

# Together Towards Inclusive Prosperity.



Annual Report  
**2024**

## About this Report

This report provides a balanced and comprehensive view of the Group's performance as part of our continuous efforts to enhance disclosure and keep our stakeholders well informed. Our report covers the period from 1 January 2024 to 31 December 2024, is our primary report to our investors, and contains information relevant to other stakeholders.

The Group's Annual Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The report is part of our commitment to be transparent and accountable to our stakeholders.

As a financial services provider, we play an important role in the economic life of individuals, businesses and nations, supporting the socio economic welfare of our people. Through all our activities, we consider our stakeholders as we pursue our ambition to have a positive impact on society and deliver shareholder value.

**Credit Bank PLC's 2024 financial statements were audited by Price Water House Coopers Kenya.**

**Financial Solutions** that express Value.



# The plan isn't just a piggy bank, it's an **Elimisha Plan.**

**Life Happens.** Do not let that get in the way of your children's potential. Secure their future with our education plan. **Save for them, safeguard their future.**

Get in touch with us today to get your **Elimisha Plan.**



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*Be Sure. Be Covered.*



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*In it with you*



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Credit  Bank  
My Friend, My Bank



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# Notice of Annual General Meeting



**The Companies Act, 2015**  
**No. 23/90**

NOTICE IS HEREBY GIVEN THAT THE THIRTY NINTH (39<sup>TH</sup>) ANNUAL GENERAL MEETING OF CREDIT BANK PLC WILL BE HELD VIRTUALLY, ON MONDAY, 7<sup>TH</sup> JULY 2025 AT 10.00 AM

## Agenda

### Ordinary Business

1. To read the notice convening the meeting and confirm the presence of a quorum.
2. To receive and adopt the audited Balance Sheet and Financial Statements for the year ended 31 December 2024 together with the Directors' and Auditors' Reports thereon.
3. To note that the Directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2024.
4. To re-elect Directors in accordance with the Articles of Association:-
  - i) Mrs. Grace Wamuyu Nyachae, retires from office by rotation and, being eligible, offers herself for re-election.
  - ii) Mr. Moses Munywoki Mwendwa, retires from office by rotation and, being eligible, offers himself for re-election.
  - iii) Mr. Robinson Njagi Gachogu, retires from office by rotation and, being eligible, offers himself for re-election.
  - iv) Mr Suleiman Kiggundu, Jr, having been appointed as a director since the last Annual General Meeting, retires in accordance with Article 96 of the Company's Articles of Association and being eligible offers himself for re-election.
5. To approve the Directors' remuneration for the financial year 2025.
6. To authorize the directors to fix the Auditors' remuneration.
7. To re-appoint the Auditors, PricewaterhouseCoopers who have indicated their willingness to continue in office in accordance with Section 719 (2) of the Companies Act, 2015 and subject to approval by Central Bank of Kenya.

### Special Business

8. Listing of the Bank's Shares on the Unquoted Securities Platform (USP) of the Nairobi Securities Exchange (NSE)  
To consider and, if deemed fit, approve that:  
Pursuant to the Shareholders' Resolution passed at the Annual General Meeting of the Company held on 23rd June 2023 authorizing the Company to demutualize its shares, the Company be authorised to apply for the admission and listing of its Ordinary Shares on the Unquoted Securities Platform (USP) of the Nairobi Securities Exchange (NSE), subject to the necessary regulatory approvals and compliance with the NSE Rules and the Capital Markets Authority (CMA) Regulations.

By Order Of The Board

**DCDM Registrars**  
**Company Secretaries**  
**13<sup>th</sup> June 2025**

## Note:

1. In accordance with Section 298(1) of the Companies Act, 2015, a member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member.
2. A form of proxy may be obtained from the Bank's website, [www.creditbank.co.ke](http://www.creditbank.co.ke) or the Bank's Head Office, 14<sup>th</sup> Floor, One Africa Place, Waiyaki Way, Nairobi and should be completed and returned to the Secretary, to arrive not later than 48 hours before the meeting or any adjournment thereof.
3. The Audited Accounts and Financial Statements for the year ended 31 December 2024 may be viewed at the Bank's website, [www.creditbank.co.ke](http://www.creditbank.co.ke) or a printed copy be obtained from the Bank's Head Office, 14<sup>th</sup> Floor, One Africa Place, Waiyaki Way, Nairobi.
4. All shareholders will be pre-registered using their Bio-data details in the Company Register and will receive a personalized link via SMS and/or email. Shareholders wishing to participate in the meeting still need to confirm their attendance for the AGM online at <https://digital.candr.africa> or via a link to the AGM Platform that will be sent to them via SMS and/or Email by dialing USSD short code number \*483\*830# and following the various registration prompts. In order to complete the registration process, shareholders who are not using the pre-registration link will need to have their ID/ Passport Numbers which were used to purchase their shares and their shares account number at hand. For assistance shareholders should dial the following helpline number +254 20 8690360 from 8:00 a.m to 4:30 p.m from Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register or send an email to [digital@candr.africa](mailto:digital@candr.africa).
5. Registration for the AGM opens on 27<sup>th</sup> June, 2025 at 08:00AM and will close on 4<sup>th</sup> July, 2025 at 12.00 Noon.
6. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:
  - a) Sending their written questions by email to [digital@candr.africa](mailto:digital@candr.africa); or
  - b) Shareholders who will have registered to participate in the meeting shall be able to ask questions via SMS by dialing the USSD code \*483\*830# and selecting the option (ask Question) on the prompts; or
  - c) Shareholders who will have registered to participate in the meeting shall be able to ask questions online at <https://digital.candr.africa> or via a link to the AGM platform; Select Attend Event; Select "Credit Bank PLC AGM"; Select "Q&A" option tab and submit questions in text box provided; or
  - d) To the extent possible, physically delivering their written questions by 4<sup>th</sup> July, 2025 12:00 Noon with a return physical address or email address to the Company Registrars address: Custody & Registrars, at IKM Place, Tower B, 1<sup>st</sup> Floor, 5<sup>th</sup> Ngong Avenue.
7. Shareholders wishing to vote may do so by:
  - a) Accessing Virtual AGM via online at <https://digital.candr.africa> or via a link to the AGM platform; Select Attend Event; Select "Credit Bank PLC AGM"; Select "Voting" option tab and vote; or
  - b) Accessing Virtual AGM via USSD platform \*483\*830#; Use the menu prompts menu option for "Voting" and follow the various prompts regarding the voting process.
8. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf.
  - A proxy need not be a member of the Company. If the Proxy appointed is not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone or an internet enabled device.
  - A proxy form is included in this Annual Report and is also available on the Company's website via this link: [www.creditbank.co.ke](http://www.creditbank.co.ke). Physical copies of the proxy form are also available at the Company Registrars address: Custody & Registrars, IKM Place, Tower B, 1<sup>st</sup> Floor, 5<sup>th</sup> Ngong Avenue, Nairobi.
  - A proxy form must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorized attorney of such body corporate.
  - A completed form of proxy should be emailed to [proxy@candr.africa](mailto:proxy@candr.africa) or delivered to Custody & Registrars, at IKM Place, Tower B, 1<sup>st</sup> Floor, 5<sup>th</sup> Ngong Avenue, Nairobi so as to be received not later than 3<sup>rd</sup> July 2025 at 10.00 AM. Any person appointed as a proxy should submit his/her email or mobile telephone number to the Company no later than Thursday 3<sup>rd</sup> July 2025 at 10.00 AM.
  - Any proxy registration that is rejected will be communicated to the shareholder concerned no later than Friday 4<sup>th</sup> July 2025 to allow time to address any issues.

9. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies will receive a short message service SMS/ and/or an email prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS and/or an email prompt shall be sent two hours ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in two hours' time and providing a link to the live stream.
10. Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the Chairman) via the USSD \*483\*830# or **Voting Matters** tab on the live stream display screen
11. A poll shall be conducted for all the resolutions put forward in the notice.
12. Results of the AGM shall be published within 24 hours following the conclusion of the AGM
13. All shareholders of the Company are hereby notified that pursuant to the provisions of the Unclaimed Financial Assets Act No 40 of 2011 Parts II and III, dividends and shares which have not been claimed for a period of three (3) years or more are required to be delivered to the Unclaimed Financial Assets Authority ('the Authority') as abandoned assets on the appointed date. Therefore, all shareholders with previous unpaid dividends are requested to urgently contact the Share Registrar, Custody & Registrars Services Limited at the address indicated below:

**Custody & Registrars Services Ltd**

IKM Place, Tower B, 1<sup>st</sup> Floor | 5<sup>th</sup> Ngong Avenue, Nairobi

Mobile: +254 20 7608216 | Email: [info@candr.africa](mailto:info@candr.africa)



## Expanding our Global Reach

Our Credit Bank team recently concluded a strategic outreach mission across key cities in Germany, engaging with Kenyans living and working abroad. The initiative aimed to strengthen relationships with the Diaspora community and demonstrate our unwavering commitment to serving their financial needs, wherever they may be in the world.

The team held interactive sessions in Heidelberg, Berlin, Cologne, Munich, Frankfurt, and Mannheim, where they connected with individuals and families eager to learn more about building wealth and supporting loved ones back home. Through open dialogue and on-the-ground engagement, attendees were introduced to our Nyumbani Diaspora Solutions, offering simple, secure, and impactful ways to save, invest, and remit funds to Kenya.

The mission not only provided a platform to share practical financial tools but also reinforced the role of Diaspora communities in driving inclusive economic growth. The warm reception and active participation underscored the trust our customers place in us and the relevance of our offerings in the international space.

This outreach reflects Credit Bank's dedication to being a responsive, forward-thinking institution—one that truly understands and supports the aspirations of Kenyans globally.






# Credit Bank PLC At A Glance



 **16 Branches Across Kenya**

 **Nairobi**

- Koinange
- Westlands
- Lavington
- Industrial Area
- Ngong Road
- Kitengela
- Rongai
- Thika
- One Africa

 **Mombasa**

- Nkurumah

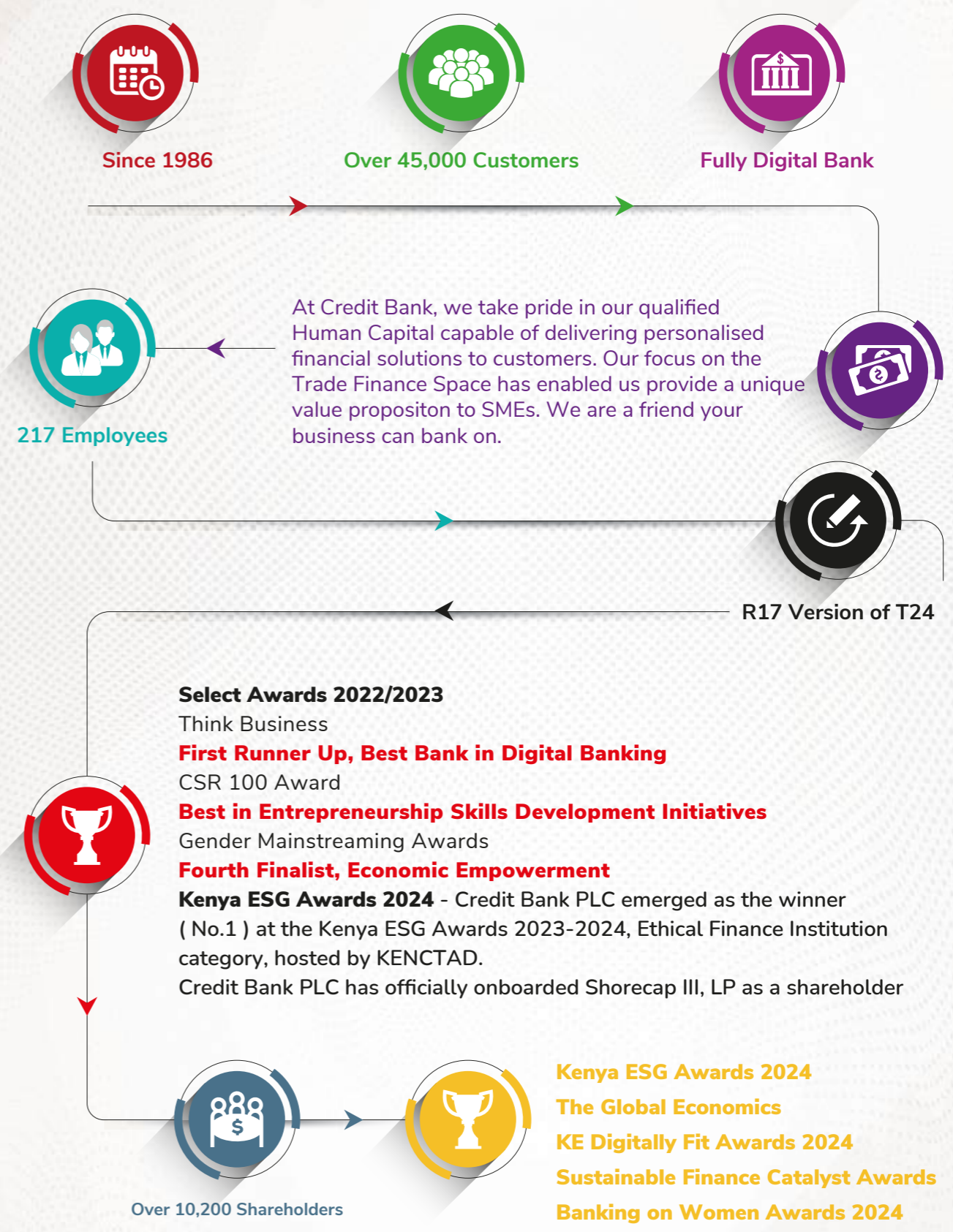
**Nakuru**

- Giddo Plaza

 **Machakos**

- Meru
- Kisii
- Kisumu
- Eldoret

# Our Journey



# Board of Directors



## **Moses M. Mwendwa . Chairman of the Board of Directors**

Mr. Moses Mwendwa is a Kenyan national with vast qualifications in the accounting field. He is an experienced financial and tax advisor with specialist knowledge in sourcing credit finance for corporate, groups and individuals. He has worked as a director in firms of professional accountants and management consultants for more than 35 years advising clients on capital investment appraisals.



## **Mrs. Grace Nyachae . Director**

Mrs. Grace is a founding director of Credit Bank PLC. She worked in the Civil Service for 11 years and has vast experience in managing businesses especially in the agricultural sector. She sits on various boards including H.C.D.A, Sotik Tea Company Limited Sansora Group of Companies, among others.



**Suleiman Kiggundu . Director**

Educated as an engineer and economist at Yale University, over the past 30 years, Suleiman has served in senior leadership roles at various leading institutions, including Equator Bank, HSBC Bank PLC and CDC Group plc (now British International Investment).

He is currently the Chief Investment Officer at Equator Capital Partners LLC, a fund management firm overseeing the ShoreCap family of funds. Suleiman also serves as a non-executive director at various organisations including GA Insurance Uganda, Kampala Hospital and Red Sea Energy.

*Appointed January 6, 2025*

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**Robinson Gachogu . Director**

Mr Robinson Gachogu holds a Bachelor of Commerce Degree – (Accounting Option) with extensive experience in financial management. He has over 45 years of experience in the financial services sector, including Chief Executive Officer at Savings and Loans (Mortgage arm KCB Group). He serves in various boards.

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**Dr. James Stanley Mathenge . Director**

Dr. James Mathenge is a former long-servicing permanent secretary and career administrator. He has served as Chairman of Public Service Commission, Kirinyaga University College and Kenya Freedom from Hunger Council. He is on several boards in the Anglican Church of Kenya and has also served as a board member of several private and public companies.

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## Board of Directors (Continued)



### **Leon Nyachae . Director**

Leon Nyachae an architect and entrepreneur with more than 20 years of experience in various Kenyan businesses, he is currently the Managing Director of Sansora Group. Mr Nyachae is a qualified architect with a particular interest in sustainable and affordable housing development. He currently manages a diversified conglomerate with interests in real estate, farming and financial services. He also serves as a Non-executive director of Kenindia Assurance Company, Paper House of Kenya and Sotik Tea Company.

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### **Jack Ngare . Director**

Jack Ngare has more than 20 years' experience in technology and is currently a Technical Director at Google. He brings in-depth knowledge around topics like telecommunications, financial services and emerging technology. He holds a Master's Degree in Advanced Computer Science and a Bachelor's Degree in Computer Science from the University of Leicester.

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### **CPA Elizabeth Mueni Musyoka . Director**

CPA Elizabeth Mueni Musyoka is a Finance, Accounting, and Strategic Management Specialist with over 30 years of experience. She has worked with The Tourism Trust Fund(TTF), The Nile Basin Initiative, OXFAM, The Riara Group, Agricultural Finance Corporation (AFC), Forum for African Women Educationalists (FAWE) and the County Council of Masaku. She holds a Bachelor's Degree in International Business Administration, an MBA in Strategic Management, and a MIBA in Finance from USIU-A. She is a member of the Institute of Certified Public Accountants Kenya (ICPAK).

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**Mrs. Betty C. M. Korir . Chief Executive Officer**

Mrs. Betty Korir is a career banker and a leadership coach with over 30 years' experience obtained several local banks as well as international exposure obtained from Triodos Bank. She holds the 2023 11<sup>th</sup> Gender Mainstreaming Awards as the Overall Winner, Inclusive Leader, East Africa Category. She is a transformational leader at the helm of Credit Bank PLC and senior executive keen on driving social impact.

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**Robert Ndung'u . Company Secretary**

Robert is a holder of a BA from University of Nairobi, a Certified Public Secretary, CPS (K), and a member of the Institute of Certified Public Secretaries with over 25 years' experience in providing corporate secretarial services. He also helped in setting up of the Uganda Securities Exchange. Robert has been affiliated with BDO since 2009 and is in charge of providing corporate secretarial services to the firm.

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# Chairman's Report



## Reflections by the **Chairman**



### **Time to Reflect**

Dear Friends and fellow shareholders, I extend my heartfelt gratitude for making the time to participate in this important forum. I also thank my fellow Board members for their continued commitment and sound counsel throughout the year.

In moments like these, we are reminded that our business exists as a collective effort, a shared responsibility and more importantly a shared ambition. And for that, I say thank you.

### **Navigating an Uneasy Operating Environment**

Esteemed friends, 2024 was a difficult year not just for Credit Bank, but for the broader financial services sector. Globally, we saw persistent geopolitical uncertainty, rising interest rates, and tighter capital flows. Regionally, Kenya's economy faced pressure from inflation, currency volatility, and subdued consumer demand.

The regulatory environment also shifted significantly, particularly with the enhanced capital adequacy thresholds that are now coming into sharper focus. For a mid-sized institution like ours, the new KES 3 billion core capital requirement added pressure at a time when profitability had just turned a corner. These changes have tested the resilience of many financial institutions, especially smaller banks. We have not been spared, but we are learning, adapting, and moving forward with clear intention.

**Mr Moses Mwendwa, Chairman**



## Resilience, Not Perfection

Despite the headwinds, Credit Bank has shown resolve. Our Q1 2025 performance, modest as it may be, marks a key turning point. After an exceedingly difficult 2024, we returned to profitability in the first quarter of this year. This is not the end of the road but the beginning of a more focused recovery.

Our loan portfolio declined by KES 1 billion between December and March, which was a deliberate decision to prioritize quality over volume and enhance recoveries. Despite these adjustments, we continued to extend support to our SME clients, who remain at the heart of our business.

We also made meaningful progress in digitizing operations, which will not only improve our operational efficiency but also reduce our long-term cost burden. Our decision to grow responsibly even when it meant pulling back from bigger prospects were well calculated, well anchored.

