrued expenses	7,630,619	8,223,053	974,613	699,935
Other settlement items	8,468,181	6,904,863	-	-
Other liabilities	8,142,052	6,342,839	-	-
	24,240,852	**21,470,755**	**974,613**	**699,935**

Other liabilities include pending obligations and items in suspense that are yet to reversed. In addition the amounts include acquisition from NCBA Insurance Kenya Limited of Shs 272.9 million.

Included in accrued expense is dividend declared and but not yet paid to the shareholders' amounting to Shs 675 million (2023: Shs 241 million)

The other liabilities are all classified as current liabilities.

41. BORROWINGS – GROUP

a) Summary of borrowings

	2024 Shs '000	2023 Shs '000
Kenya		
African Development Bank (ADB)		
Principal amount	-	785,000
Accrued interest	-	32,617
	-	**817,617**
Kenya Mortgage Refinance Company (KMRC)		
Principal amount	804,103	856,102
Accrued interest	3,824	4,072
	807,927	**860,174**
European Investment Bank (EIB)		
Principal amount	773,136	1,877,894
Accrued interest	2,858	8,015
	775,994	**1,885,909**
Agence Francaise de Developpement (AFD)		
Principal amount	376,413	640,258
Accrued interest	2,659	4,365
	379,072	**644,623**
Société de Promotion et de Participation pour la Coopération Economique S.A. (Proparco)		
Principal amount	6,463,750	-
Accrued interest	140,639	-
	6,604,389	**-**
Rwanda		
Rwanda Development Bank (RDB)		
Principal amount	-	2,012,040
Accrued interest	-	1,331
	-	**2,013,371**
Tanzania		
Tanzania Mortgage Refinance Company (TMRC)		
Principal amount	160,800	187,200
Accrued interest	2,643	3,077
	163,443	**190,277**

41. BORROWINGS – GROUP (Continued)

a) Summary of borrowings (Continued)

	2024 Shs '000	2023 Shs '000
Maturity Profile:		
Current	**2,842,880**	**3,353,233**
Non-current	**7,329,345**	**3,058,738**
	10,172,225	**6,411,971**

b) Net borrowings reconciliation

Opening balance	6,411,971	4,206,965
Additions	6,843,499	3,055,342
Accrued interest (note 7)	662,079	442,232
Repayments (principal amount)	(1,854,207)	(1,619,445)
Repayments (interest amount)	(483,349)	(371,255)
Foreign currency exchange movements	(1,407,768)	698,132
Closing balance	**10,172,225**	**6,411,971**

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

NCBA Group PLC had six long-term senior loans as below:

- US$ 54 million unsecured facility raised from European Investment Bank (EIB) in December 2016, with a tenure of 9 years. Outstanding principal balance as at 31 December 2024 was US$ 6 million (2023: US$ 12 million);

- EUR 7.8 million unsecured facility raised from Agence Francaise de Developement (AFD) in November 2015, with a tenor of 10 years. Outstanding principal balance as at 31 December 2024 was EUR 2.8 million (2023: EUR 3.7 million);

- US$ 65 million unsecured facility raised from African Development Bank (ADB) in 2020. The facility is payable over a period of 7 years, including a two (2) year moratorium. The balance was fully paid in the year.

- Shs 860.5 million unsecured facility raised from Kenya Mortgage Refinance Company (KMRC) in October 2023. The facility is payable over a period of 12 years and had an outstanding principal balance as at 31 December 2024 of Shs 807.9 million. (2023: Shs 860.1 million)

- US$ 50 million unsecured facility raised from Société de Promotion et de Participation pour la Coopération Economique S.A. (Proparco) in April 2024. The facility is payable over a period of 5 years with a grace period of 1 year. The outstanding balance as at 31 December 2024 was US$ 50.0 million.

41. BORROWINGS – GROUP (Continued)

- RWF 16.2 billion unsecured facilities raised from Rwanda Development Bank (RDB) in three tranches in 2022, 2023 and 2024. The facilities are payable within a period of 15 years and had cumulatively an outstanding principal balance as at 31 December 2024 of RWF 15.4 billion (2023 RWF 16.2 billion).

- TZS 3 billion unsecured facility raised from Tanzania Mortgage Refinance Company (TMRC) in April 2020. The facility is payable over a period of 5 years and had an outstanding principal balance as at 31 December 2024 of TZS 3 billion (2023 TZS 3 billion). The principal is to be settled through a bullet payment on maturity.