## Our People and Culture

No turnaround, no matter how technical or strategic, is possible without people. I want to thank our employees across branches, departments, and roles for their commitment during one of the most challenging years in our recent history.


Culture is not built on meetings, it is lived in how we serve customers, how we support each other, and how we respond under pressure. In 2024, we committed to strengthening internal culture by reinforcing accountability, wellness, and performance. But beyond the bank, we remained active in financing segments that have social and economic significance, such as youth enterprises and women-led businesses. The road ahead will be demanding, but we have the right people to walk it with courage and conviction.

## Board Oversight with Purpose

As a Board, we remain committed to our responsibility of offering strategic guidance, safeguarding value, and ensuring strong accountability at all levels of the business. The challenges we faced in 2024 required not only oversight but crucial decisions on capital, cost containment, and regulatory compliance.

The conversation on capital is well anchored and I wish to assure you that the capital thresholds as stipulated in the Business Laws Amendment Act of 2024 will be met. We engaged management rigorously and pushed for tangible actions, including rethinking how and where we deploy capital, and ensuring that recovery of non-performing assets remains a board-level priority.

We will continue to collaborate closely with the executive team to ensure that the bank is operating within acceptable risk thresholds.



**We committed to strengthening internal culture by reinforcing accountability, wellness, and performance.**

### Preparing for the Future

One of the key steps taken as a Board is to support the bank's decision to list on the Unquoted Securities Platform (USP) at the Nairobi Securities Exchange. This amongst other parallel engagements is a clear and pragmatic way to raise the capital requirement threshold by the end of 2025.

We believe that our shareholders, current and new, will see the long-term value of backing a bank that is restructuring with intent and transparency. It is also an opportunity to open a new chapter, restore confidence, and sustainable capital structure that can support long-term lending, innovation, and resilience.

### In Closing

In closing, I want to express my gratitude to all. Thank you to our customers who stayed with us, to our employees who kept going, and to our shareholders whose patience has been tested but not broken.

2025 will be about sustainable progress. We will continue to rebuild trust, strengthen our balance sheet, and position ourselves for a smarter future. We are walking a tightrope, yes, but we are walking it with our eyes open and our heads held high.

Thank You!



Mr Moses Mwendwa,  
Chairman  
Credit Bank PLC

We will continue to rebuild trust, strengthen our balance sheet, and position ourselves for a smarter future.





A close-up photograph of a person's hands holding a silver Visa Platinum Prepaid Card over a payment terminal. The card displays the number 1234 5678 8901 and the name S.A.C. Prepaid Card. The terminal has a keypad with numbers 1-9, 0, \*, and #, along with a red cancel button and a green confirm button. The background is blurred, showing a person's face and a white receipt.

# You Can **Do More** with the Right Card.

Get our Multi-currency Platinum Prepaid Card featuring USD, GBP, EUR and KES. Your perfect travel companion awaits.

For more information call us on  
0709 072 000  
[creditbank.co.ke](http://creditbank.co.ke)

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# Management Team



**Mrs. Betty C. M. Korir . Chief Executive Officer**

Mrs. Betty Korir has over 30 years of Banking Experience spanning across several banks. She holds 2 Bachelors' Degrees (Hons), Post Graduate Master's Degree in Business Administration and is currently pursuing a PhD in public policy at the University of Nairobi.

On the professional front, she is an accredited Risk Expert. She is an Associate of Kenya Institute of Bankers and a finalist in ACIB. She is a Member of the Global Association of Finance and Management (GAFM) and a certified Chartered Credit Analyst (CCA).



**Eric Nyachae . Executive Officer, Business and Strategy**

Eric Nyachae has more than 20 years in the banking industry. He has vast working experience in Credit, Banking Operations, Marketing, Corporate Banking and Business Development. He currently holds a Bachelor of Arts in Business Administration from King Alfred's College of Higher Education and a HND in Business Studies from the Salisbury College of Technology.



**Jackson Njenga . Chief Manager . Risk and Compliance**

Jackson Njenga has over 23 years' experience in the finance field. He is a Certified Public Accountant – CPA(K), Certified Public Secretary – CPS(K) and member of both the Institute of Certified Public Accountants of Kenya (ICPAK) and Institute of Certified Public Secretaries of Kenya (ICPSK). He holds an MBA degree from the University of Nairobi (Strategic Management).

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**Daniel Lesirma . Head of Finance**

Mr. Daniel Lesirma has over 20 years' experience in finance. He is a Certified Public Accountant of Kenya. He holds a Master's Degree in Business Administration (Finance Option), from the University of Nairobi. He is a Member of the Institute of Certified Public Accountants of Kenya and also holds a Certificate in Business Analytics from the Harvard Business School.

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**Isaac Nduvi . Chief Manager Internal Audit**

Mr. Nduvi's has over 17 years of experience in the banking industry. His educational credentials include a Degree in Bachelor of Commerce (Accounting Option) from Kenyatta University, a Master's in Economics (Policy Analysis) at the University of Nairobi. He has attended various professional courses including Computer Crimes and Security Systems, Fraud Detection, Investigation and Management.

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**Charles Kibara . Chief Manager . Operations & Branches**

Mr. Kibara has over 18 years' experience in finance, internal and external audit. He is CPA (K), member of the Institute of Certified Public Accountants (ICPAK) and holds a Master's of Business Administration (MBA) Degree from the University of Nairobi. He has attended numerous professional development and leadership courses in internal control.

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**Francis Ngaruiya . Head of Legal**

Francis is a legal expert with over 20 years' experience. He is a Certified Public Secretary (CPSK), a Notary Public, Commissioner for Oaths, and a Qualified HR Practitioner. He has a Bachelor of Law Degree from Moi University, a Post Graduate Diploma in Law from the Kenya School of Law and a Post Graduate Diploma in Human Resource Management from the Institute of Human Resource Management.

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**Patience Munene . Head of Human Resources**

Patience is a seasoned HR professional with over 13 years' experience in HR consulting and practice across the Big 4 and banking sectors. She has held senior roles at DIB Bank Kenya and Access Bank Kenya, leading key transformation and change initiatives. Patience holds a BCom in Operations Management, a Higher Diploma in HR, and is pursuing an MBA from Liverpool John Moores University. She is also ACCA Level 2 certified and working toward CHRP certification. Her expertise includes talent management, performance management, organizational development, and employee engagement. She is a full member of IHRM with a valid practicing certificate.

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**Edward Osoro . Head of Business**

Edward is a seasoned professional with 14 years of experience in credit analysis, administration, recoveries, and business development. With a strong track record at Credit Bank, where he spent 12 years driving growth and client relationships, he is recognized as an SME expert. He holds a BCom in Finance from the Catholic University of Eastern Africa and an AKIB certification. Edward is known for his strategic insights, exceptional interpersonal skills, and ability to build lasting client partnerships. He also brings prior experience from KRep Bank (now Sidian Bank), adding to his broad industry expertise.

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**Michael Gitari . Chief Credit Officer**

Michael is a credit risk professional with over 16 years' experience across retail, business, corporate, and investment banking. He has held senior roles including Regional Chief Credit Officer at UBA and Head of Credit Risk at African Banking Corporation. His expertise spans credit administration, portfolio and remedial management. He holds a BSc in Mathematics & Computer Science, an MBA in Finance, and is a certified Associate of the Kenya Institute of Bankers.

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# Chief Executive Officer's Report



## Reflections from the Chief Executive Officer

### Preamble

All who kept abreast of world news would need no telling that 2024 was a year of momentous challenge in many spheres. To note that we are in the key service sector, which is the banking industry, were not spared either. The operating environment in 2024 tested the limits of agility across our sector. Higher interest rates, a more cautious credit market, and an evolving regulatory framework placed fresh demands on managing our balance sheets as we guaranteed support for our customers. 2024 proved to be a year of reappraisal and recalibration, and as CEO, it is my pleasant duty to draw attention to how we responded and to those who made our evident resilience possible.

### Financial Performance

While financial outcomes were challenging, they also provided the opportunity for us to clean up legacy risks and focus on quality growth. Adjustments were made to our lending approach, sectoral exposures were reviewed, and priority was given to asset quality, in a deliberate shift in operational discipline and risk focus. The result was a leaner but more stable portfolio with encouraging signs of recovery as we went into 2025.

### Investment

In parallel with financial restructuring, 2024 was a year of investment in our future capabilities, most especially in how we serve, how we operate, and how we deliver banking solutions. Our focus included embedding smarter systems, deepening our customer relationships, and driving inclusive banking.

Our technology projects began yielding results, with improvements in turnaround time, service reliability, and internal efficiency. These wins, while still early, will scale up in the months ahead as more customer journeys move online. We are also working to revitalize our non-interest income channels, especially trade finance, remittances, and foreign exchange services, which are essential to building a more balanced income structure.



**Betty Korir, Chief Executive Officer**



We remain deeply committed to the communities we serve. In partnership with IFAD, we continued to champion diaspora remittances into rural areas, targeting households and women-led businesses that are often left behind in traditional banking models. Our recognition at the 2025 Think Business Awards for Product Innovation and the KENCTAD Banking on Women Award for sustainability are affirmations of our impact in this space.

## Digital Execution and Operational Excellence

Alongside stabilizing the balance sheet, many of our technology projects reached key milestones in 2024, from digital KYC and card integrations to trade finance and remittance system upgrades.

Projects like Mastercard acquiring, PAPPS, and outbound RIA remittances have strengthened our infrastructure and positioned us to better serve both local and diaspora clients. Our expansion of the ETICA platform is helping us reimagine trade finance with lower risk exposure and more predictable funding dynamics.

## Building Value Beyond Lending

While lending remains our anchor, we have broadened our focus on revenue lines that are both sustainable and scalable. Trade finance, custodial income, remittances, and forex services are no longer peripheral but central to our turnaround strategy.

In parallel, trade finance and treasury activity have been recalibrated to support margin growth tailored hybrid structures.

## Measured Recovery in 2025

We see encouraging signs of stability where performing loans are increasing, non-performing exposures are being addressed, and recoveries are beginning to unlock writebacks.

Our Provisions, though high, have created a stronger contingent capital buffer and provision leverage, to the tune of 4.5 B that would be written back.

We have navigated the legal matters that derailed recoveries and are assured of a stronger comeback and solid turnaround.

Our Brand presence and equity present leverage for the Bank, and we continue to punch above our weight on the digital front.

Our deposits grew steadily in the first half of 2025, with a renewed push around account reactivation and targeted onboarding. This includes a clear plan to activate dormant accounts supported by both branch teams and diaspora outreach. We have also reigned on the cost of funds and are pursuing a reduction in term deposit rates to safeguard the Net Interest Margins.

## Strengthening Our Foundation

Looking ahead, our key priority is to strengthen our capital position. The new regulatory capital requirements represent a turning point for the industry, and we are approaching this with focus and responsibility. Our decision to pursue listing on the Unquoted Securities Platform (USP) is a practical step toward unlocking capital in a way that fits our size and strategic goals.

This approach will allow us to bring in new investors, expand our shareholder base, and build a more stable platform for future lending and innovation. At the same time, we are taking care to protect our internal capacity by investing in our teams, upgrading systems, and ensuring that we tap into long-term value.

Our focus as a leadership team is on building capacity to ensure that Credit Bank can thrive in a competitive and fast-changing financial ecosystem.

## Gratitude

2024 reminded us that transformation whilst rarely smooth, is to be embraced with conviction. We emerged from it with clearer priorities, tighter execution, and stronger internal alignment. As CEO, I have been beholden to our esteemed shareholders, to the Board of Directors, to our ever-dedicated employees, and to our valued customers, especially SMEs and underserved communities. We, too, tried and tested at Credit Bank PLC in 2024. However, through the uncertainties, it was your continued support that kept us, and me, fully anchored. I thank you, most sincerely, and look forward to our continued collaboration.

Thanking You,

Betty Korir

Chief Executive Officer

## Our CEO's Re-Election to KBA Leadership: A Testament to Industry Trust.

We are proud to announce the re-election of our Chief Executive Officer, Ms. Betty Korir, as the Vice Chairperson of the Kenya Bankers Association (KBA) for the 2025–2026 term. This appointment was confirmed at the Association's 63rd Annual General Meeting held in June 2025, marking a continuation of her service and leadership at the highest levels of Kenya's banking industry.

Betty's re-election comes after her initial appointment to the role in June 2024, during the Association's 62nd AGM. Her election to this prestigious position reflects the confidence her peers have in her leadership, vision, and deep commitment to the advancement of the financial services sector in Kenya. Notably, she also served as a member of the KBA Governing Council from 2022 to 2023, positioning her as a seasoned contributor to industry dialogue and governance.

As Vice Chairperson, Betty continues to represent not only Credit Bank PLC, but also the broader interests of mid-sized and Tier III banks within the sector. Her role at KBA provides Credit Bank with a strategic voice in shaping industry-wide decisions, especially those concerning innovation, inclusion, and sustainable banking practices.

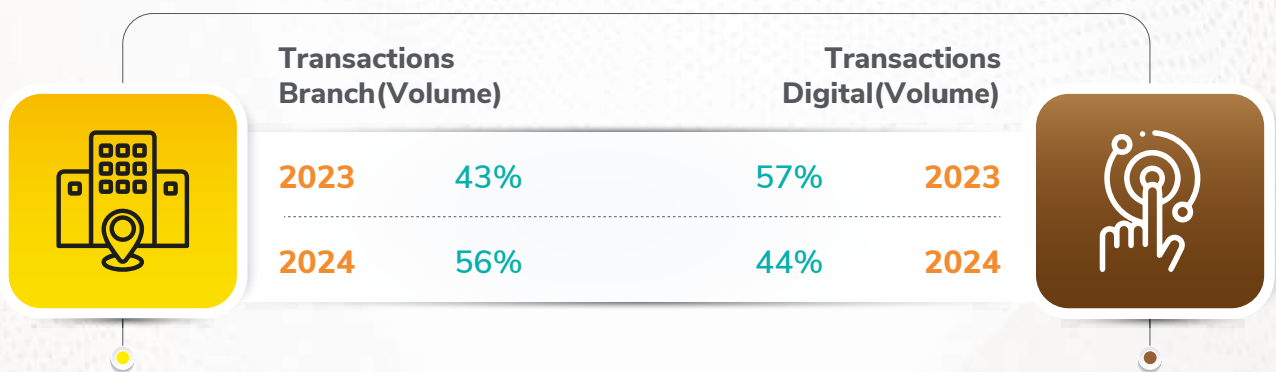
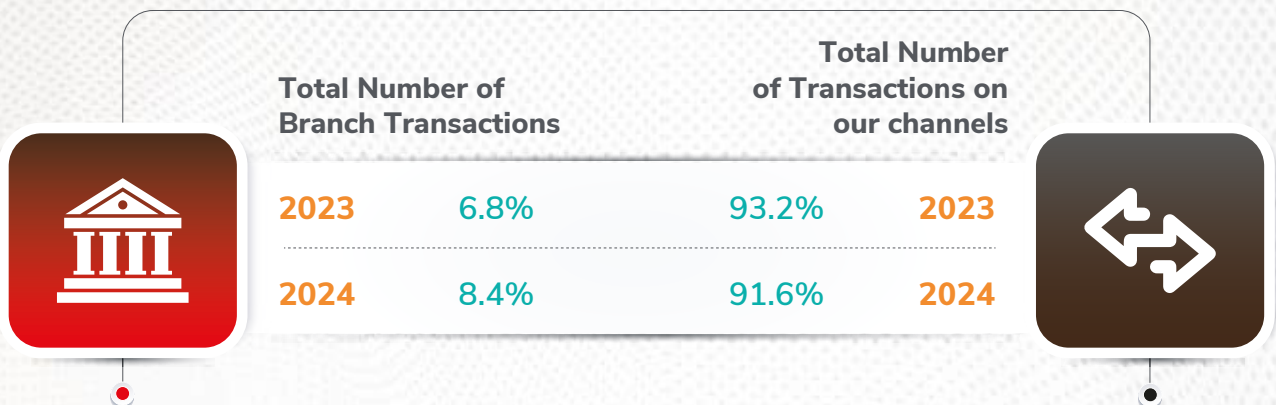
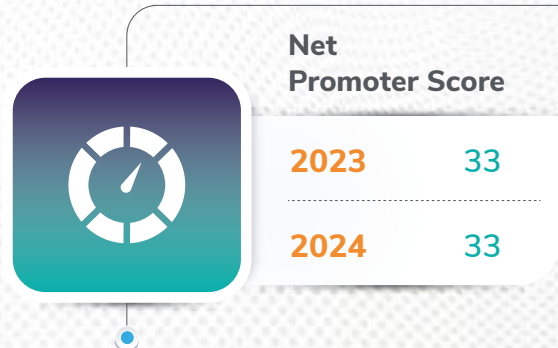
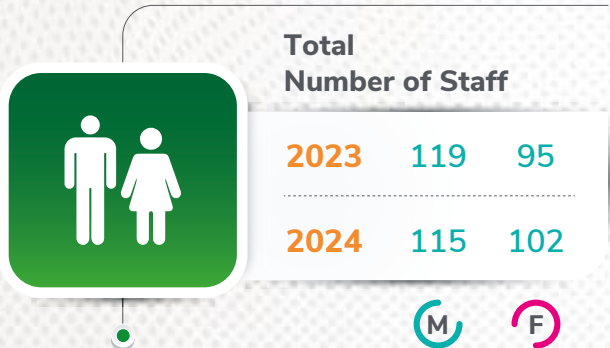
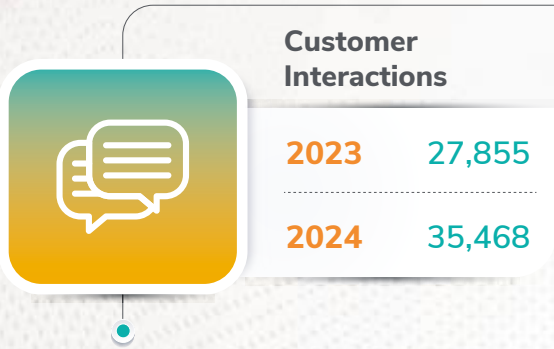
This re-election is not just a personal milestone for Betty, but a point of pride for the entire Credit Bank family. It affirms our growing influence in the sector and aligns with our continued efforts to promote impactful, inclusive, and ethical banking.

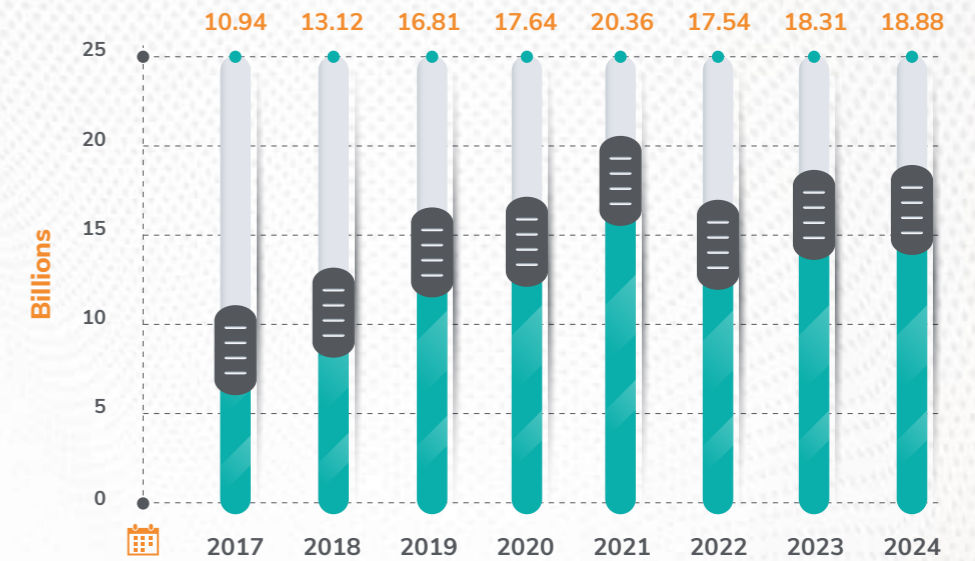
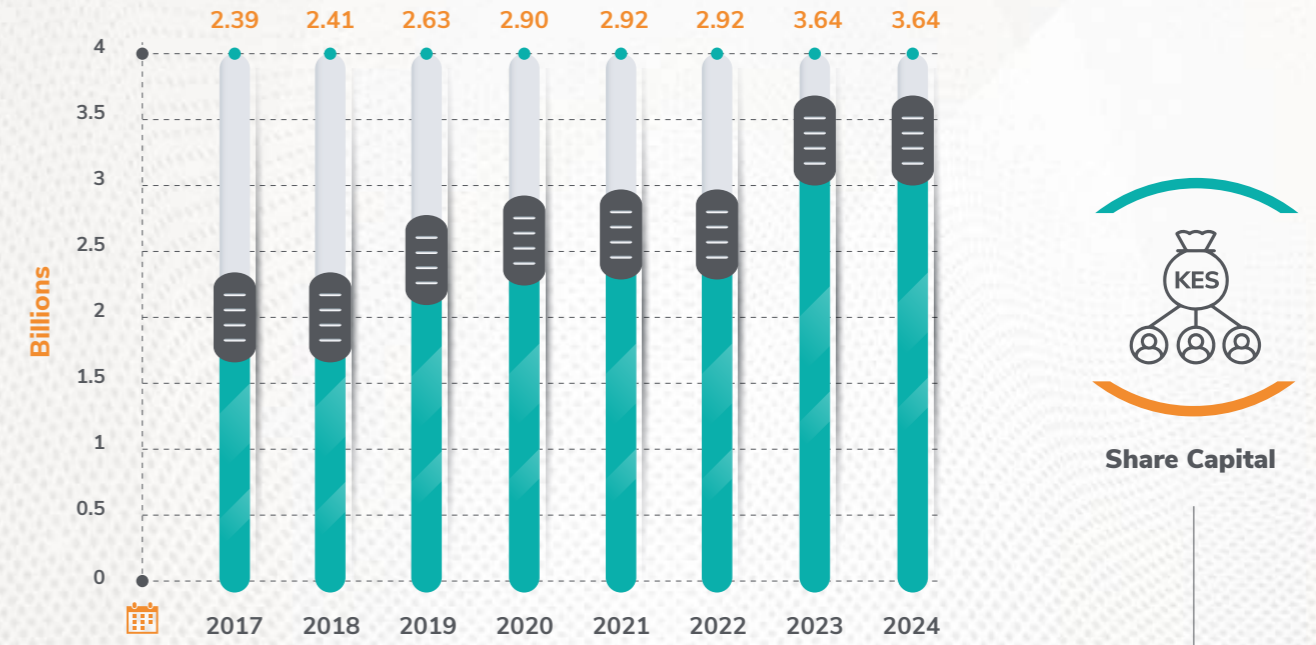
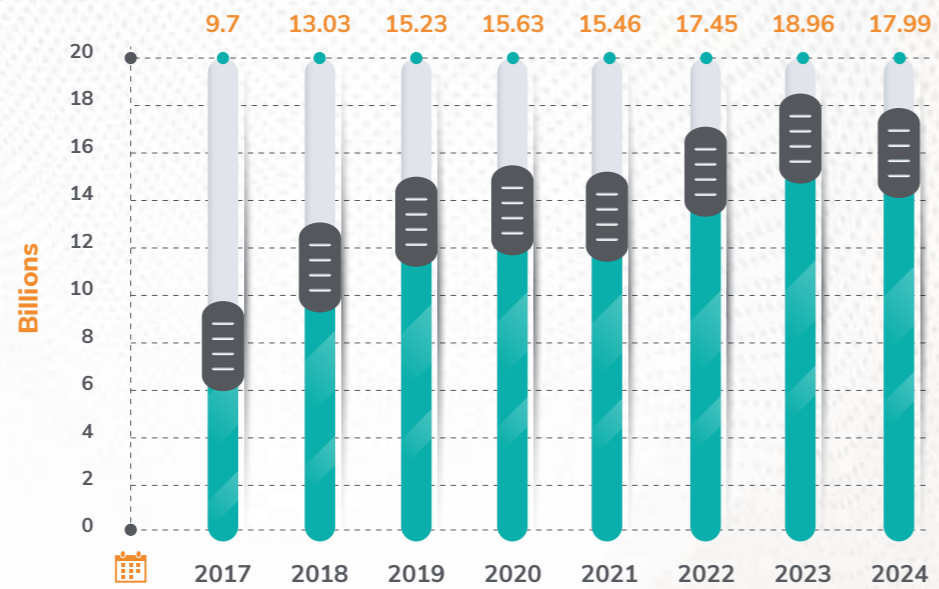
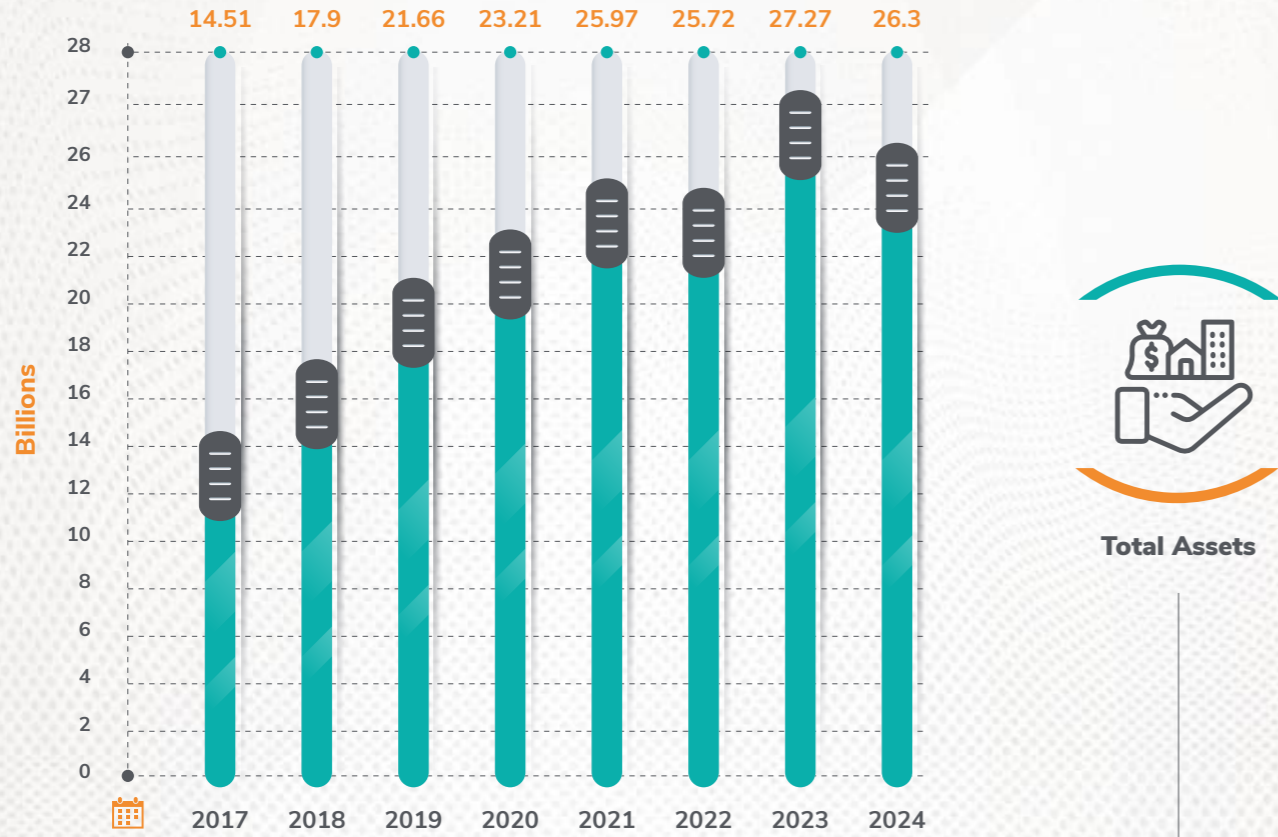
We congratulate Ms. Betty Korir on this well-deserved recognition and look forward to her continued contribution to Kenya's banking industry.

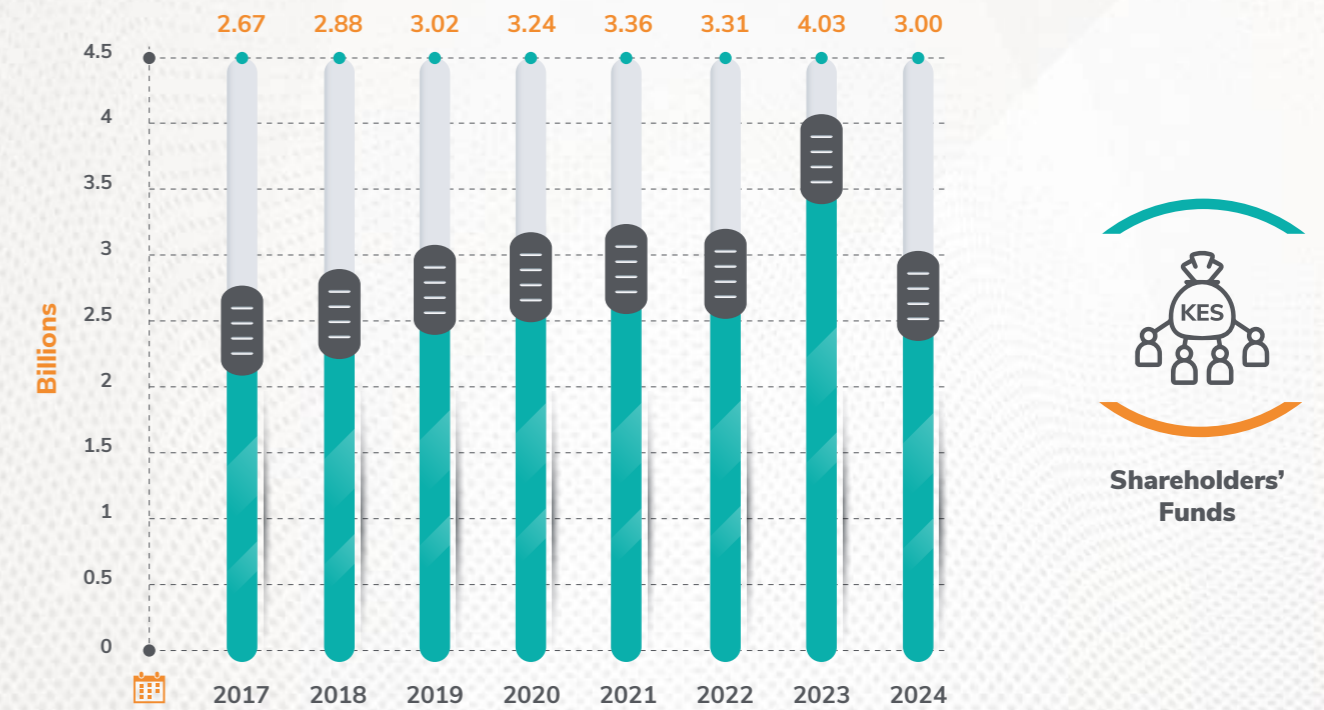
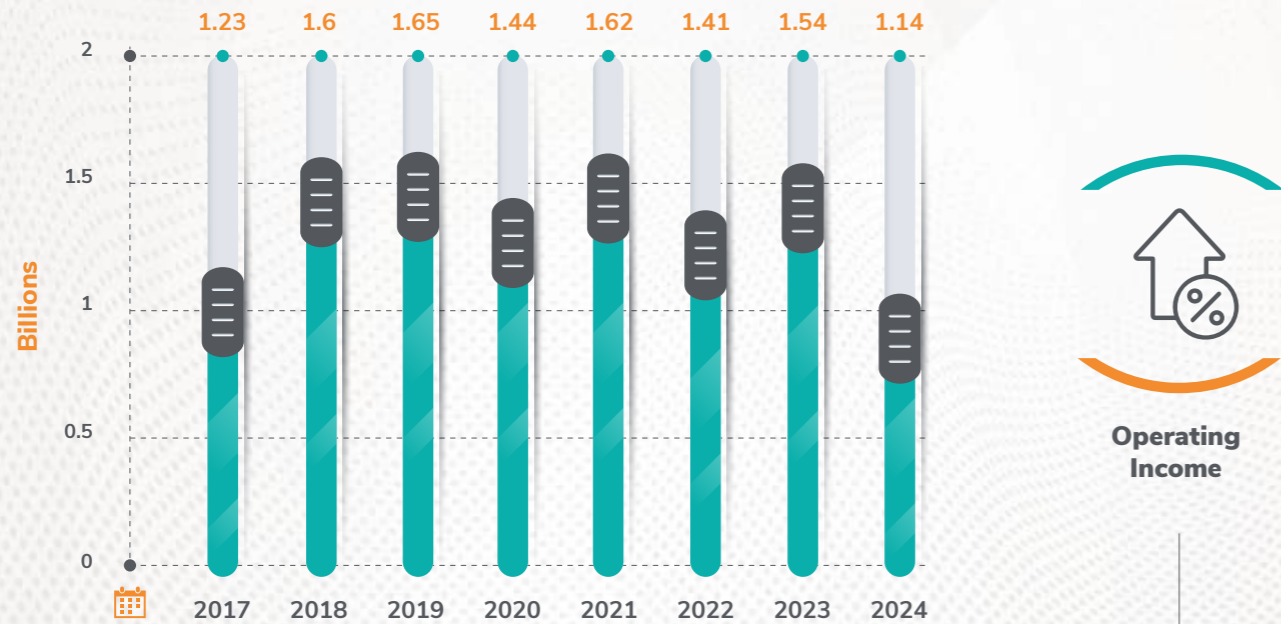




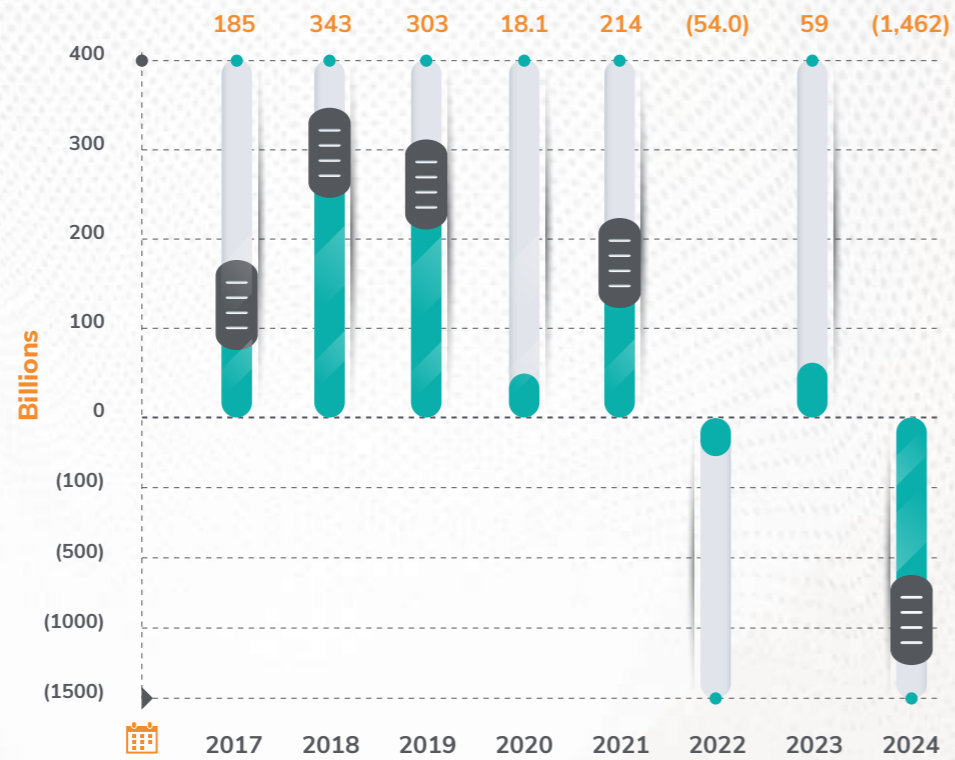
# Non-Financial Highlights





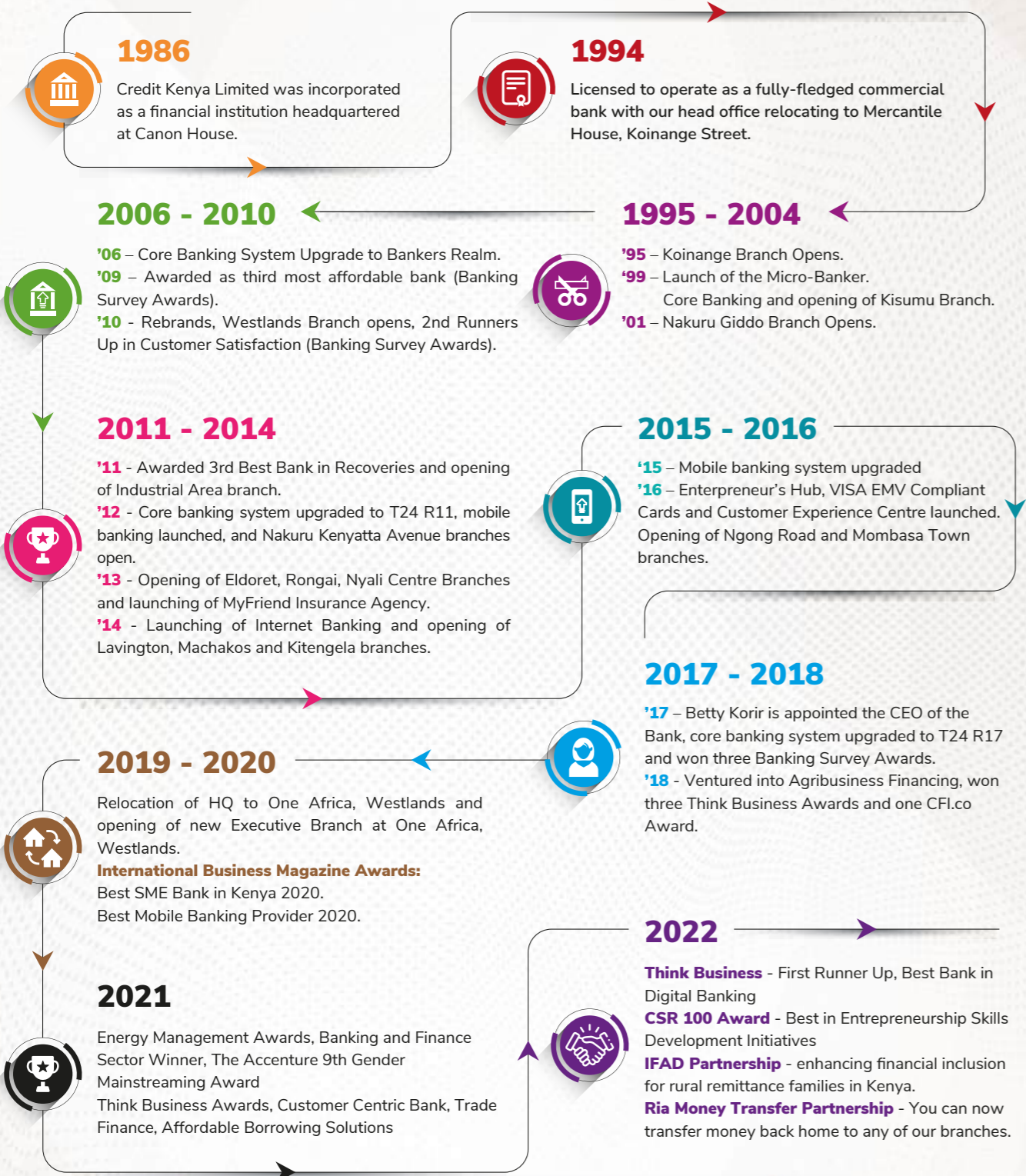


Profit Before Tax



Innovative Solutions for Inclusive Prosperity.