The borrowings from lenders require compliance with various specified financial ratios / covenants as per respective contractual agreements. The Group was compliant with all covenants.

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

42. LEASE LIABILITY

	2024 Shs '000	2023 Shs '000
At start of year 2024	3,785,294	3,614,564
Additions during the year	23,406	765,518
Prior period lease amendment	1,409,583	1,776
Derecognition on lease termination	226	-
Interest expense accruals (lease liability) during the year (note 7)	446,651	433,528
Lease liability debits (rent paid) in the year	(865,022)	(896,016)
Interest on lease paid during the year	(380,994)	(290,661)
		-
Foreign currency exchange movements	(248,540)	156,585
At end of year	**4,170,604**	**3,785,294**
Current and non-current analysis		
Current	1,182,716	595,482
Non-Current	2,987,888	3,189,812
	4,170,604	**3,785,294**

The maturity analysis of lease liabilities is disclosed in the liquidity risk analysis as below:

	2024 Shs '000	2023 Shs '000
Up to 1 year	1,258,549	974,140
1year to 5years	2,660,433	2,145,177
Over 5 years	582,350	3,539,220
	4,501,332	**6,658,537**

The amounts include future interest accrual as disclosed in liquidity risk analysis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

43. SHARE CAPITAL – GROUP AND COMPANY

	2024 Number of shares (thousands)	2024 Value Shs '000	2023 Number of shares (thousands)	2023 Value Shs '000
Issued and fully paid				
At start and end of the year	1,647,519	8,237,598	1,647,519	8,237,598
	========	========	========	========

44. SHARE PREMIUM – GROUP AND COMPANY

	2024 Shs '000	2023 Shs '000
At start and end of the year	21,424,322	21,424,322
	=========	========

45. INVESTMENT REVALUATION RESERVE

	2024 Shs '000	2023 Shs '000
Changes in fair value of financial Instruments at FVOCI		
At start of year	**(4,781,589)**	**(2,121,494)**
Changes in fair value of FVOCI		
Financial instruments	3,324,386	(3,800,136)
Deferred income tax (note 34b)	(997,316)	1,140,041
Fair value gains on financial assets measured at FVOCI, net of tax	**(2,327,070)**	**(2,660,095)**
At end of year	**(2,454,519)**	**(4,781,589)**
	========	========

The revaluation reserves, which is non-distributable, arises from changes to fair value of Government securities held at FVOCI.

The fair value gains on financial assets measured at FVOCI net of taxes amounted to Shs 2,327,070,000 (2023: Shs 2,660,095,000).

46. REVALUATION ON PROPERTY

	2024 Shs '000	2023 Shs '000
Surplus on revaluation of building		
Changes in fair value of buildings (note 33)	151,457	-
Deferred income tax on changes in fair value buildings (note 34)	(45,437)	-
At end of year	**106,020**	**-**
	========	=======

46. REVALUATION ON PROPERTY (Continued)

The revaluation reserve is made up of periodic adjustment arising from the valuation of buildings owned by the bank, net of the related deferred taxation. In accordance to IFRS requirement, a deferred tax liability has been recognized in respect of revaluation surplus. The reserve is not available for distribution to the shareholders.

47. STATUTORY LOAN LOSS RESERVE

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

48. RELATED PARTIES

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

Due from group companies - Company

	2024 Shs '000	2023 Shs '000
Deposits with NCBA Bank Kenya PLC	1,333,377	418,622
Other receivables from NCBA Group companies	38,487	109,378
	1,371,864	**528,000**

Due to group companies - Company

Due to NCBA Bank Kenya PLC	7,892,756	9,079,786

The balance due to NCBA Bank Kenya PLC includes Shs 7.8 billion (2023 – Shs 8.2 billion) on transfer of investments in regional subsidiaries from NCBA Bank Kenya PLC to NCBA Group PLC.

Loans and advances to directors - Group

	2024 Shs '000	2023 Shs '000
At start of year	278,338	260,086
Advanced during the year	27,830	37,515
Repaid during the year	(36,987)	(19,263)
At end of year	**269,181**	**278,338**

Loans and advances to other key management personnel - Group

Loans and advances to other key management personnel	440,607	504,941

NOTES TO THE FINANCIAL STATEMENTS (Continued)

48. RELATED PARTIES (Continued)

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

	2024 Shs '000	2023 Shs '000
On-balance sheet	27,680,329	37,315,288
Off-balance sheet	1,904,009	2,549,151
Provisions for impaired related party loans and advances	**378,778**	**184,604**