## Credit Bank launches cash pickup portal remittance service to boost financial access in rural Kenya.

Credit Bank Plc has unveiled the Sacco Cash Pickup Portal Remittance Service, a game-changing solution in partnership with SACCOS to make overseas remittances faster, more affordable, and more accessible to Kenyans in rural areas.

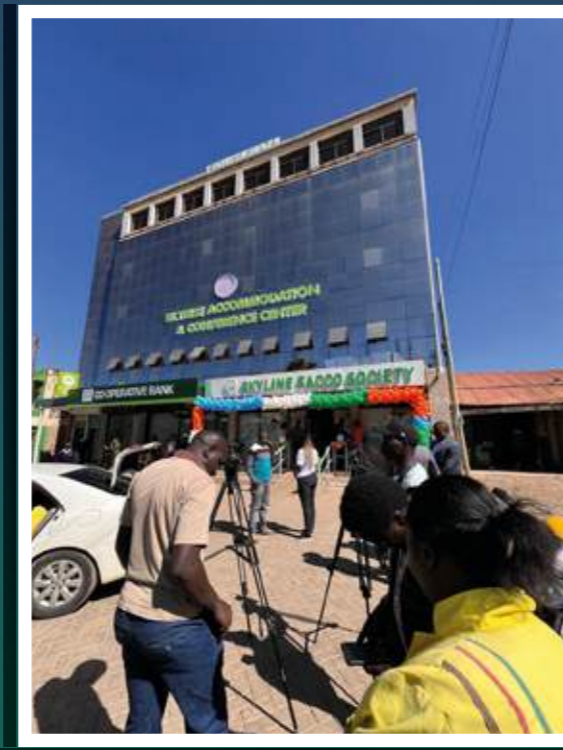
Through this service, recipients can conveniently collect money sent via RIA at any of the 14 Skyline SACCO branches across Nakuru, Baringo, Trans Nzoia, and Nandi counties in the first phase.

Supported by the International Fund for Agricultural Development (IFAD) and other key partners, Credit Bank's Remittance and Financial Inclusion Initiative addresses major challenges associated with remittances, including high transaction costs, limited financial literacy in rural areas, and restricted access to investment opportunities for Kenyans in the diaspora.

"Our diaspora community plays a vital role in Kenya's economic growth, and sending money home should not be a costly burden. Partnering with RIA and leveraging digital solutions significantly reduces remittance costs, making financial services more accessible and inclusive for all Kenyans especially in under-served communities," said Credit Bank CEO Betty Korir.

"SACCOS are the backbone of financial access in rural Kenya, and integrating our remittance services with SACCO networks such as Skyline Sacco expands financial reach. This ensures that even the most remote communities can receive funds conveniently."

Recipients can withdraw money instantly at any Skyline Sacco branch with a valid ID and transaction reference number. Additionally, Skyline Sacco members can opt to have funds deposited directly into their accounts, offering a seamless and secure experience without the need for a branch visit.



This service benefits tens of thousands of Kenyans who depend on remittances for family support, education, business capital, and emergencies. Non-members can also access the service, further promoting financial inclusion.

Currently, remittance costs to Kenya average 10.72%, exceeding both the global average of 6.65% and the United Nations Sustainable Development Goal (SDG) target of 3%. For instance, transfers from Uganda to Kenya typically cost 4.1%, while those from Germany can reach 7.7%. To address this, Credit Bank and RIA offer a cost-effective solution with mid-market exchange rates ranging from just 2% to 4%, with no hidden fees—making cross-border transactions more affordable for Kenyans worldwide.

To bridge this gap, Credit Bank, in collaboration with Interswitch Kenya and RIA, is enabling select SACCOS to facilitate both inbound and outbound remittances. Through a sub-agency agreement, SACCOS can extend these services to their members, enhancing financial accessibility in underserved areas.

Beyond improving access to financial services, Credit Bank offers financial literacy programmes covering budgeting, payments, savings, and wealth management, equipping remittance recipients with the knowledge needed to make informed financial decisions and achieve long-term financial stability. Furthermore, Credit Bank provides technical assistance in the form of Remittance Strategy formulation, workshops, and operationalization support, ensuring effective and efficient remittance management.

To support investment decisions within the diaspora, Credit Bank has launched the Diaspora Information Hub, providing access to high-interest savings accounts, vetted investment opportunities, bank-approved commercial properties, and dedicated relationship managers for personalised financial support.

"The Nyumbani Account, originally designed for Kenyans abroad, now features digital onboarding via e-KYC, enabling diaspora members to open and manage accounts remotely, access remittances, and explore tailored financial services," the CEO added, February 27, 2025.

Through these innovations, Credit Bank is redefining remittance services, ensuring that Kenyans—wherever they are—can send, receive, and grow their finances with ease and affordability.



# Some of Our Awards



## Catalyst Awards

Sustainable Finance Catalyst Awards – Credit Bank was named the Most Improved bank at the 2024 Sustainable Finance Catalyst Awards by the Kenya Bankers Association.

## ESG 2025

Kenya ESG Awards 2024 – Credit Bank PLC emerged as the winner ( No.1 ) at the Kenya ESG Awards 2023-2024, Ethical Finance Institution category, hosted by KENCTAD.



## Business Engage – CBL

KE Digitally Fit Awards 2024 – Credit Bank won at the Digitally Fit Awards 2024, BUSINESS OF THE YEAR, CREATING AN IMPACT ONLINE Category.

## Other Awards

- Banking On Women 2024
- Banking On Women 2025
- Digitally Fit Awards
- Business Engage - Betty
- Think Business Awards



## Board of Directors

The following directors held office during the year to the date of our report:

Mr Moses M. Mwendwa	Chairman
Mrs Betty Korir	Chief Executive Officer
Mrs. Grace Nyachae	
Suleiman Kiggundu	Appointed January 6, 2025
Robinson N. Gachogu	
Dr James S Mathenge	
Mr Leon Nyachae	
Mr Jack Ngare	
Mrs Elizabeth Musyoki	

## Company Secretary

Robert Ndungu  
Plot No LR No. 1870/X/45,  
One Africa Place Waiyaki Way, Westlands  
P.O Box 61064 00200  
Nairobi, Kenya

## Registered Address and Headquarters

Plot No LR No. 1870/X/45,  
One Africa Place Waiyaki Way, Westlands  
P.O. Box 61064 00200  
Nairobi, Kenya

## Independent Auditor

PricewaterhouseCoopers LLP  
Certified Public Accountants  
PwC Tower, Waiyaki Way/Chiromo Road, Westlands  
P.O. Box 43963, 00100  
Nairobi

## Principal Banker

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000 – 00200  
Nairobi, Kenya

# Directors' Report



The directors submit their report together with the audited financial statements of Credit Bank PLC ( the Bank) and its subsidiary (together the group) for the year ended 31 December 2024.

## Incorporation

The Company is domiciled in Kenya where it is incorporated as a private company limited by shares under the Companies Act, 2015. The address of the registered office is set out on page 33.

## Directorate

The directors who held office during the year and to date of this report are set out on page 33.

## Principal Activities

The Group is engaged in the business of banking and provision of related services as well as provision of Bancassurance services.

## Financial Results and Dividend

The Group Loss for the year of KShs 1.05 billion (2023: profit of KShs 32.4 million) has been added to the accumulated loss position. The directors do not recommend payment of a cash dividend. (2023: Nil)

## Business Review

The group's interest income grew by 12% from KShs 3.15 billion in 2023 to KShs 3.54 billion in 2024. This is mainly due to a 2% growth in Gross loan book and review of the lending rates.

Forex income decreased by 55% from KShs 315 million to KShs 143 million due to reduced volumes of foreign exchange forward spots and sales volume. The decrease in this income can also be attributed to the strengthening shilling against the US Dollar. Within the year 2024, the Kenyan Shilling gained 17% of its value exchanging at KShs 129.6 to the dollar (2023: KShs 155.6)

The Bank's expected credit loss charge in the year grew by 290% to KShs 1.368 billion (2023: KShs 351 million) mainly due to growth in Non-Performing Loans.

## Global Economic Outlook

According to IMF, Global growth is expected to remain stable yet underwhelming. As disinflation continues, a smooth landing is within reach. However, the balance of risks is tilted to the downside: geopolitical tensions could flare up sudden eruptions in financial market volatility could tighten financial conditions; problems in China's property sector could generate global spillovers via their effect on global trade, as could rising protectionism and continued geoeconomic fragmentation; and disruptions to the disinflation process could prevent central banks from easing monetary policy, adding challenges to fiscal policy and financial stability. The IMF baseline forecast is for global growth to remain stable at 3.2 percent in 2025 from 3.2 percent in 2024 and 3.3 percent in 2023. Advanced economies are expected to improve from 1.7 percent in 2023 to 1.8 percent in 2024 and 1.8 percent in 2025. As global disinflation continues, services price inflation remains elevated in many regions, pointing to the importance of understanding sectoral dynamics and of calibrating monetary policy accordingly. Global inflation is forecast to decline steadily, from 6.8 percent in 2023 to 5.9 percent in 2024 and 4.5 percent in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies.

## Local Economic Outlook

IMF projects Kenya's economy to grow by 5% in 2024 from 4.8% in 2023. The projected growth is a 0.2% improvement. Economic activity is estimated to accelerate to 5.3% in 2024 according to the latest IMF analysis. Kenya's overall inflation remained broadly unchanged at 6.8 percent in September 2024, compared to 6.7 percent in August, which is within the government's target range. Food inflation rose to 7.9% in September from 7.5% on account of increased prices of some vegetables. Fuel inflation, however, remained elevated at 13.1%. IMF Projects Kenya inflation at 6.6% in 2025.



## Interest Rates

According to Central Bank of Kenya, Commercial bank lending to the private sector contracted by 1.4 percent in December 2024 compared to the previous year, mainly reflecting exchange rate valuation effects on foreign currency denominated loans following the appreciation of the Shilling, and reduced demand attributed to high lending interest rates. Growth in local currency denominated loans stood at 2.1 percent in December 2024, with the foreign currency denominated loans, which account for about 26 percent of total loans, contracting by 11.4 percent. To promote lending to the Private sector to spur economic growth, the CBK decided to lower the Central Bank Rate (CBR) by 50 basis points to 10.75 percent from 11.25 percent. It also reduced the Cash Reserve Ratio (CRR) by 100 basis points to 3.25 percent from 4.25 percent, to complement the lowering of the CBR, and support lowering of lending rates.

During the year, the Group's balance sheet shrunk by 3% from Kes 27.3 billion to Kes 26.5 billion. The Group realized negative return on assets of -3.94% (2023:0.12%), Return on equity -34.9% (2023: 0.81%) and the cost to income ratio of 1100% (2023:96.8%)..

## Principal Risks and Uncertainties

The Banks principal risks and uncertainties together with processes that are in place to monitor and mitigate those risks where applicable can be found under Note 4 to the financial statements.

## 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 Company'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 Company's auditor is aware of that information.

## Terms of Appointment of Auditors

PricewaterhouseCoopers LLP continues in office in accordance with the company's Articles of Association and Section 719 of the Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

## Events After Year End

There have been no events after the reporting date that require adjustment or disclosure to these financial statements.

By Order of the Board

CPS Robert Ndungu (DCDM Registrars)



Secretary

31<sup>st</sup> March 2025

# Statement of Corporate Governance



The Board of Directors of Credit Bank PLC (or the “Board”) is committed to ensuring compliance with all guidelines on corporate governance issued by the Centre for Corporate Governance and the Central Bank of Kenya (“CBK”).

The Bank conducts business ensuring compliance with the code of conduct for Directors and senior management as per the CBK prudential guidelines, best practice and professional ethics.

The Bank has a Board Charter which outlines the principal role of the Board, the demarcation of the roles, functions, responsibilities and powers of the Board, various Board committees of the Bank and matters reserved for final decision-making or pre-approval by the Board; and the policies and practices of the Board in conducting its business.

## Shareholders

The shareholders appoint the Directors of the Bank and hold the Board accountable and responsible for efficient and effective governance of the Bank. It is also their role to appoint the statutory auditors of the Bank.

## Board Evaluation

Evaluation of the directors of the Board and the Board committees was done during the year and found to be effective. The Board is fully aware of the latest developments in the regulatory environment, risk management and market conditions. The directors maintained excellent communication amongst themselves and with the senior management.

Attendance of Board meetings during the year is summarised below:

Name	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Moses M. Mwendwa	P	P	P	P
Grace Nyachae	P	P	P	P
Suleiman Kiggundu	N/A	N/A	N/A	N/A
Robinson N. Gachogu	P	P	P	P
Leon Nyachae	P	P	P	P
James S Mathenge	P	P	P	P
Jack Mugo Ngare	P	P	P	P
Elizabeth Musyoki	P	P	P	P
Betty Korir	P	P	P	P

**P = Present, A = Absent, AP=Apology, NA=Not Appointed, N/A=Not Applicable**

**NB.** Suleiman Kiggundu was appointed on January 6, 2025

## Board of Directors

The Board consists of Chief Executive Officer and eight non-executive directors as listed on page 35 of the annual report. The directors have diverse professional and business background and experience, and have provided valuable stewardship for the Bank. The Board meets at quarterly intervals in the year or as and when need arises. During the year, the Board held four meetings.

To ensure that the Board remains efficient and effective while discharging its responsibilities, annual Board assessment and peer review on performance is undertaken.

The Board has delegated the authority of day-to-day management to the Chief Executive Officer but retains the overall responsibility for financial and operating decisions as indicated in the ‘Statement of directors’ responsibilities. The Board has access to the Company Secretary who attends Board meetings on a regular basis and has set up various sub-Board committees which operate in accordance with clearly set terms of reference. These sub committees report to the Board on periodic intervals and on circulation basis. They include the Board Credit Committee, the Board Audit Committee, the Board Risk Committee, the Board Executive Committee, the Board Operations Committee and Board Nominations & Remuneration Committee. All Board committees consist of at least two non-executive directors one of whom is the Chair.



## Board Credit Committee

The Board Credit Committee reviews and oversees the overall lending of the Bank by ensuring compliance to Bank's lending policy guidelines and limit structures. The committee also ensures adequate credit impairment provisions are held in line with the CBK prudential guidelines and oversees reviews of overall lending policies and limit structures of the Bank.

## Board Audit Committee

The role of the Board Audit Committee is to enhance effectiveness of internal and external audit functions, monitoring management's compliance with relevant legislations and regulatory requirements. It also monitors the effectiveness and compliance of the Bank's approved policies and procedures with the objective of strengthening the management information systems and internal controls. The committee meets at quarterly intervals.

## Board Risk Committee

The committee is responsible for devising policies and procedures for identification, measurement, monitoring and control of all risk categories. The committee ensures that the Bank has clear, comprehensive and well-documented policies and procedure guidelines relating to all areas of operation and the relevant staff fully understand those policies. The committee identifies, analyses and evaluates risks, formulates appropriate responses, ensures tracking and reporting of risks to provide assurance regarding the achievement of objectives within the risk levels accepted by the Board. The committee meets at quarterly intervals.

## Board Executive Committee

The Board Executive Committee has an oversight role on Management committees over execution of Board's policy directives and strategy. The Committee reviews and monitors progress on the bank's strategic plans, operational initiatives, marketing and Business development as approved by the Board and ensures that the Bank adheres to CBK prudential guidelines on capital adequacy, liquidity and market risk management.

## Board Nominations & Remuneration Committee

The Board Nominations & Remuneration committee is responsible for all aspects of appointment of the Bank's directors and Senior Management. It also oversees the compensation system's design and operation on behalf of the Board of Directors. The committee is constituted to enable it exercise competent and independent judgment on compensation policies and practices with majority of its members being independent non-executive directors with substantial knowledge about compensation arrangements. The Committee strategizes on the Bank's human resources development and optimisation in line with the Board's objectives and human capital management.

For effective delegation, the Chief Executive Officer has also set up various committees made up of senior officers of the Bank entrusted with different responsibilities which operate within prescribed terms of reference duly approved by the Board. These committees include Management Executive Committee (EXCO), Assets & Liabilities Committee (ALCO), Management Credit Committee, Procurement Committee, IT Steering Committee, Risk Management Committee and Product Development Committee. Open and clear communication channels between management and the Board is maintained through the office of the Chief Executive Officer.



**Board Operations Committee**

Board Operations committee is a board committee that has been mandated with the oversight role over operations of the bank. The committee’s main role is to recommend operational strategies and policies to the main board and there after overseeing the implementation of the same to ensure a sound, effective and efficient operational environment.

The Bank fully complies with the Banking Act, CBK’s prudential guidelines and the Kenyan Companies Act. The Bank ensures that the shareholders and other stakeholders are fully informed of the Bank’s performance and activities by distributing its annual report and financial statements and also publishing quarterly reports and notices in the national dailies.

Moses M. Mwendwa  
Chairman  
31<sup>st</sup> March 2025

# Statement of Directors' Responsibilities



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

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

- i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.
- ii) Selecting suitable accounting policies and then apply them consistently; and
- iii) Making accounting estimates and judgements that are reasonable in the circumstances

Having made an assessment of the Group's and Company's ability to continue as a going concern, the directors have disclosed matters relating to Going Concern on note 2(c).

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 31 March 2025 and signed on its behalf by:

Moses M. Mwendwa  
Chairman

Betty Korir  
Chief Executive Officer



Independent Auditor's Report to the Shareholders of  
Credit Bank PLC

## Report on the Audit of the Group and Bank Financial Statements

### Opinion

We have audited the accompanying financial statements of Credit Bank Plc (the "Bank") and its subsidiary (together, the "Group") set out on pages 44 to 118, which comprise the consolidated statement of financial position at 31 December 2024 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Bank statement of financial position at 31 December 2024, Bank statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the Bank for the year then ended, and the notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and Bank as at 31 December 2024 and of their financial performance and their cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act, 2015.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

### Material uncertainty related to going concern

We draw your attention to Note 2(c) in the financial statements, which discloses the directors' assessment of the Bank's ability to continue as a going concern and the matters relating to the going concern basis of preparation. These events or conditions, along with other matters as set forth in the note indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

The other information comprises Corporate information, Report of the Directors, Statement of Corporate Governance, Statement of directors' responsibilities, which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which is expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not and will not express any form of assurance conclusion thereon.

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T: +254 (20)285 5000 F: +254 (20)285 5001 www.pwc.com/ke

Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu R Njoroge S O Norbert's B Okundi K Saiti

## Independent Auditor's Report to the Shareholders of Credit Bank PLC (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards, and the requirements of the Companies Act 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



## Independent Auditor's Report to the Shareholders of Credit Bank PLC (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

### Report on Other Matters Prescribed by the Companies Act, 2015

In our opinion the information given in the directors' report on pages 34 and 35 is consistent with the financial statements.

A handwritten signature in blue ink that reads 'Richard Njoroge'.