Income earned on related party transactions - Group

	2024 Shs '000	2023 Shs '000
Interest income earned on related party loans and advances during the year	**3,614,081**	**2,575,070**
Commissions earned on related party loans and advances during the year	**190,921**	**718,570**
Commissions earned on Insurance related business		
ICEA Lion Insurance Holdings Limited	75,122	35,822
AIG Kenya Insurance Company	14,837	13,190
	89,959	**49,012**

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

Related party deposits - Group

	2024 Shs '000	2023 Shs '000
Related party deposits	36,146,129	36,528,974
Interest expense incurred on related party deposits during the year	3,637,834	2,345,749

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

Key management personnel compensation

	Group		Company	
	2024 Shs '000	2023 Shs '000	2024 Shs '000	2023 Shs '000
Salaries and other short-term employment benefits	1,246,284	1,327,700	203,262	322,246
Post-employment benefits	113,301	136,490	21,760	21,238
	1,359,585	**1,464,190**	**225,022**	**343,484**

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

48. RELATED PARTIES (Continued)

Directors' remuneration

	Group		Company	
	2024	2023	2024	2023
	Shs '000	Shs '000	Shs '000	Shs '000
Fees for services as directors	100,013	72,891	48,550	34,940
Other emoluments (included in key management compensation above)	560,139	354,641	215,882	221,428
	660,152	**427,532**	**264,432**	**256,368**

48. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2024	2023	2024	2023
	Shs '000	Shs '000	Shs '000	Shs '000
Cash and balances with Central Banks (note 21)	43,679,381	43,327,884	-	-
Less: Cash reserve requirement*	(20,546,319)	(23,452,483)	-	-
	23,133,062	**19,875,401**	**-**	**-**
Due from banking institutions (note 23)	52,956,080	66,749,065	1,333,377	418,622
Due to banking institutions (note 39)	(13,407,659)	(26,680,557)	-	-
Government securities (note 25)	5,893,863	9,098,231	-	-
	68,575,346	**69,042,140**	**1,333,377**	**418,622**

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

50. NOTES TO THE STATEMENT OF CASH FLOWS

CASH GENERATED FROM OPERATIONS

	Notes	Group		Company	
		2024	**2023**	**2024**	**2023**
		Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Additional cash flow information					
Other non cash items included in profit before tax					
Share of profit from associates	30	(87,025)	(41,704)	-	-
Fair value loss on loan note		94,249	1,730,879	-	-
Intangible assets write off		219,039	-	-	-
Unrealized foreign exchange income		(488,711)	(2,245,497)	-	-
Gain on disposal property and equipment		(21,283)	(8,464)	-	-
Credit impairment charge	8	5,046,435	7,441,230	-	-
Amortisation of intangible assets	32	1,193,001	1,174,139	-	-
Depreciation charge on property and equipment	33	936,674	745,889	-	-
Depreciation of right of use asset	36	1,023,765	1,152,705	-	-
Fair value gain on investment securities		11,086	(565,970)	-	-
Amortisation of lease prepayments	35	125	125	-	-
Bargain purchase gain	51(d)	(266,832)	-	-	-
Loss on re-measurement of investment in subsidiary	51(e)	273,111	-	-	-
Interest expense on lease liability	42	446,651	433,528	-	-
Interest expense on borrowings	41	662,079	442,232	-	
Interest income		(88,620,061)	(77,926,028)	-	-
Interest expense		40,064,555	29,762,213	-	-
Total non-cash items		**(39,513,142)**	**(37,904,723)**	**-**	**-**
Changes in operating assets and liabilities					
Decrease / (increase) in balances held with Central Banks- mandatory reserves		2,906,164	(1,652,915)	-	-
Decrease / (increase) in loans and advances		31,618,926	(64,906,881)	-	-
Decrease in other assets		260,187	1,117,133	433,218	241,319
(Increase) / decrease in derivative assets		(9,651)	8,925	-	-
Increase due from group companies		-	-	(405,403)	(426,095)
Increase due to group companies		-	-	(1,187,030)	119,986
(Decrease) / increase in customer deposits		(77,863,713)	76,725,964	-	-
Decrease in other liabilities		2,472,945	2,765,646	(155,337)	88,430
Total changes in operating assets and liabilities		**(40,615,142)**	**14,057,872**	**(1,314,552)**	**23,640**

51. BUSINESS ACQUISITION

On July 1, 2024, NCBA Group PLC completed the full acquisition of AIG Kenya Limited from AIG MEA Limited by purchasing 66.66% of the outstanding ordinary shares for Shs 1,075,000,000. As a result, NCBA Group PLC's ownership in AIG Kenya Limited increased to 100%, up from 33.33%. NCBA Group PLC had initially acquired a 33.33% minority stake in AIG Kenya Limited in 2006 for Shs 332,593,000.