FCPA Richard Njoroge, Practising Certificate Number 1244  
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP  
Certified Public Accountants  
Nairobi

04 April 2025





# Financial **Statements**





Consolidated Statement of Profit or Loss and Other Comprehensive Income	Notes	2024 Shs '000	2023 Shs '000
Interest income	5	3,540,524	3,149,489
Interest expense	6	(2,443,882)	(1,826,505)
<b>Net interest income</b>		1,096,642	1,322,984
Fees and commission income	7(c)	197,833	203,691
Trading income	7(b)	142,289	315,488
Other income	7(a)	76,600	49,003
Allowance of expected credit losses	8	(1,368,590)	(351,181)
		(951,868)	217,001
<b>Net operating income</b>		144,774	1,539,985
Employee benefits	9	(798,172)	(720,570)
Other operating expenses	10	(552,624)	(514,528)
Directors' expenses		(78,865)	(74,113)
Depreciation of property and equipment	20	(54,720)	(55,108)
Amortisation of right-of-use asset	26	(96,377)	(84,248)
Amortisation of intangible assets	21	(25,542)	(32,508)
<b>Operating expenses</b>		(1,606,300)	(1,481,075)
<b>(Loss)/Profit before income tax</b>		(1,461,526)	58,910
Income tax credit/(expense)	11	414,216	(26,510)
<b>(Loss)/Profit for the year</b>		(1,047,310)	32,400
<b>Other comprehensive income, net of income tax</b>			
<i>Items that will be reclassified to profit or loss</i>			
Fair value movements on FVOCI financial assets, net of tax	31	22,838	(15,706)
<b>Total comprehensive (loss)/income for the year, net of tax</b>		(1,024,472)	16,694

Bank Statement of Profit or Loss and Other Comprehensive Income	Notes	2024 Shs '000	2023 Shs '000
Interest income	5	3,540,524	3,149,489
Interest expense	6	(2,450,033)	(1,831,887)
<b>Net interest income</b>		1,090,491	1,317,602
Fees and commission income	7	180,663	184,309
Trading income	7	142,289	315,488
Other income	7	76,600	49,003
Allowance of expected credit losses	8	(1,368,590)	(351,181)
		(969,038)	197,619
<b>Net operating income</b>		121,453	1,515,221
Employee benefits	9	(786,161)	(711,199)
Other operating expenses	10	(547,159)	(510,143)
Directors' expenses		(78,865)	(74,113)
Depreciation of property and equipment	20	(54,711)	(55,096)
Amortisation of right-of-use asset	26	(96,377)	(84,248)
Amortisation of intangible assets	21	(25,542)	(32,508)
<b>Operating expenses</b>		(1,588,815)	(1,467,307)
<b>(Loss)/Profit before income tax</b>		(1,467,362)	47,914
Income tax credit/(expense)	11	411,743	(23,142)
<b>(Loss)/Profit for the year</b>		(1,055,619)	24,772
<b>Other comprehensive income, net of income tax</b>			
<i>Items that will be reclassified to profit or loss</i>			
Fair value movements on FVOCI financial assets, net of tax	31	22,838	(15,706)
<b>Total comprehensive (loss)/income for the year, net of tax</b>		(1,032,781)	9,066



Consolidated Statement of Financial Position	Notes	2024 Shs '000	2023 Shs '000
<b>Assets</b>			
Cash and balances with Central Bank of Kenya	13	1,088,626	1,369,603
Financial assets at FVOCI	14	272,831	248,138
Financial assets at amortised cost	15	4,585,536	4,601,698
Deposits and balances due from banking institutions	16	545,850	522,017
Loans and advances to customers	17	17,997,492	18,961,401
Other assets and prepaid expenses	18	835,924	699,797
Property and equipment	20	162,325	184,848
Intangible assets	21	89,378	86,296
Right-of-use assets	26	142,654	190,329
Deferred income tax	19	678,859	268,652
Current income tax		150,483	141,428
<b>Total assets</b>		<b>26,549,958</b>	<b>27,274,207</b>
<b>Liabilities</b>			
Deposits and balances due to banking institutions	23	3,910,325	3,552,109
Customer deposits	24	18,878,442	18,314,873
Other liabilities	25	357,532	470,316
Lease liabilities	27	176,687	215,248
Borrowings	28	224,807	695,024
<b>Total liabilities</b>		<b>23,547,793</b>	<b>23,247,570</b>
<b>Shareholders' equity</b>			
Share capital	29	3,644,964	3,644,964
Share premium	29	60,411	60,411
Regulatory reserve	30	1,542,515	1,542,515
Retained earnings		(2,176,628)	(1,129,318)
Fair value reserve	31	(69,097)	(91,935)
<b>Shareholders' equity</b>		<b>3,002,165</b>	<b>4,026,637</b>
<b>Total equity and liabilities</b>		<b>26,549,958</b>	<b>27,274,207</b>

The financial statements on pages 44 to 118 were approved for issue by the Board of Directors on 31<sup>st</sup> March 2025 and signed on its behalf by:

  
Moses M. Mwendwa

Chairman

  
Betty Korir

Chief Executive Officer

  
Dr. James Stanley Mathenge

Director

  
CPS Robert Ndungu (DCDM Registrars)

Secretary

Bank Statement of Financial Position	Notes	2024 Shs '000	2023 Shs '000
<b>Assets</b>			
Cash and balances with Central Bank of Kenya	13	1,088,626	1,369,603
Financial assets at FVOCI	14	272,831	248,138
Financial assets at amortised cost	15	4,574,295	4,601,698
Deposits and balances due from banking institutions	16	545,850	522,017
Loans and advances to customers	17	17,997,492	18,961,401
Other assets and prepaid expenses	18	780,078	647,976
Property and equipment	20	162,306	184,822
Intangible assets	21	89,378	86,296
Right-of-use assets	26	142,654	190,329
Deferred income tax	19	676,556	267,542
Investment in subsidiary	22	5,000	5,000
Current income tax		136,032	133,951
<b>Total assets</b>		<b>26,471,098</b>	<b>27,218,773</b>
<b>Liabilities</b>			
Deposits and balances due to banking institutions	23	3,910,325	3,552,109
Customer deposits	24	18,913,935	18,363,847
Other liabilities	25	300,126	414,546
Lease liabilities	27	176,687	215,248
Borrowings	28	224,807	695,024
<b>Total liabilities</b>		<b>23,525,880</b>	<b>23,240,774</b>
<b>Shareholders' Equity</b>			
Share capital	29	3,644,964	3,644,964
Share premium	29	60,411	60,411
Regulatory reserve	30	1,542,515	1,542,515
Retained earnings		(2,233,575)	(1,177,956)
Fair value reserve	31	(69,097)	(91,935)
<b>Shareholders' equity</b>		<b>2,945,218</b>	<b>3,977,999</b>
<b>Total equity and liabilities</b>		<b>26,471,098</b>	<b>27,218,773</b>

The financial statements on pages 44 to 118 were approved for issue by the Board of Directors on 31<sup>st</sup> March 2025 and signed on its behalf by:



Moses M. Mwendwa

Chairman



Betty Korir

Chief Executive Officer



Dr. James Stanley Mathenge

Director



CPS Robert Ndungu (DCDM Registrars)

Secretary



Consolidated Statement of Changes in Equity	Notes	Share Capital Shs '000	Share Premium Shs '000	Retained Earnings Shs '000	Regulatory Reserve Shs '000	Fair value Reserve Shs '000	Total Shs '000
<b>Year ended 31 December 2023</b>							
At start of year		2,915,971	87,757	(1,306,762)	1,687,559	(76,229)	3,308,296
Total comprehensive income for the year							
Profit for the year		-	-	32,400	-	-	32,400
Other comprehensive income		-	-	-	-	(15,706)	(15,706)
Total comprehensive loss for the year		-	-	32,400	-	(15,706)	16,694
Transfer to statutory credit risk reserve	30	-	-	145,044	(145,044)	-	-
Transactions with owners							
Issue of share capital	29	728,993	-	-	-	-	728,993
Share issue costs		-	(27,346)	-	-	-	(27,346)
<b>At end of year</b>		<b>3,644,964</b>	<b>60,411</b>	<b>(1,129,318)</b>	<b>1,542,515</b>	<b>(91,935)</b>	<b>4,026,637</b>
<b>Year ended 31 December 2024</b>							
At start of year		3,644,964	60,411	(1,129,318)	1,542,515	(91,935)	4,026,637
Total comprehensive income for the year							
Loss for the year		-	-	(1,047,310)	-	-	(1,047,310)
Other comprehensive income		-	-	-	-	22,838	22,838
Total comprehensive income for the year		-	-	(1,047,310)	-	22,838	(1,024,472)
<b>At end of year</b>		<b>3,644,964</b>	<b>60,411</b>	<b>(2,176,628)</b>	<b>1,542,515</b>	<b>(69,097)</b>	<b>3,002,165</b>

Bank Statement of Changes in Equity	Notes	Share Capital Shs '000	Share Premium Shs '000	Retained Earnings Shs '000	Regulatory Reserve Shs '000	Fair value Reserve Shs '000	Total Shs '000
<b>Year ended 31 December 2023</b>							
At start of year		2,915,971	87,757	(1,347,772)	1,687,559	(76,229)	3,267,286
Total comprehensive income for the year							
Profit for the year		-	-	24,772	-	-	24,772
Other comprehensive income		-	-	-	-	(15,706)	(15,706)
Total comprehensive loss for the year		-	-	24,772	-	(15,706)	9,066
Transfer to statutory credit risk reserve	30	-	-	145,044	(145,044)	-	-
Transactions with owners							
Issue of share capital	29	728,993	-	-	-	-	728,993
Share issue costs		-	(27,346)	-	-	-	(27,346)
<b>At end of year</b>		<b>3,644,964</b>	<b>60,411</b>	<b>(1,177,956)</b>	<b>1,542,515</b>	<b>(91,935)</b>	<b>3,977,999</b>
<b>Year ended 31 December 2024</b>							
At start of year		3,644,964	60,411	(1,177,956)	1,542,515	(91,935)	3,977,999
Total comprehensive income for the year							
Loss for the year		-	-	(1,055,619)	-	-	(1,055,619)
Other comprehensive income		-	-	-	-	22,838	22,838
Total comprehensive income for the year		-	-	(1,055,619)	-	22,838	(1,032,781)
<b>At end of year</b>		<b>3,644,964</b>	<b>60,411</b>	<b>(2,233,575)</b>	<b>1,542,515</b>	<b>(69,097)</b>	<b>2,945,218</b>



Consolidated Statement of Cash Flows	Notes	2024 Shs '000	2023 Shs '000
<b>OPERATING ACTIVITIES</b>			
Profit before income tax		(1,461,526)	58,910
<b>Adjustments for:</b>			
Depreciation and amortisation	6	176,639	171,864
Interest expense on lease liability	28	63,789	35,829
Interest expense on term borrowings	28	57,202	102,357
Revaluation of borrowings	27	(106,640)	137,147
Modification gains on leases		(9,391)	6,739
<b>Operating profit before changes in operating assets and liabilities</b>		<b>(1,279,927)</b>	<b>512,846</b>
<b>Movements in:</b>			
Loans and advances		963,909	(1,510,266)
Other assets and prepaid expenses		(136,127)	(131,354)
Customer and bank deposits		921,785	971,567
Other liabilities and accrued expenses		(112,784)	88,886
Movement in restricted cash balances	34	10,708	20,971
<b>Cash generated from operations</b>		<b>367,564</b>	<b>(47,350)</b>
Income taxes paid		(6,711)	(19,833)
<b>Net cash from operating activities</b>		<b>360,853</b>	<b>(67,183)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	20	(32,197)	(9,428)
Purchase of intangible assets	21	(28,624)	(18,775)
Net movement of investment securities - Amortised cost	15	16,162	7,001
Net movement of investment securities - FVOCI	15	(24,693)	18,111
<b>Net cash from investing activities</b>		<b>(69,352)</b>	<b>(3,091)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	701,647
Repayment of borrowed funds	28	(368,707)	(365,379)
Interest paid on borrowed funds	28	(52,072)	(75,844)
Principal and interest paid on lease liability	27	(141,661)	(158,654)
<b>Net cash from financing activities</b>		<b>(562,440)</b>	<b>101,770</b>
<b>Net increase in cash and cash equivalents</b>		<b>(270,939)</b>	<b>31,496</b>
Effects of foreign exchange difference		3,087	(4,281)
At start of year		1,184,905	1,157,690
<b>At end of year</b>		<b>917,053</b>	<b>1,184,905</b>



Bank Statement of Cash Flows	Notes	2024 Shs '000	2023 Shs '000
<b>OPERATING ACTIVITIES</b>			
Profit before income tax		(1,467,362)	47,914
<b>Adjustments for:</b>			
Depreciation and amortisation		176,630	171,852
Interest expense on lease liability	6	63,789	35,829
Interest expense on term borrowings	28	57,202	102,357
Revaluation of borrowings	28	(106,640)	137,147
Modification gains/losses on leases	27	(9,391)	6,739
<b>Operating profit before changes in operating assets and liabilities</b>		(1,285,772)	501,838
<b>Movements in:</b>			
Loans and advances		963,909	(1,510,266)
Other assets and prepaid expenses		(132,102)	(131,118)
Customer and bank deposits		908,304	1,020,541
Other liabilities and accrued expenses		(114,420)	83,682
Movement in restricted cash balances	34	10,708	20,971
<b>Cash generated from operations</b>		350,627	(14,352)
Income taxes paid	11	(1,017)	(15,134)
<b>Net cash from operating activities</b>		349,610	(29,486)
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	20	(32,197)	(9,428)
Purchase of intangible assets	21	(28,624)	(18,775)
Net movement of investment securities - Amortised cost	15	27,403	7,001
Net movement of investment securities - FVOCI	15	(24,693)	18,111
<b>Net cash from investing activities</b>		(58,111)	(3,091)
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	701,647
Repayment of borrowed funds	28	(368,707)	(365,379)
Interest paid on borrowed funds	28	(52,072)	(75,844)
Principal and interest paid on lease liability		(141,661)	(158,654)
<b>Net cash from financing activities</b>		(562,440)	101,770
<b>Net (decrease)/increase in cash and cash equivalents</b>		(270,941)	69,193
Effects of foreign exchange difference		3,089	(4,281)
At start of year		1,184,905	1,119,993
<b>At end of year</b>		917,053	1,184,905

# Notes to the Financial Statements



## 1. General Information

Credit Bank PLC (the "Bank") is incorporated and domiciled in Kenya as a limited liability company. The address of its registered office is set out on page 33.

## 2. Summary of Significant Accounting Policies

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

### a) Basis of Preparation

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis except for financial assets held at fair value through other comprehensive income.

### b) Use of Estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

### c) Going Concern

There has been deterioration in the performance of the Group and Bank in the year ended 31 December 2024. The Group recorded Loss before tax of KShs 1.46 billion (2023: Profit before tax KShs 58.9 million). Further, the Group is in an accumulated loss position of KShs 2.18 billion (2023: KShs.1.13 billion).

The Bank recorded a loss before tax of KShs 1.47 billion (2023: Profit before tax KShs 47.9 million) and is also in an accumulated loss position of KShs 2.23 billion (2023: KShs.1.18 billion). The Bank and the Group are in a net asset position of KShs 2.95 billion and KShs 3.00 billion respectively.

As at 31 December 2024, the Bank was not compliant with the minimum regulatory capital ratios as below:

Details	Required Minimum	31 Dec 2024	31 Dec 2023
Core capital to total deposit liabilities	8.00%	6.9%	13.68%
Core capital to total risk weighted assets	10.50%	6.2%	11.81%
Total capital to total risk weighted assets	14.50%	8.3%	16.33%

At 31 December 2024, the bank's liquidity ratio was at 15.1% (2023:20.01%) against the minimum statutory ratio of 20%.

The Bank's gross non-performing loans increased by KShs 3.544 billion from KShs 8.88 billion as 31 December 2023 to KShs 12.42 billion as at 31 December 2024. Thus, the bank's NPL ratio grew from 44% as at 31 December 2023 to 60% as at 31 December 2024.

These matters indicate that a material uncertainty exists that may cast doubt on the bank's ability to continue as a going concern. However, the bank has put in place measures to address the situation as summarised below:

The strategies discussed and adopted include aggressive pursuit of cheap deposits and improvement of the current and savings to fixed deposits ratio. To drive up current and savings deposits, management will leverage digitization in deposit mobilization. It was also noted that there was need to increase outreach, and it was resolved that Agency banking that is now live be revamped for customers to access Credit Bank services across the entire country. This is expected to improve cheap deposit mobilization and improve the banks efficiency ratios. Further, the bank shall continue to leverage on trade finance activities to drive its profitability.

### Capital Mobilization

The directors are exploring capital mobilization options including a call on current shareholders to improve current capital ratios and comply with new regulations on capital enhancement.

### Non-Performing Loans (NPLs) Resolution

The Bank continues to make progress in the recovery of non-performing loans and concerted efforts have been deployed on the NPL recovery efforts. There is some progress in the resolution of matters under litigation, completion of stalled projects, (and aggressive sale of the collateral), negotiated settlements, and realisation of collateral either vide private treaty or auction.

### Liquidity Ratio

The bank Liquidity ratio is slightly below the statutory minimum. Deposit Mobilization, together with aggressive recovery of loans is expected to shore up the bank's liquidity. As the bank pursues recoveries, it is expected that the Liquidity ratio will also improve.

Based on the above, the directors believe that the going concern assumption is appropriate in the preparation of the financial statements. The directors expect the business to generate enough funds internally to finance its operations and any external funding will be invested in retaining the business.

The financial statements have been prepared on a going concern basis which assumes that the entity will remain in operation and continue to meet its obligations as they fall due for the foreseeable future.

## 2. Summary of Significant Accounting Policies (Continued)

**d) Changes in Accounting Policies and Disclosures****i) International Financial Reporting Standards and Amendments Effective for the First Time for December 2024 Year-Ends**

Details	Effective Date	Executive Summary
Amendments to IAS 1, 'Presentation of Financial Statements' - Non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
Amendment to IFRS 16, 'Leases' - sale and leaseback	Annual periods beginning on or after 1 January 2024 (Published September 2022)	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
Amendments to Supplier Finance Arrangements (IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosure')	Annual periods beginning on or after 1 January 2024 (Published May 2023)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

These amendments did not have any significant impact on the financial statements.

**ii) International Financial Reporting Standards, Interpretations and Amendments Issued but not Effective**

The following standards and interpretations had been issued but were not mandatory for annual reporting period ending 31 December 2024 and have not been early adopted by the Group. They are not expected to have a significant impact on the financial statements except for IFRS 18 which will be effective in 2027.

## Notes to the Financial Statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.1 Basis of Preparation (Continued)

#### d) Changes in Accounting Policies and Disclosures (Continued)

#### ii) International Financial Reporting Standards, Interpretations and Amendments Issued but not Effective (Continued)

Details	Effective Date	Executive Summary
Amendments to IAS 21, 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability (Amendments to IAS 21)	Annual periods beginning on or after 1 January 2025  (Published August 2023)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
Amendment to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" - Classification and Measurement of Financial Instruments	Annual periods beginning on or after 1 January 2026  (Published May 2024)	These amendments: <ul style="list-style-type: none"> <li>clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;</li> <li>clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;</li> <li>add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and</li> <li>make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).</li> </ul>
IFRS 19, 'Subsidiaries without Public Accountability'	Annual periods beginning on or after 1 January 2027  (Published May 2024)	The objective of IFRS 19 is to provide reduced disclosure requirements for subsidiaries, with a parent that applies the Accounting Standards in its consolidated financial statements.  IFRS 19 is a voluntary Accounting Standard that eligible subsidiaries can apply when preparing their own consolidated, separate or individual financial statements.
IFRS 18, 'Presentation and Disclosure in Financial Statements'	Annual periods beginning on or after 1 January 2027  (Published April 2024)	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. IFRS 18 replaces IAS 1 'Presentation of Financial Statements' and focuses on updates to the statement of profit or loss with a focus on the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.  Many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.