To perform the Purchase Price Allocation (PPA) valuation in compliance with IFRS 3, NCBA Group PLC appointed NCBA Investment Bank Limited to conduct the valuation.

This acquisition falls under the scope of IFRS 3 - Business Combinations, and has been accounted for using the acquisition method, with the following details:

- The consideration for the 66.66% acquisition was Shs 1,075,000,000.
- The net assets of AIG Kenya Insurance Company as of 30 June 2024, the acquisition date, were valued at Shs 2,028,244,000, which approximates the fair value on the acquisition date.

(a) Recognized amounts of identifiable assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of AIG Kenya Limited as at the date of acquisition were:

	2024
	Shs '000
Assets	
Due from banking institutions	208,144
Government securities at FVOCI	1,876,590
Government securities at amortized costs	13,017
Current income tax recoverable	294,561
Reinsurance contract assets	2,019,241
Other assets*	77,787
Intangible assets	331,785
Property and equipment	83,751
Deferred income tax	70,687
Right of use asset	26,829
Total assets	**5,002,392**
Liabilities	
Insurance contract liabilities	2,693,395
Other liabilities	272,943
Lease liability	23,406
Total liabilities	**2,989,744**
Net identifiable assets acquired	**2,012,648**

* The acquired other assets have a fair value of Shs 41.1 million. The total gross contractual amount for the other assets is Shs 41.1 million, with no loss allowance recognized upon acquisition. It is anticipated that the full contractual amounts will be collected. Acquisition-related costs of Shs 48,364,944 are included in the administrative expenses in the statement of profit or loss.

51. BUSINESS ACQUISITION (Continued)

(b) Acquisition costs charged to expenses.

The acquisition costs charged to operating expenses was Shs 48.4 million mainly relating to legal, accounting, actuarial and stamp duty.

The acquisition costs charged to operating expenses amounted to Shs 48.4 million, primarily relating to legal, accounting, actuarial services, and stamp duty.

The acquired business contributed revenues of Shs 1.5 billion and net profit of Shs 137.1 million to the Group for the period from 1 July to 31 December 2024.
If the acquisition had occurred on 1 January 2024, consolidated pro-forma revenue and profit for the year ended 31 December 2024 would have been Shs 3.4 Billion and Shs 186.7 Million respectively.

(c) Purchase Consideration Cash Outflow

	2024 **Shs '000**
Outflow of cash to acquire subsidiary (included in cash flows from financing activities, net of tax)	1,075,000
Cash consideration	
Balances due from Banking institutions acquired with the subsidiary (included in cash flows from investing activities)	208,144
Transaction costs of the acquisition (included in cash flows from operating activities) (Note 51(b))	(48,365)
Net cash flow on acquisition	(915,221)

(d) Purchase price allocation

The fair value of the identifiable assets acquired and the liabilities assumed was determined as at 30 June 2024 based on a Purchase Price Allocation (PPA) exercise performed on AIG Insurance Kenya. There was no significant intangible assets identified as part of the PPA exercise.

The expenses related to this transaction are as disclosed in note 51 (b)

Bargain purchase gain - Group

As per IFRS 3, the value of the consideration when compared to the net asset transferred results in a bargain purchase which was reflected in the Group's statement of profit and loss.

	2024 **Shs '000**
Bargain Purchase Gain	
Net identifiable assets acquired	2,012,648
Less (a) Fair value of net assets acquired	(670,816)
(b) Purchase Price on full acquisition	(1,075,000)
Bargain purchase gain	266,832

51. BUSINESS ACQUISITION (Continued)

(d) Purchase price allocation (Continued)

Bargain purchase gain - Group (Continued)

The gain on acquisition resulted from the negotiated purchase price being lower than the fair value of the identifiable net assets acquired. This favorable price is partially driven by synergies identified during the valuation process, where the integration of the insurance agency with the bank's operations is anticipated to generate substantial operational efficiencies.

(e) Loss on remeasurement of Investment in associate

As per IFRS 3, an equity interest previously held in the acquiree which qualified as an associate is treated as if it were disposed of and reacquired at fair value on the acquisition date. Accordingly, it is remeasured to its acquisition-date fair value, and any resulting gain or loss compared to its carrying amount under IAS 28 is recognised in statement profit or loss.