### 2. Summary of Significant Accounting Policies (Continued)

#### e) Consolidation

The consolidated financial statements incorporate the financial statements of Credit Bank Plc and its subsidiary; Credit Bank Bancassurance Intermediary Limited. The financial statements have been made up to 31 December 2024.

#### i) Subsidiaries

Subsidiaries are all entities over 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying of the acquirer's previously held equity interest in the acquiree is re-measured to its fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss. Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

#### ii) Changes in Ownership Interests in Subsidiaries Without Change of Control

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

#### iii) Disposal of Subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount 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.

## f) Foreign Currency Translation

### i) Functional and Presentation Currency

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the Bank operates (the "Functional Currency"). The financial statements are presented in Kenya shillings (KShs'000), which is the Bank's presentation currency.

### ii) Transactions and Balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. If several exchange rates are available, the forward rate is used at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency 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.

Changes in the fair value of monetary assets denominated in foreign currency classified as at-fair-value are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, are recognised in other comprehensive income.

## g) Sales and Repurchase Agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from 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.

## h) Financial Assets and Liabilities

### i) Classification and Subsequent Measurement

#### Financial Assets

Except for trade receivables that do not have a significant financing component, at initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Trade receivables that do not have a significant financing component are measured at their transaction price.

The Group classifies its financial assets into three principal classification categories based on the cash flow characteristics of the asset and the business model assessment:

- Measured at amortised cost;
- FVOCI; and
- FVTPL.

- 2. Summary of Significant Accounting Policies (Continued)
- h) Financial Assets and Liabilities (Continued)
- i) **Classification and Subsequent Measurement (Continued)**

### Amortised Cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Group recognises cash, deposits and balances due from financial institutions including items in the course of collection, amounts due from related parties, loans and advances to customers, certain investment securities, and other assets at amortised cost.

The carrying amount of these assets is measured at amortised cost using the effective interest rate method and is adjusted by any expected credit loss allowance. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

### Fair Value Through other Comprehensive Income (FVOCI) – Debt

A financial asset which is a debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Bank classifies certain investments it has in government securities at FVOCI.

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.

### Fair Value through Other Comprehensive Income (FVOCI) – Equity

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

### Fair Value through Profit or Loss (FVTPL)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Group currently has no equity investments held at FVTPL.

A financial asset is classified into one of these categories on initial recognition. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.



### Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest (SPPI)

To determine whether a financial asset should be classified as measured at amortised cost or FVOCI, an entity assesses whether the cash flows from the financial asset represent, on specified dates, solely payments of principal and interest on the principal amount outstanding - i.e. the SPPI criterion. A financial asset that does not meet the SPPI criterion is always measured at FVTPL, unless it is an equity instrument for which an entity may apply the OCI election.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. The definition of principal reflects the economics of the financial asset from the perspective of the current holder. This means that an entity assesses the asset's contractual cash flow characteristics by comparing the contractual cash flows to the amount that it actually invested.

'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considered the contractual terms of its financial assets. The Group, through the Credit, Finance and Treasury departments, will from time to time review the contractual terms of existing instruments and also review contractual terms of new products the Group develops or invests in going forward. This includes assessing whether the financial asset contained a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Group shall consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

Contractual features that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, give rise to contractual cash flows that do not meet the SPPI criterion.

Interest rates on loans made by the Group are based on the prevailing interest rate which currently are referenced to the Central Bank Rate. The prevailing rates are generally based on a Central Bank rate and also include a discretionary spread (Margin). In these cases, the Group has assessed whether the discretionary feature is consistent with the SPPI criterion by considering a number of factors, including whether:

- the borrowers are able to prepay the loans without significant penalties;
- the market competition ensures that interest rates are consistent between banks; and
- any regulatory or customer protection framework is in place that requires banks to treat customers fairly.

Some of the Group's loans may contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

### De Minimis

A contractual cash flow characteristic may not affect the classification of a financial asset if it could have only a de minimis effect on the financial asset's contractual cash flows. To make this determination, the Group considers the possible effect of the contractual cash flow characteristic in each reporting period and cumulatively over the life of the financial asset.

2. Summary of Significant Accounting Policies (Continued)  
 h) Financial Assets and Liabilities (Continued)  
 i) Classification and Subsequent Measurement (Continued)

### Business Model Assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis have been measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The table below summarises the key features of each type of business model and the resultant measurement category:

Business Model	Key Features	Category
Held to collect	<p>The objective of the business model is to hold assets to collect contractual cash flows.</p> <p>Sales are incidental to the objective of the model.</p> <p>This model typically involves the lowest level of sales in comparison with other business models (in frequency and volume).</p>	Amortised cost <sup>1</sup>
Both held to collect and for sale	<p>Both collecting contractual cash flows and sales are integral to achieving the objective of the business model.</p> <p>This model typically has more sales (in frequency and volume) than the held-to-collect business model.</p>	FVOCI <sup>1</sup>
Other business models, including: trading managing assets on a fair value basis maximising cash flows through sale	<p>The business model is neither held-to-collect nor held to collect and for sale.</p> <p>The collection of contractual cash flows is incidental to the objective of the model.</p>	FVTPL <sup>2</sup>

1. Subject to meeting the SPPI criterion.

2. The SPPI criterion is irrelevant - i.e. assets in all business models are measured at FVTPL.

### Financial Liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value. Deposits from customers, borrowed funds and other liabilities are also classified at amortised cost.

### Reclassification

The Group only reclassifies financial assets when management changes the business model for managing the financial assets. In that instance all affected financial assets are reclassified. Such changes are expected to be very infrequent and are determined by the Bank's senior management as a result of external or internal changes.

### Derecognition and Contract Modification

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. However, when the modification of a financial instrument not measured at FVTPL does not result in derecognition, the Group has recalculated the gross carrying amount of the financial asset (or the amortised cost of the financial liability) by discounting the modified contractual cash flows at the original effective interest rate and recognise any resulting adjustment as a modification gain or loss in profit or loss..

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

### Write-off

The Group writes off financial assets, in whole or 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:

- Ceasing enforcement activity
- Where the Group's recovery method is foreclosing on collateral and the value of the collateral is such there is no reasonable expectation of recovering in full.

### Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

### Interest Income Recognition

According to IFRS 9 paragraph 5.4.1 interest revenue shall be calculated by using the effective interest method (Refer to the Effective Interest Rate (EIR) policy for information on determination of the EIR). This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- Purchased or originated credit-impaired financial assets. For those financial assets, the entity shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

- 2. Summary of Significant Accounting Policies (Continued)
  - h) Financial Assets and Liabilities (Continued)
  - i) Classification and Subsequent Measurement (Continued)
- Interest Income Recognition (Continued)**

- Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the entity shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

According to IFRS 9 paragraph 5.4.2 an entity that, in a reporting period, calculates interest revenue by applying the effective interest method to the amortised cost of a financial asset in accordance with paragraph 5.4.1(b) (see (b) above), shall, in subsequent reporting periods, calculate the interest revenue by applying the effective interest rate to the gross carrying amount if the credit risk on the financial instrument improves so that the financial asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the requirements in paragraph 5.4.1(b) were applied (such as an improvement in the borrower's credit rating). In the context of the Central Bank regulations, credit impaired accounts would refer to the substandard, doubtful and loss risk classifications.

### Assets that are Credit-Impaired on Initial Recognition

According to IFRS 9 (7A.8.340) Purchased or Originated Credit Impaired (POCI) assets are assets that are credit-impaired on initial recognition. An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. The following are examples of such events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract - e.g. a default or past-due event;
- A lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or another financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event that caused the asset to be credit impaired. Instead, the combined effect of several events may cause financial assets to become credit impaired.

### Measurement on Initial Recognition

On initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime ECLs are incorporated into the calculation of the effective interest rate.

### Subsequent Measurement

The ECLs for POCI assets are always measured at an amount equal to lifetime ECLs. However, the amount recognised as a loss allowance for these assets is not the total amount of lifetime ECLs, but instead the changes in lifetime ECLs since initial recognition of the asset. Favourable changes in lifetime ECLs are recognised as an impairment gain, even if the favourable changes are more than the amount, if any, previously recognised in profit or loss as impairment losses.

### Modifications

When the contractual cash flows of a POCI asset are modified and the modification does not result in derecognition, the calculation of the modification gain or loss is the difference between:

- the gross carrying amount of the asset before the modification; and
- the recalculated gross carrying amount

The recalculated gross carrying amount is the present value of the estimated future cash payments or receipts through the expected life of the modified financial asset discounted using the credit-adjusted effective interest rate before the modification

**ii) Impairment – Financial Assets, Loan Commitments and Financial Guarantee Contracts**

IFRS 9 replaced the previous 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. The new impairment model applies to the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments – this applies to the Group's loans and advances to customers, Investment in Government securities measured at amortised cost and FVOCI, balances due to group companies and other assets;
- lease and trade receivables – this applies to the Group's finance lease and trade receivables; and
- loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets) - this applies to the Group's off-balance sheet exposures where credit intervention is not required for the counterparty to access the credit facility.

No impairment loss is recognised on equity investments and financial assets measured at FVTPL.

The Group recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Group has recognised loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- debt investment securities that are determined to have low credit risk at the reporting date. The Bank has considered a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in Government securities; and
- other financial instruments (other than trade and lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade and lease receivables will always be measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 are complex and require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- Incorporating forward-looking information into the measurement of ECLs.

**Measurement of Expected Credit Losses**

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. The following are examples of such events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract - e.g. a default or past-due event;
- a lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or

2. Summary of Significant Accounting Policies (Continued)  
 h) Financial Assets and Liabilities (Continued)  
 ii) Impairment – Financial Assets, Loan Commitments and Financial Guarantee Contracts (Continued)

- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

For purposes of IFRS 9 there will be no difference between credit impaired and non-performing financial loans as defined by the CBK.

### Expected Credit Losses

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

$$ECL = PD \times LGD \times EAD$$

In applying the IFRS 9 impairment requirements, an entity needs to follow one of the approaches below:

- The general approach
- The simplified approach

The simplified approach is applied for trade receivables or contract assets resulting from transactions in the scope of IFRS 15 Revenue from customer contracts or lease receivables resulting from transactions in the scope of IAS 17 Leases. The Bank has therefore applied the general approach.

### The General Approach

Under the general approach, at each reporting date, an entity recognises a loss allowance based on either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss. Essentially, an entity must make the following assessment at each reporting date:

**Stage 1** - For credit exposures where there have not been significant increases in credit risk since initial recognition, an entity is required to provide for 12-month ECLs, i.e., the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date (12-month ECL as per formula below).

$$ECL_{12m} = PD_{12m} \times LGD_{12m} \times EAD_{12m} \times D_{12m}$$

**Stage 2** - For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis, a loss allowance is required for lifetime (LT) ECLs, i.e., ECLs that result from all possible default events over the expected life of a financial instrument (ECL LT as per formula below).

$$ECL_{LT} = \sum_{t=1}^{LT} PD_t \times LGD_t \times EAD_t \times D_t$$

**Stage 3** – For credit exposures that are credit impaired and in default. Similar to stage 2 assets a loss allowance is required for lifetime ECLs however the probability of default for these assets is presumed to be 100% less any determined recovery and cure rate.

The table below shows the link between the CBK risk classifications and the IFRS 9 stage allocation for assets.

CBK PG/04 Guidelines	Days Past Due	Stage Allocation
Normal	0-30	1
Watch	31-90	2
Substandard	91-180	3
Doubtful	181 - 365	3
Loss	Over 365 or considered uncollectible	3

### Definition of Default

The Group has considered a financial asset to be in default when:

- the borrower is unlikely to pay their credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to the Bank. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Bank; or
- if it meets the definition of the local regulator of default, if in the future the local regulator prescribe the criteria of default for IFRS 9 purposes

This definition is largely consistent with the Central Bank of Kenya definition that will be used for regulatory purposes.

In assessing whether a borrower is in default, the Bank has considered indicators that are:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract - e.g. a default or past-due event;
- a lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The Group has not rebutted the 90 Days Past Due (DPD) rule for identifying defaults.

### Significant Increase in Credit Risk (SIICR)

The Group in determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition considered reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information.

The Group identifies a significant increase in credit risk where

- an exposure is greater than 30 days past due – this is in line with the IFRS 9 30 DPD rebuttable presumption;
- an exposure has been restructured in the past due to credit risk related factors or which was NPL and is now regular (subject to the regulatory cooling off period); or
- by comparing exposures:
  - credit risk quality at the date of reporting; with
  - the credit risk quality on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

### Credit Risk Classification

The Group allocates each exposure to a credit risk classification based on the regulatory requirements of the Central Bank which requires the prediction of the risk of default and applying experienced credit judgement. The Bank shall use these classifications in identifying significant increases in credit risk under IFRS 9. The risk classifications are defined using the regulator's guidance, days past due, management assessment, qualitative and quantitative factors that are indicative of the risk of default.

These factors may vary depending on the nature of the exposure and the type of borrower. The Bank shall undertake a thorough credit appraisal process and determine the credit quality of each exposure on initial recognition based on available information about the borrower. Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk classification.

- 2. Summary of Significant Accounting Policies (Continued)
- h) Financial Assets and Liabilities (Continued)
- ii) Impairment – Financial Assets, Loan Commitments and Financial Guarantee Contracts (Continued)

### Determining Whether Credit Risk has Increased Significantly

The Group shall establish a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework shall align with the Bank's internal credit risk management process. The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include a backstop based on delinquency (30 DPD presumption).

### Quantitative Factors

The Group deems the credit risk of a particular exposure to have increased significantly since initial recognition based on a loan being in arrears for a period of 31 to 90 days in accordance with IFRS 9 paragraph 5.5.11. The Bank has developed an internal rating model going forward and movement in rating grades between the reporting period and initial recognition date/the date of initial application of IFRS 9 of the loan will form the basis of significant increase in credit risk.

### Qualitative Factors

In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis. The management view and judgement include the following assessments:

- Classification of exposures by any other Banks and Financial institutions or local Credit Reference Bureau (CRB);
- Unavailable/inadequate financial information/financial statements;
- Qualified report by external auditors;
- Significant contingent liabilities;
- Loss of key staff in the organization;
- Increase in operational risk and higher occurrence of fraudulent activities;
- Continued delay and non-cooperation by the borrower in providing key relevant documentation; and
- Deterioration in credit worthiness due to factors other than those listed above

As a backstop, and as required by IFRS 9, the Group has presumptively considered that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Bank has determined days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

### Backward Transitions

Backward transitions define the criteria for moving a financial asset back from Stage 2 to Stage 1 or Stage 3 to Stage 2. The Group applies the considerations of the Central Bank prudential guidelines to determine whether a financial asset should be upgraded from Stage 3 to Stage 2 and then Stage 1. Where an account in Stage 3 is regularised (i.e. all past due principal and interest is repaid in full) it may be upgraded to Stage 2 subject to observation of the cooling off period as defined by the Prudential Guidelines. A facility which meets the above condition and has been classified as Stage 2 may be reclassified to Stage 1 if a sustained record of performance is maintained for a period of six (6) months.

### Modified Financial Assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value. Under IFRS 9, when the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of the borrower's initial credit risk assessment and the current assessment at the point of modification.



## Restructuring

The Group renegotiates loans to customers in financial difficulties (referred to as 'restructuring') to maximise collection opportunities and minimise the risk of default. Under the Bank's restructuring policy, loan restructuring is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The Group's Credit Committee regularly reviews reports on restructuring activities.

Generally, restructuring is a qualitative indicator of default and credit impairment and expectations of restructuring are relevant to assessing whether there is a significant increase in credit risk. Following restructuring, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

The Group applies the requirements of the Central Bank prudential guidelines where an account in Doubtful or Sub-standard category (Stage 3) will be upgraded to Watch if principal and interest payments are fully regularised at the point of restructure, the account is re-classified to Watch (Stage 2) and observed for six (6) months. Where the account continues to perform appropriately for an additional six (6) months the account is upgraded to normal and the Bank reverts to measuring 12-month ECLs. Where the account is restructured with the customer having not regularized overdue principal and interest, the account shall remain in Substandard for six (6) months or if in Doubtful category, twelve (12) months for observation. If the restructured account performs as per the new contract during the observation period, the account can be then upgraded to Watch (stage 2) and observed for another six (6) months where it can be further upgraded to Normal (stage 1) if good performance is sustained. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for determining whether a significant increase in credit risk has occurred.

However, the Group also 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 derecognition. If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and 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 EIR.

The Bank restructured 6% of its loan book in the year with the restructure not resulting in derecognition. The following table refers to modified financial assets where modification does not result in derecognition.

The restructure of loans with loss allowance based on lifetime ECL did not result in a material modification gain or loss.

There were no financial assets whose loss allowance has changed in the period from lifetime to 12-month ECL basis after modification.

### iii) Fair Value Measurement

The Group measures FVOCI investment securities at fair value at each reporting date. Fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

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

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

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets at the reporting date without any deduction for transaction costs. Gains or losses on valuation of financial assets at FVOCI are recognised in other comprehensive income.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. The table below shows the various asset classes.

Category (as Defined by IFRS 9)		Class (as Determined by the Group)		Subclasses	
Financial assets	Financial assets at fair value through other comprehensive income	Financial assets at fair value through other comprehensive income (FVOCI)	Debt securities		
			Equity securities		
	Measured at Amortised Cost	Loans and advances to customers	Loans and advances to banks		
			Loans to individuals (retail)	Overdrafts	
				Term loans	
				Personal Loans	
			Loans to corporate entities	Overdrafts	
Term loans SMEs					
Investment securities - debt instruments	Debt securities	Others Listed			
Financial liabilities at amortised cost	Deposits from banks				
	Deposits from customers	Retail customers			
		Mid - corporate SMEs			
Off-balance sheet financial Instruments	Loan commitments				
	Guarantees, acceptances and other financial facilities				

### Impairment of Financial Assets

The Group's impairment approach, is based on expected credit losses and the Group uses the general approach in determining the impairment of financial assets. Therefore, it is not necessary for a loss event to have occurred before credit losses are recognised; instead, a loss allowance is always recognized for expected credit losses and is re-measured at each reporting date for changes in those expected credit losses.

Determining whether an expected credit loss should be based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk ("SICR") of the financial asset since initial recognition.

The Group recognises loss allowances for Expected Credit Losses ("ECL") on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments
- Loan and advances to customers
- Financial guarantee contracts issued
- Loan and advances to Banks

The Group assesses on a forward-looking basis the expected credit losses ("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:

2. Summary of Significant Accounting Policies (Continued)  
 h) Financial Assets and Liabilities (Continued)  
 iii) Fair Value Measurement (Continued)  
**Impairment of Financial Assets (Continued)**

- 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

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with i) changes in market conditions, ii) expected cash flows and iii) the passage of time.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (“PD”), Exposure at Default (“EAD”) and Loss Given Default (“LGD”).

### i) 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 offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### j) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and balances with Central Bank of Kenya, treasury and other eligible bills, and amounts due from other banks. Cash and cash equivalents excludes the cash reserve requirement held with the Central Bank of Kenya.

### k) Property and Equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets. Subsequent expenditures are included in the asset’s carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis to write down the costs of the property, plant and equipment to their residual value over their estimated useful lives as follows:

Leasehold improvements	12.5 years
Motor vehicles	4 years
Office equipment	8 years
Computers and electronic equipment	3.33 years
Furniture and fittings	8 years

### l) Intangible Assets

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

### m) Impairment of Non-Financial Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### n) Provisions for Liabilities

Provisions for restructuring costs and legal claims are recognised when: the Bank 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures 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. The increase in the provision due to passage of time is recognised as interest expense.

### o) Income Tax

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 this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

#### i) Current Income Tax

The current income tax charge is calculated on the basis of tax laws and rates enacted or substantively enacted 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.

#### ii) Deferred Income Tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

- 2. Summary of Significant Accounting Policies (Continued)
- 0) Income Tax (Continued)
- ii) **Deferred Income Tax (Continued)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different taxable entities where there is an intention to settle the balances on a net basis.

### **p) Employee Benefits**

#### **i) Post-Employment Benefits**

The Group operates a defined contribution post-employment benefit scheme for all its employees. The scheme is administered by an insurance company and is funded by contributions from both the Bank and employees. The Bank and its employees also contribute to the statutory National Social Security Fund, which is a defined contribution scheme.

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Bank's contributions to both these defined contribution schemes are charged to profit or loss in the year to which they fall due. The Bank has no further obligation once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### **ii) Other Entitlements**

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

### **q) Interest Income and Expense**

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' or 'interest expense' in the profit and loss account using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

### **r) Fees and Commission Income**

Fees and commission income is generally recognised on an accrual basis when the service has been provided. 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.

Fees and commissions expense are generally recognised on an accrual basis when incurred.

**s) Dividend Income**

Dividends are recognised in the profit or loss account when the Bank's right to receive payment is established.

**t) Dividends Payable**

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

**u) 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.

**v) Regulatory Reserve**

Where impairment losses required by Central Bank of Kenya Prudential guidelines exceed those computed under IFRS, the excess is recognised as a regulatory reserve and is accounted for as an appropriation of retained earnings. The regulatory reserve is non-distributable.

**w) 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.

**x) Accounting for Leases****Leases Under Which 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.

## Notes to the Financial Statements (Continued)

- 2. Summary of Significant Accounting Policies (Continued)
- x) Accounting for Leases (Continued)

### Leases Under Which the Group is the Lessee (Continued)

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 remeasurement 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 remeasurement 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 is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

### Leases Under Which the Group is the Lessor

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognised as income in the profit or loss account on a straight-line basis over the lease term.



### 3. Financial Risk Management

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Risk management is carried out by different departments under policies approved by the Board of Directors. Departmental heads identify and evaluate risks in close cooperation with the operating units. The Board provides guidance on overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of financial instruments. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

#### 3.1 Credit Risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to pay amounts in full when due. Credit risk is the most important risk for the Bank's business: management therefore carefully manages the exposure to credit risk. Credit risk arises mainly from commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements and acceptances. The Bank is also exposed to other credit risks arising from investments in debt securities.

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 in light with the changing market and economic conditions.

##### 3.1.1 Risk Limit Control and Mitigation Policies

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product, and industry sector are approved annually by the Board of Directors. The Board of Directors also approves individual borrower limits above specified amounts. The exposure to any one borrower including groups 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 forward foreign exchange contracts.

Actual exposures against limits are monitored daily. Exposure to credit risk is also 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.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Charges over business assets such as premises inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Longer-term finance and lending to corporate entities are generally secured. In addition, in order to minimize the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

### 3.1.2 Credit Risk Measurement

#### Loans and Advances (Including Loan Commitments and Guarantees)

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. In measuring credit risk of loans and advances at a counterparty level, the Bank considers three components: (i) the 'Probability of Default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derive the 'Exposure at Default' (EAD); and (iii) the likely recovery ratio on the defaulted obligations (the 'Loss Given Default') (LGD).

#### Credit Risk Grading

The Bank has developed an internal credit risk grading system that reflect its assessment of the probability of defaults of individual counterparties. The Bank uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, the level of collateral for retail exposures, and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgment from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for the considerations which may not be captured as part of the other data input into the model.

The following are additional considerations for other types of portfolio held by the Group:

#### Retail

After the date of initial recognition, for retail business, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score. Any other know information about the borrower, which impacts their creditworthiness – such as unemployment and previous delinquency history – is also incorporated into the behavioural score. This score is mapped to a PD.

#### Corporate

For wholesale business, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating and PD.

#### Debt Securities and Placements with Banks

For debt securities in the treasury portfolio and placements with banks, external rating agency credit grades will be used where available. These published grades will be continuously monitored and updated. The PDs associated with each grade will be determined based on realised default rates over the prior 12 months, as published by the rating agency.

### 3.1.3 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:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The 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 ECL	Lifetime ECL	Lifetime ECL

The key judgements and assumptions adopted by the Group in addressing the requirements of the Standard are as follows:

#### a) Significant Increase in Credit Risk (SICR)

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

##### Quantitative Criteria

The standard also sets out a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Bank has adopted the default standard definition of 30 days past due to determine the significant increase in credit risk.

##### Qualitative Criteria

The Bank considers a significant increase in credit risk in their portfolio if the borrower is on the watch list and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to
- Increase risk of default

Early signs of cash flows/liquidity problems such as delay in servicing of trade creditors/loans

The assessment of SICR incorporates forward-looking information and is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent credit team.

### b) Definition of Default and Credit-Impaired Assets

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

#### 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 above criteria have been applied to all financial instruments held by the Bank 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.

### c) Measuring Expected Credit loss - Explanation of Inputs, Assumptions and Estimation Techniques

The expected credit loss (ECL) is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M 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 represents the Group's expectations of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is calculated on a 12-month or lifetime basis, where 12 month LGD is the percentage of loss expected to be made if the default occurs over the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

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

ECL is formula driven, i.e.  $ECL = PD \times LGD \times EAD$

#### d) 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 for the loan portfolio. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument.

The Bank has incorporated forward-looking information in its measurement of ECLs. The Group has formulated a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of the social and economic consequences of COVID-19, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.

#### Sensitivity Analysis

There are no significant changes to the ECL at 31 December 2024 that would result from reasonably possible changes in the Bank's macroeconomic overlays and the probability weightings from actual assumptions used in the Bank's economic variable assumptions.

#### 3.1.4 Credit Risk Exposure

The below table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2024 and 2023, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on carrying amounts as reported in the statement of financial position.

## Notes to the Financial Statements (Continued)

### 3. Financial Risk Management (Continued) 3.1 Credit Risk (Continued) 3.1.4 Credit Risk Exposure (Continued)

Maximum Exposure to Credit Risk Before Collateral Held	2024 KShs '000	2023 KShs '000
<b>Group</b>		
Balances with Central Bank of Kenya (Note 13)	705,730	1,058,328
Deposits and balances due from banking institutions (Note 16)	545,850	522,017
Financial assets at amortised cost (Note 15)	4,585,536	4,601,698
Financial assets at FVOCI (Note 14)	272,831	248,138
Other assets (Note 18)	747,450	628,782
Loans and advances to customers (Note 17)	17,997,492	18,961,401
	24,854,889	26,020,364
<b>Credit risk exposures relating to off-balance sheet items:</b>		
- Acceptances and letters of credit	669,347	768,656
- Guarantee and performance bonds	2,501,830	4,009,920
- Commitments to lend	248,169	310,027
- Unutilised guarantees	3,961,855	1,903,092
- Forwards, swaps & options	103,202	1,095,248
	32,339,292	34,107,307
<b>Bank</b>		
Balances with Central Bank of Kenya (Note 13)	705,730	1,058,328
Deposits and balances due from banking institutions (Note 16)	545,850	522,017
Financial assets at amortised cost (Note 15)	4,574,295	4,601,698
Financial assets at FVOCI (Note 14)	272,831	248,138
Other assets (Note 18)	691,604	576,961
Loans and advances to customers (Note 17)	17,997,492	18,961,401
	24,787,802	25,968,543
<b>Credit risk exposures relating to off-balance sheet items:</b>		
- Acceptances and letters of credit	669,347	768,656
- Guarantee and performance bonds	2,501,830	4,009,920
- Commitments to lend	248,169	310,027
- Unutilised Guarantees	3,961,855	1,903,092
- Forwards, Swaps & Options	103,202	1,095,248
	32,272,205	34,055,486

As shown above 56% of the total maximum exposure is derived from loans and advances to customers (2023: 56%); 15% (2023:14%) represents investments at amortised cost and fair value through OCI financial assets.

Loans and advances to customers and off-balance sheet items are secured by collateral in the form of charges over land and buildings and/or plant and machineries. No collateral is held for 'other assets'.

### 3.1.5 Financial Assets that are Past Due or Impaired

The Bank aligns the classification of assets that are past due or impaired in line with the Central Bank of Kenya prudential guidelines. In determining the classification of an account, performance is the primary consideration. Classification of an account reflects judgement about the risk of default and loss associated with the credit facility.

Accounts are classified into the following categories:

CBK PG/04 Guidelines	Days Past Due	Stage Allocation
Normal	0-30	1
Watch	31-90	2
Substandard	91-180	3
Doubtful	181 - 365	3
Loss	Over 365 or considered uncollectible	3

Analysis of Loans and Advances Group and Bank	2024 KShs '000	2023 KShs '000
Neither past due nor impaired (Stage 1)	4,508,332	7,870,471
Past due but not impaired (Stage 2)	3,729,024	3,506,981
Impaired (Stage 3)	12,422,717	8,877,940
<b>Gross loans and advances</b>	<b>20,660,073</b>	<b>20,255,392</b>
Stage 1 and 2	(108,320)	(123,954)
Stage 3	(2,554,261)	(1,170,037)
<b>Expected credit loss</b>	<b>(2,662,581)</b>	<b>(1,293,991)</b>
<b>Net loans and advances</b>	<b>17,997,492</b>	<b>18,961,401</b>

Breakdown of Portfolio Group and Bank	Secured KShs'000	Unsecured KShs '000	Total KShs '000
<b>31 December 2024</b>			
Loans	11,099,233	2,627,029	13,726,262
Overdrafts	6,288,253	645,558	6,933,811
<b>Total</b>	<b>17,387,486</b>	<b>3,272,587</b>	<b>20,660,073</b>
<b>31 December 2023</b>			
Loans	12,572,551	1,145,350	13,717,901
Overdrafts	6,300,360	237,131	6,537,491
	<b>18,872,911</b>	<b>1,382,481</b>	<b>20,255,392</b>

3. Financial Risk Management (Continued)  
 3.1 Credit Risk (Continued)  
 3.1.5 Financial Assets that are Past Due or Impaired (Continued)

i) Loans Advances Neither Past Due by up to 30 Days (Stage 1)

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the classification adopted by the Bank in conformity with the prudential guidelines of Central Bank of Kenya:

Stage 1 Group and Bank	Individual (Retail Customers)			Corporate Entities			Total Loans & Advances to Customers KShs '000
	Overdrafts KShs '000	Term Loans KShs '000	Mortgage KShs '000	Large Corporate Customers KShs '000	SMEs KShs '000	Other KShs '000	
31 December 2024	17,276	722,395	530,530	989,192	2,248,939	-	4,508,332
Stage 1							
31 December 2023							
Stage 1	1,076,176	1,729,005	904	1,977,297	3,087,089	-	7,870,471

ii) Loans and Advances Past Due by up to 90 Days (Stage 2)

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore, loans and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

Stage 2 Group and Bank	Individual (Retail Customers)		Total KShs '000
	Overdrafts KShs '000	Term Loans KShs '000	
31 December 2024			
Past due 31 - 90 days	4,160	18,270	22,430
Past due 61 - 90 days	19,158	662,645	681,803
Total	23,318	680,915	704,233

Stage 2 Group and Bank	Corporate Entities		Total KShs '000
	Large Corporate Customers KShs '000	SMEs KShs '000	
31 December 2024			
Past due 31 - 90 days	882,053	582,826	1,464,879
Past due 61 - 90 days	361,816	1,198,096	1,559,912
Total	1,243,869	1,780,922	3,024,791



Stage 2 Group and Bank	Individual (Retail Customers)		Total KShs '000
	Overdrafts KShs '000	Term Loans KShs '000	
<b>31 December 2023</b>			
Past due 31 - 90 days	40,068	25,798	65,866
Past due 61 - 90 days	229,094	212,322	441,416
<b>Total</b>	<b>269,162</b>	<b>238,120</b>	<b>507,282</b>

Stage 2 Group and Bank	Corporate Entities		Total KShs '000
	Large Corporate Customers KShs'000	SMEs KShs '000	
<b>31 December 2023</b>			
Past due 31 - 90 days	1,753,350	328,710	2,082,060
Past due 60 - 90 days	72,909	844,730	917,639
<b>Total</b>	<b>1,826,259</b>	<b>1,173,440</b>	<b>2,999,699</b>

## iii) Loans and Advances Individually Impaired (Stage 3) - Group and Bank

Of the total gross amount of impaired loans, the following amounts have been individually assessed net of interest in suspense:

Stage 3 Group and Bank	Individuals			Corporate Entities		Total Loans & Advances to Customers KShs '000
	Overdrafts KShs '000	Term Loans KShs '000	Mortgage KShs '000	Large Corporate Customers KShs '000	SMEs KShs '000	
<b>31 December 2024</b>	52,128	258,482	27,229	7,168,064	4,916,814	12,422,717
Stage 3 <b>31 December 2023</b>						
Stage 3	5,192,150	264,498	24,005	2,127,067	1,270,220	8,877,940

## Notes to the Financial Statements (Continued)

- 3. Financial Risk Management (Continued)
- 3.1 Credit Risk (Continued)
- 3.1.5 Financial Assets that are Past Due or Impaired (Continued)
- iii) Loans and Advances Individually Impaired (Stage 3) - Group and Bank (Continued)

Collateral Held Against Stage 3 Loans	SME KShs '000	Corporate KShs '000	Personal KShs '000	Total Collateral Held KShs '000
Loans	3,881,743	6,506,671	2,227,878	12,616,292
Overdrafts	2,356,905	4,524,359	93,640	6,974,904
<b>Total</b>	<b>6,238,648</b>	<b>11,031,030</b>	<b>2,321,518</b>	<b>19,591,196</b>

### 3.2 Concentration of Risk

Economic sector risk concentrations within the loan portfolios were as follows:

Risk Concentration on Loan Portfolios	Loans and Advances %	Credit Commitments %
<b>At 31 December 2024</b>		
Financial institutions	2.4%	99.4%
Manufacturing	0.1%	0%
Real estate	12.3%	0.6%
Wholesale and retail trade	32.6%	0%
Building and construction	21.8%	0%
Other industries	19.5%	0%
Individuals	11.2%	0%
	100%	100%
<b>At 31 December 2023</b>		
Financial institutions	2.3%	89.7%
Manufacturing	0.1%	0.1%
Real estate	11.8%	0.2%
Wholesale and retail trade	32.1%	2.2%
Building and construction	21.3%	3.3%
Other industries	20.6%	4.5%
Individuals	11.7%	0.0%
	100%	100%

### 3.3 Market Risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk. Overall responsibility for managing market risk rests with the Assets and Liabilities Committee (ALCO). The Treasury department is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day implementation of those policies. Market risk measurement and monitoring technique adopted by the bank includes use of various stress tests in its day-to-day operations.

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Bank Treasury include interest rates stress test, liquidity stress test and ad hoc stress testing, which includes applying possible stress events to specific positions or regions – for example, the stress outcome to a region following a currency peg break.

The results of the stress tests are reviewed by senior management and the Assets and liabilities committee and by the Board of Directors. The stress testing is tailored to the business and typically uses scenario analysis.

#### i) Foreign Exchange Risk

The Bank takes on exposure to the effects of fluctuations in the prevailing currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

At December 31 2024, if the shilling had weakened/strengthened by 10% against the foreign currencies in which the Bank had exposures, with all other variables held constant, pre-tax profit would have been KShs 15.9 million (2023: Kshs 129 million) higher/lower.

#### ii) Currency Risk

The table below summarises the Group and Bank's exposure to foreign exchange risk at 31 December 2024. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency (all amounts expressed in thousands of Kenya Shillings).

## Notes to the Financial Statements (Continued)

### 3. Financial Risk Management (Continued)

#### 3.3 Market Risk (Continued)

##### ii) Currency Risk (Continued)

Collateral Held Against Stage 3 Loans	USD	GBP	Euro	Other	Total
<b>At 31 December 2024</b>					
<b>Assets</b>					
Cash and balances with Central Bank of Kenya	86,806	22,768	22,681	50	132,305
Deposits and balances due from banking institutions	42,836	58,944	91,653	1,221	194,654
Loans and advances to customers	4,403,978	-	-	-	4,403,978
Other assets	36,537	-	-	-	36,537
<b>Total assets</b>	<b>4,570,157</b>	<b>81,712</b>	<b>114,334</b>	<b>1,271</b>	<b>4,767,474</b>
<b>Liabilities</b>					
Customer deposits	3,309,298	243,759	122,461	526	3,676,044
Deposits and balances due to banking institutions	751,764	-	-	-	751,764
Long term borrowings	180,233	-	-	-	180,233
Other liabilities	303	-	-	-	303
<b>Total liabilities</b>	<b>4,241,598</b>	<b>243,759</b>	<b>122,461</b>	<b>526</b>	<b>4,608,344</b>
Net on-balance sheet position	328,559	(162,047)	(8,127)	745	159,130
Net off-balance sheet position	(150,380)	162,677	47,178	-	59,475
Overall net position	178,179	630	39,051	745	99,655
<b>As at 31 December 2023</b>					
Total assets	5,585,668	224,503	145,397	3,341	5,958,909
Total liabilities	4,289,821	231,548	145,761	654	4,667,784
Net on-balance sheet position	1,295,847	(7,045)	(364)	2,687	1,291,125
Net off-balance sheet position	(1,092,963)	(1,999)	(1,738)	1,452	(1,095,248)
Overall net position	202,884	(9,044)	(2,102)	4,139	195,877

##### iii) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Bank's interest-bearing financial assets and liabilities are loans and advances to customers and customer deposits, which are at variable rate, and on which it is therefore exposed to cash flow interest rate risk. The Bank regularly monitors financing options available to ensure optimum interest rates are obtained.

The table below summarises the exposure of financial assets and liabilities to interest rate risk. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity date. The Bank does not bear an interest rate risk on off balance sheet items. All figures are in thousands of Kenya shillings.