	2024 Shs '000
Loss on re-measurement of Investment in associate	
Acquisition-date fair value	670,816
Carrying amount	(943,927)
Loss on re-measurement of investment in associate	(273,111)

The loss on remeasurement has been recognized through the statement of profit and loss.

The carrying amount represent initial investment in associate and share of profits less dividends over the years since investment in associate.

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

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

	2024 Shs '000	2023 Shs '000
Letters of credit	21,031,011	15,100,932
Acceptances	6,709,153	27,568,527
Guarantees	27,176,562	29,203,494
	54,916,726	**71,872,953**

Nature of off-balance sheet financial instruments

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

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

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

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

	2024 Shs '000	2023 Shs '000
Commitments		
Un-drawn formal standby facilities, credit lines and other commitments to lend	7,931,045	12,725,543
Foreign exchange forward contracts	1,167,996	1,206,311
Purchase of property, equipment and software	406,700	602,267
	========	========

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

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

Legal claims contingency

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

Tax authorities' assessments

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

53. FIDUCIARY ACTIVITIES

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

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

At the balance sheet date, the Group had funds under investment management and securities held under nominee arrangements amounting to Shs 329 billion (2023 – Shs 278 billion). Other risks that may arise from these fiduciary activities are of operational and reputational nature. These risks are managed and mitigated through the existence and continuing application of sound governance and internal control policies and procedures that ensure the proper discharge of fiduciary duties.

54. EVENTS AFTER REPORTING PERIOD

There are no significant events after the reporting period to report in these financial statements. (2023: none)

55. SEGMENTS REPORTING

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

i) Corporate and institutional banking

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

ii) Retail banking (SME and Consumer banking)

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

iii) Treasury dealing

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

iv) Digital Bank

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

v) Investment banking

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

vi) Insurance

The principal activity of the company is the transaction of general insurance business..

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

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

55. SEGMENTAL REPORTING (Continued)

Statement of profit or loss – Year ended 31 December 2024

Amount in Shs 000	Kenya	Tanzania	Uganda	Ghana	Rwanda	Group
Interest income and other credit-related fees	77,621,075	3,311,361	4,463,526	-	3,224,099	88,620,061
Interest expense	(37,537,542)	(1,211,674)	(1,535,211)	-	(888,858)	(41,173,285)
Net interest income	**40,083,533**	**2,099,687**	**2,928,315**	**-**	**2,335,241**	**47,446,776**
Net insurance service result	150,946	-	-	-	-	150,946
Non – interest revenue	12,925,575	650,925	427,481	(5,777)	394,415	14,392,619
Operating and other income	53,160,054	2,750,612	3,355,796	(5,777)	2,729,656	61,990,341
Impairment charges	(4,801,833)	14,642	219,511	-	(478,755)	(5,046,435)
Depreciation and amortization	(2,364,744)	(425,666)	(215,371)	-	(147,783)	(3,153,564)
Operating expenses	(24,144,076)	(1,507,510)	(1,722,504)	(17,523)	(1,350,986)	(28,736,319)
Profit before share of associate's profit	**21,849,401**	**832,078**	**1,637,432**	**(23,300)**	**752,132**	**25,054,023**
Share of associates profit	87,025	-	-	-	-	87,025
Profit before income tax	**21,936,426**	**832,078**	**1,637,432**	**(23,300)**	**752,132**	**25,141,048**
Income tax expense	(3,339,090)	522,687	(240,800)	-	(218,078)	(3,275,281)
Profit for the year	**18,597,336**	**1,354,765**	**1,396,632**	**(23,300)**	**534,054**	**21,865,767**

55. SEGMENTAL REPORTING (Continued)

Statement of profit or loss – Year ended 31 December 2023

Amount in Shs 000	Kenya	Tanzania	Uganda	Ghana	Rwanda	Group
Interest income and other credit-related fees	67,765,506	3,293,967	3,741,854	-	3,124,701	77,926,028
Interest expense	(27,760,253)	(964,162)	(1,102,173)	-	(811,385)	(30,637,973)
Net interest income	**40,005,253**	**2,329,805**	**2,639,681**		**2,313,316**	**47,288,055**
Non – interest revenue	12,779,548	587,970	498,147	(1,865)	423,435	14,289,100
Operating and other income	**52,784,801**	**2,917,775**	**3,137,828**	**(1,865)**	**2,736,751**	**61,577,155**
Impairment charges	(6,706,751)	(158,287)	(167,553)		(408,639)	(7,441,230)
Depreciation and amortization	(1,581,748)	(230,386)	(172,257)		(158,883)	(2,646,808)
Operating expenses	(22,072,394)	(1,779,950)	(1,573,055)	(29,252)	(1,127,050)	(26,048,915)
Profit before share of associate's profit	**22,423,908**	**749,152**	**1,224,963**	**(31,117)**	**1,042,179**	**25,440,202**
Share of associates profit	41,704	-	-	-	-	41,704
Profit before income tax	**22,465,612**	**749,152**	**1,224,963**	**(31,117)**	**1,042,179**	**25,481,906**
Income tax (expense)/credit	(3,907,051)	416,345	(210,286)	-	(324,281)	(4,025,273)
Profit for the year	**18,558,561**	**1,165,497**	**1,014,677**	**(31,117)**	**717,898**	**21,456,633**

55. SEGMENTAL REPORTING (Continued)

Statement of financial position – As at 31 December 2024

Amount in Shs '000	Kenya	Tanzania	Uganda	Ghana	Rwanda	Group
Assets						
Cash and balances with Central banks	35,168,239	2,886,997	2,908,870	-	2,715,275	43,679,381
Government securities	182,945,351	4,664,004	16,034,855	-	3,872,082	207,516,292
Due from banking institutions	41,745,414	4,784,051	1,425,173	-	5,001,442	52,956,080
Customer loans and advances	261,000,639	13,675,109	10,399,252	-	8,857,350	293,932,350
Investment securities	15,183,360	43,470	-	-	-	15,226,830
Reinsurance contract assets	1,720,552	-	-	-	-	1,720,552
Other assets	45,839,578	1,430,535	2,841,011	13,597	801,155	50,912,279
Total assets	**583,603,133**	**27,484,166**	**33,609,161**	**13,597**	**21,247,304**	**665,943,764**
Liabilities						
Customer deposits	444,383,095	19,434,670	22,830,665	-	15,368,064	502,016,494
Due to banking institutions	11,548,768	1,820,305	38,586	-	-	13,407,659
Borrowings	8,567,383	163,443	-	-	1,441,399	10,172,225
Insurance contract liabilities	2,151,016	-	-	-	-	2,151,016
Reinsurance contract liabilities	62,469	-	-	-	-	62,469
Other liabilities	22,996,955	1,230,419	3,103,296	49,510	1,088,483	28,419,153
Total liabilities	**489,709,686**	**22,648,837**	**25,972,547**	**49,510**	**17,897,946**	**556,229,016**
Shareholders' funds	93,893,447	4,835,329	7,636,614	(35,913)	3,349,358	109,714,748
Total liabilities and shareholders' funds	**583,603,133**	**27,484,166**	**33,609,161**	**13,597**	**21,247,304**	**665,943,764**

55. SEGMENTAL REPORTING (Continued)

Statement of financial position – As at 31 December 2023

Amount in Shs '000	Kenya	Tanzania	Uganda	Ghana	Rwanda	Group
Assets						
Cash and balances with Central banks	35,855,822	3,142,565	3,164,970		1,164,527	43,327,884
Government securities	203,416,172	5,782,246	15,410,873		4,251,682	228,860,973
Due from banking institutions	53,344,725	5,099,495	3,033,169		5,271,676	66,749,065
Customer loans and advances	289,684,361	17,187,861	10,497,398		12,844,805	330,214,425
Investment securities	17,634,842	50,607	-		-	17,685,449
Other assets	41,602,779	904,619	3,333,426	45,459	1,897,328	47,783,612
Total assets	**641,538,701**	**32,167,393**	**35,439,836**	**45,459**	**25,430,018**	**734,621,408**
Liabilities						
Customer deposits	514,607,655	23,897,670	23,534,495	-	17,362,098	579,401,918
Due to banking institutions	22,169,222	2,404,040	472,776	-	1,634,519	26,680,557
Borrowings	4,208,323	190,277	-	-	2,013,371	6,411,971
Other liabilities	19,301,977	1,599,135	3,944,618	67,683	618,054	25,463,784
Total liabilities	**560,287,177**	**28,091,122**	**27,951,889**	**67,683**	**21,628,042**	**637,958,230**
Shareholders' funds	81,296,984	4,076,271	7,487,947	(22,224)	3,801,976	96,663,178
Total liabilities and shareholders' funds	**641,584,161**	**32,167,393**	**35,439,836**	**45,459**	**25,430,018**	**734,621,408**