## Notes to the Financial Statements (Continued)

## 3. Financial Risk Management (Continued)

## 3.3 Market Risk (Continued)

## iii) Interest Rate Risk (Continued)

Interest Rate Risk Group	Up to 1 Month KShs '000	1-3 Months KShs '000	4-12 Months KShs '000	Over 1 Year KShs '000	Non-Interest Bearing KShs '000	Total KShs '000
<b>As at 31 December 2024</b>						
<b>Assets</b>						
Cash and balances with Central Bank of Kenya	-	-	-	-	1,088,626	1,088,626
Financial assets at amortised cost	-	-	-	4,585,536	-	4,585,536
Deposits and balances due from banking institutions	545,850	-	-	-	-	545,850
Financial assets at FVOCI	272,831	-	-	-	-	272,831
Other assets and prepaid expenses	-	-	-	-	747,450	747,450
Loans and advances to customers (net)	8,588,177	2,317,779	2,422,447	4,669,090	-	17,997,492
<b>Total Financial Assets</b>	<b>9,406,858</b>	<b>2,317,779</b>	<b>2,422,447</b>	<b>9,254,626</b>	<b>1,836,076</b>	<b>25,237,785</b>
<b>Liabilities and Shareholders' Funds</b>						
Customer deposits	1,816,696	3,433,157	5,752,452	3,096,938	4,779,199	18,878,442
Deposits and balances due to banking institutions	3,910,325	-	-	-	-	3,910,325
Other liabilities	-	-	-	176,687	-	176,687
Lease liability	-	-	-	-	357,532	357,532
Long term borrowings	-	180,233	-	44,573	-	224,806
<b>Total Financial Liabilities</b>	<b>5,727,021</b>	<b>3,613,390</b>	<b>5,752,452</b>	<b>3,318,198</b>	<b>5,136,731</b>	<b>23,547,792</b>
<b>Interest sensitivity gap</b>	<b>3,679,837</b>	<b>(1,295,611)</b>	<b>(3,330,005)</b>	<b>5,936,428</b>	<b>(3,300,655)</b>	<b>1,689,994</b>
<b>As at 31 December 2023</b>						
Total financial assets	9,712,450	2,363,254	865,066	11,392,484	1,998,385	26,331,639
Total financial liabilities	6,825,994	5,458,648	2,938,736	3,019,886	5,004,306	23,247,570
<b>Interest sensitivity gap</b>	<b>2,886,456</b>	<b>(3,095,394)</b>	<b>(2,073,670)</b>	<b>8,372,598</b>	<b>(3,005,921)</b>	<b>3,084,069</b>

## Notes to the Financial Statements (Continued)

3. Financial Risk Management (Continued)  
 3.3 Market Risk (Continued)  
 iii) Interest Rate Risk (Continued)

Interest Rate Risk Bank	Up to 1 Month KShs '000	1-3 Months KShs '000	4-12 Months KShs '000	Over 1 Year KShs '000	Non-Interest Bearing KShs '000	Total KShs '000
<b>As at 31 December 2024</b>						
<b>Assets</b>						
Cash and balances with Central Bank of Kenya	-	-	-	-	1,088,626	1,088,626
Financial assets at amortised cost	-	-	-	4,574,295	-	4,574,295
Deposits and balances due from banking institutions	545,850	-	-	-	-	545,850
Financial assets at FVOCI	272,831	-	-	-	-	272,831
Other assets and prepaid expenses	-	-	-	-	691,604	691,604
Loans and advances to customers	8,588,177	2,317,779	2,422,447	4,669,090	-	17,997,492
<b>Total assets</b>	<b>9,406,858</b>	<b>2,317,779</b>	<b>2,422,447</b>	<b>9,243,385</b>	<b>1,780,230</b>	<b>25,170,698</b>
<b>Liabilities</b>						
Customer deposits	1,852,189	3,433,157	5,752,452	3,096,938	4,779,199	18,913,935
Deposits and balances due to banking institutions	3,910,325	-	-	-	-	3,910,325
Other liabilities	-	-	-	-	300,126	300,126
Lease liability	-	-	-	176,687	-	176,687
Long term borrowings	-	180,233	-	44,574	-	224,807
<b>Total liabilities</b>	<b>5,762,514</b>	<b>3,613,390</b>	<b>5,752,452</b>	<b>3,318,199</b>	<b>5,079,325</b>	<b>23,525,880</b>
<b>Interest sensitivity gap</b>	<b>3,644,344</b>	<b>(1,295,611)</b>	<b>(3,330,005)</b>	<b>5,925,186</b>	<b>(3,299,093)</b>	<b>1,644,818</b>
<b>As at 31 December 2023</b>						
Total assets	9,712,450	2,363,254	865,066	11,392,484	2,017,579	26,279,818
Total liabilities	6,874,967	5,458,648	2,938,736	3,019,886	8,926,535	23,240,773
<b>Interest sensitivity gap</b>	<b>2,837,483</b>	<b>(3,095,394)</b>	<b>(2,073,670)</b>	<b>8,372,598</b>	<b>(6,908,956)</b>	<b>3,039,045</b>

### 3.4 Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due because of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

The Bank's liquidity management process, as carried out within the Bank and monitored by a separate team in Bank Treasury, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in global money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Bank Treasury also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

The table below presents the undiscounted cash flows payable by the Bank under financial liabilities by remaining contractual maturities at the balance sheet date. All figures are in Thousands of Kenya Shillings.

## Notes to the Financial Statements (Continued)

### 3. Financial Risk Management (Continued) 3.4 Liquidity Risk (Continued)

Payable Undiscounted Cash Flows	Up to 1 Month KShs '000	1-3 Months KShs '000	4-12 Months KShs '000	Over 1 Year KShs '000	Non-Interest Bearing KShs '000	Total KShs '000
<b>Group</b>						
<b>Liabilities</b>						
<b>As at 31 December 2024</b>						
Customer deposits	5,714,916	3,544,735	6,250,998	3,362,761	1,754,397	20,627,807
Deposits and balances due from banking institutions	4,418,667	-	-	-	-	4,418,667
Other liabilities	295,818	6,627	1,873	53,214	-	357,532
Borrowings	-	183,061	-	-	58,039	241,100
Lease liability	-	-	63,789	304,265	-	368,054
<b>Total liabilities</b>	<b>10,429,402</b>	<b>3,734,423</b>	<b>6,316,660</b>	<b>3,720,239</b>	<b>1,812,436</b>	<b>26,013,160</b>
<b>As at 31 December 2023</b>						
Customer deposits	6,904,751	5,458,648	2,778,168	3,102,068	83,555	18,327,190
Deposits and balances due from banking institutions	3,344,642	-	222,029	-	-	3,566,671
Other liabilities	374,709	17,458	33,712	44,437	-	470,316
Borrowings	-	-	-	768,382	60,142	828,524
Lease liability	-	-	-	156,942	182,363	339,305
<b>Total liabilities</b>	<b>10,624,102</b>	<b>5,476,106</b>	<b>3,033,909</b>	<b>4,071,829</b>	<b>326,060</b>	<b>23,532,006</b>
<b>Bank</b>						
<b>Liabilities</b>						
<b>As at 31 December 2024</b>						
Customer deposits	5,714,916	3,544,735	6,250,998	3,362,761	1,754,397	20,627,807
Deposits and balances due from banking institutions	4,418,667	-	-	-	-	4,418,667
Other liabilities	240,286	6,627	-	53,213	-	300,126
Long term borrowings	-	183,061	-	-	58,039	241,100
Lease liability	-	-	-	240,480	-	176,687
<b>Total liabilities</b>	<b>10,373,869</b>	<b>3,734,423</b>	<b>6,250,998</b>	<b>3,656,454</b>	<b>1,812,436</b>	<b>25,828,180</b>
<b>As at 31 December 2023</b>						
Customer deposits	7,055,114	5,458,648	2,778,168	3,102,068	83,555	18,477,553
Deposits and balances due from banking institutions	3,344,642	-	222,029	-	-	3,566,671
Other liabilities	336,870	17,458	15,781	44,437	-	414,546
Borrowings	-	-	-	768,382	60,142	828,524
Lease liability	-	-	-	156,942	182,363	339,305
<b>Total liabilities</b>	<b>10,736,626</b>	<b>5,476,106</b>	<b>3,015,978</b>	<b>4,071,829</b>	<b>326,060</b>	<b>23,626,599</b>



The Bank holds a diversified portfolio of cash and high-quality highly-liquid securities to manage liquidity risk and support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise of cash and balances with Central Bank of Kenya, certificates of deposit, government securities and other securities that are readily acceptable in repurchase agreements with the Central Bank of Kenya.

### 3.5 Fair Value Hierarchy

Assets Measured at Fair Value Group and Bank	Level 1 Quoted Prices in Active Markets KShs'000	Level 2 Significant Observable Input KShs'000	Level 3 Significant Unobservable Inputs KShs'000	Total Balance KShs '000
<b>Assets</b>				
<b>At 31 December 2023</b>				
Fair value through OCI				
- Debt investments	272,831	-	-	272,831
<b>At 31 December 2022</b>				
Fair value through OCI				
- Debt investments	248,138	-	-	248,138

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Bank, 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 Bank is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily foreign corporate bonds and Nairobi Securities Exchange ("NSE") equity investments classified as available for sale.
- The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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.

The following summarises the carrying amount of those assets and liabilities not held at fair value. The carrying amount of assets and liabilities held at amortised cost is considered to approximate the fair value of the assets and liabilities.

## Notes to the Financial Statements (Continued)

### 3. Financial Risk Management (Continued)

#### 3.5 Fair Value Hierarchy (Continued)

	2024		2023	
<b>Fair Value</b>	<b>Amortised Cost</b> KShs '000	<b>Fair Value</b> KShs '000	<b>Amortised Cost</b> KShs '000	<b>Fair Value</b> KShs '000
<b>Group</b>				
<b>ASSETS</b>				
Cash and balances with Central Bank of Kenya	1,418,577	1,418,577	1,305,381	1,305,381
Financial assets at amortised cost	248,138	248,138	327,039	327,039
Deposits and balances due from banking institutions	4,601,698	4,564,450	4,608,699	4,575,980
Loans and advances to customers	522,017	522,017	538,053	538,053
Other assets and prepaid expenses	18,961,401	18,961,401	17,451,135	17,451,135
Other assets and prepaid expenses	699,294	699,294	568,444	568,444
<b>Total Assets</b>	<b>25,053,428</b>	<b>25,053,428</b>	<b>26,154,516</b>	<b>26,154,516</b>
<b>LIABILITIES</b>				
Deposits and balances due to banking institutions	3,552,109	3,552,109	3,552,109	3,358,544
Customer deposits	18,363,847	18,363,847	18,363,847	17,536,871
Other liabilities	470,316	470,316	470,316	381,430
Borrowings	695,024	695,024	695,024	896,743
Lease liabilities	215,248	215,248	215,248	331,334
<b>Total Liabilities</b>	<b>23,547,793</b>	<b>23,547,793</b>	<b>23,247,570</b>	<b>23,247,570</b>

## Notes to the Financial Statements (Continued)

3. Financial Risk Management (Continued)  
3.5 Fair Value Hierarchy (Continued)

	2024		2023	
Fair Value	Historical Cost KShs '000	Fair Value KShs '000	Historical Cost KShs '000	Fair Value KShs '000
<b>Bank</b>				
<b>Assets</b>				
Cash and balances with Central Bank of Kenya	1,088,626	1,088,626	1,369,603	1,369,603
Financial assets at amortised cost	4,574,295	4,574,295	4,601,698	4,564,450
Deposits and balances due from banking institutions	545,850	545,850	522,017	522,017
Loans and advances to customers	17,997,492	17,997,492	18,961,401	18,961,401
Other assets and prepaid expenses	780,078	780,078	647,473	647,473
<b>Total Assets</b>	<b>24,986,341</b>	<b>24,986,341</b>	<b>26,102,192</b>	<b>26,102,192</b>
<b>Liabilities</b>				
Deposits and balances due to banking institutions	3,910,325	3,910,325	3,552,109	3,552,109
Customer deposits	18,827,755	18,827,755	18,363,847	18,363,847
Other liabilities	339,589	339,589	414,546	414,546
Borrowings	224,807	224,807	695,024	695,024
Lease liabilities	176,687	176,687	215,248	215,248
	23,479,163	23,479,163	23,240,774	23,240,774

## 3. Financial Risk Management (Continued)

## 3.6 Capital Management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheets, are:

- to comply with the capital requirements set by the Central Bank of Kenya;
- to safeguard the Bank's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong capital base to support the development of its business.

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Central Bank of Kenya for supervisory purposes. The required information is filed with the Central Bank of Kenya on a monthly basis.

The Central Bank of Kenya requires each bank to:

- hold the minimum level of regulatory capital of KShs1 billion; (2023: KShs 1 billion)
- maintain a ratio of core regulatory capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') at or above the required minimum of 10.5% (2023: 10.5%)
- maintain core capital of not less than 8% of total deposit liabilities; and
- maintain total capital of not less than 14.5% (2023: 14.5%) of risk-weighted assets plus risk-weighted off-balance sheet items

The Bank's total regulatory capital is divided into two tiers:

- Tier 1 capital (core capital): share capital, share premium, plus retained earnings.
- Tier 2 capital (supplementary capital): 25% (subject to prior approval) of revaluation reserves, subordinated debt not exceeding 50% of Tier 1 capital and hybrid capital instruments. Qualifying Tier 2 capital is limited to 100% of Tier 1 capital.

The 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 the ratios of the Bank as at 31 December:

Composition of Regulatory Capital	2024 KShs '000	2023 KShs '000
Tier 1 capital	1,471,800	2,527,419
Tier 1 + Tier 2 capital	1,770,861	3,473,466
<b>Risk-weighted assets</b>		
On-balance sheet	20,442,072	20,898,516
Off-balance sheet	838,569	1,566,806
Total risk-weighted assets	21,280,641	22,465,322
<b>Basel ratio</b>		
Core capital to total risk weighted assets (CBK minimum – 10.5% (2022: 10.5%))	6.2%	11.25%
Total capital to total risk weighted assets (CBK minimum – 14.5% (2022: 14.5%))	8.3%	15.39%
Core capital to total deposit (CBK minimum – 8.0% (2023: 8.0))	6.9%	13.68%

#### 4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### a) Expected Credit Losses

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### 5. Interest Income

Group and Bank	2024 KShs '000	2023 KShs '000
Loans and advances	2,814,568	2,475,005
Credit related fees and commissions	143,788	85,349
Financial assets at amortised cost	542,921	545,017
Financial assets at FVOCI	34,734	40,260
Deposits and balances due from banking institutions	4,513	3,858
	3,540,524	3,149,489

#### 6. Interest Expense

	Group		Bank	
	2024 KShs '000	2023 KShs '000	2024 KShs '000	2023 KShs '000
Customer deposits	1,800,444	1,277,460	1,806,595	1,282,842
Deposits and balances due to banking institutions	579,649	513,216	579,649	513,216
Lease liability	63,789	35,829	63,789	35,829
	2,443,882	1,826,505	2,450,033	1,831,887

### 7. a) Other Income

	2024 KShs '000	2023 KShs '000
<b>Group and Bank</b>		
Gain on sale of financial assets held at FVOCI	59	7,526
Other income	76,541	41,477
	76,600	49,003

### 7. b) Trading Income

	2024 KShs '000	2023 KShs '000
<b>Group and Bank</b>		
Foreign exchange income	142,289	315,488

### 7. c) Fees and Commission Income

	Group		Bank	
	2024 KShs '000	2023 KShs '000	2024 KShs '000	2023 KShs '000
Service fees and commissions - transactional	52,173	55,200	52,173	55,200
Other fees	128,490	129,108	128,490	129,109
Bancassurance commissions earned	17,170	19,383	-	-
	197,833	203,691	180,663	184,309

## 8. Credit Impairment Losses

	2024 KShs '000	2023 KShs '000
<b>Group and Bank</b>		
Increase in stage 1 ECL	(53,951)	9,487
Increase in stage 2 ECL	27,237	29,136
Increase in stage 3 ECL	1,395,304	312,558
Impairment charge on loans to customers (Note 17)	1,368,590	351,181

The ECL movements in other financial instruments were assessed and determined to be immaterial in the year and therefore have not been recognised (2023: Nil)

## 9. Employee Benefits

	Group		Bank	
	2024 KShs '000	2023 KShs '000	2024 KShs '000	2023 KShs '000
Salaries and allowances	605,957	563,559	595,861	555,554
Medical insurance	61,137	62,420	60,324	61,749
Training and development	1,856	1,335	1,856	1,335
Travelling and accommodation	983	794	983	794
Retirement benefits costs	24,561	24,021	24,114	23,649
- Defined contribution scheme	5,266	2,552	5,167	2,507
- National Social Security Fund	98,412	65,889	97,856	65,611
Other costs	798,172	720,570	786,161	711,199

The number of persons employed by the Group as at 31 December 2024 was 217 (2023: 216). The number of persons employed by bank as at 31 December 2023 was 210 (2023:212).

## 10. Other Operating Expenses

	Group		Bank	
	2024 KShs '000	2023 KShs '000	2024 KShs '000	2023 KShs '000
The following items are included with other operating expenses:				
Software licensing and other information technology costs	153,088	148,370	152,937	148,219
Auditors' remuneration	6,405	6,917	6,372	5,900
Rental expenses	24,804	14,526	24,804	14,526
Security guards alarms	43,428	45,710	43,428	45,710
Visa expenses	55,122	44,156	55,122	44,156
Deposit protection fund	32,475	30,054	32,475	30,054
Data communication costs	23,208	28,706	23,208	28,706
Membership subscription	11,059	15,600	15,600	15,550
Other costs	203,035	180,489	180,489	177,322
	552,624	514,528	547,159	510,143

## 11. Income Tax Expense

	Group		Bank	
	2024 KShs '000	2023 KShs '000	2024 KShs '000	2023 KShs '000
Current income tax	2,697	22,884	-	18,529
Deferred income tax (Note 19)	(426,659)	(11,090)	(425,466)	(10,050)
Underprovision of deferred tax in the prior years (Note 19)	14,787	-	14,787	-
(Over)/Under provision of current tax in the prior years	(5,041)	14,716	(1,064)	14,663
Tax (credit)/expense	(414,216)	26,510	(411,743)	23,142



The tax on the Group and Bank's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

## 11. Income Tax Expense

	Group		Bank	
	2024 KShs '000	2023 KShs '000	2024 KShs '000	2023 KShs '000
Current income tax	2,697	22,884	-	18,529
Deferred income tax (Note 19)	(426,659)	(11,090)	(425,466)	(10,050)
Underprovision of deferred tax in the prior years (Note 19)	14,787	-	14,787	-
(Over)/Under provision of current tax in the prior years	(5,041)	14,716	(1,064)	14,663
Tax (credit)/expense	(414,216)	26,510	(411,743)	23,142

The tax on the Group and Bank's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

(Loss)/Profit before income tax	(1,461,525)	58,910	(1,467,363)	47,914
Tax calculated at a tax rate of 30% (2023: 30%)	(438,458)	17,763	(440,209)	14,374
Tax effect of:				
- income not subject to tax	(61,143)	(71,265)	(60,803)	(71,265)
- expenses not deductible for tax purposes	75,639	65,296	75,546	65,370
- under/(over)/ provision of deferred tax in prior years	14,787	-	14,787	-
- (over)/ under provision of current tax in prior years	(5,041)	14,716	(1,064)	14,663
Income tax expense	(414,216)	26,510	(411,743)	23,142
Current income tax asset/(liability)				
At start of year	141,428	159,195	133,951	152,009
Income tax credit/(expense)	2,344	(37,600)	1,064	(33,192)
Tax paid	6,711	19,833	1,017	15,134
At end of year	150,483	141,428	136,032	133,951

## 12. Proposed Dividends

Proposed dividends are provided for when declared and ratified at the annual general meeting.

Payment of dividends is subject to withholding tax at a rate of either 5% or 10% depending on the residence status of the respective shareholders.

The directors do not recommend payment of a cash dividend (2023: Nil).

## 13. Cash and Balances with Central Bank of Kenya

Group and Bank	2024 KShs '000	2023 KShs '000
Cash in hand	382,896	311,275
Balances with Central Bank of Kenya	705,730	1,058,328
	1,088,626	1,369,603

The ECL for cash and bank balances was assessed and deemed immaterial to the financial statements and has not been recognised. (2023: Nil)

## 14. Financial Assets Held at FVOCI

Group and Bank	2024 KShs '000	2023 KShs '000
Infrastructure bond	73,794	75,000
Treasury bonds	199,035	173,138
	272,831	248,138

The securities are traded on the Nairobi Securities Exchange. The ECL was not material to the financial statements and has not been booked. (2023: Not material)

## 15. Financial Assets at Amortised Cost

Group and Bank	2024 KShs '000	2023 KShs '000
<b>Group</b>		
Maturing after 90 days of the date of acquisition	4,485,536	4,601,698
Maturing within 90 days of the date of acquisition	100,000	-
	4,585,536	4,601,698
<b>Bank</b>		
Maturing after 90 days of the date of acquisition	4,474,295	4,601,698
Maturing within 90 days of the date of acquisition	100,000	-
	4,574,295	4,601,698

The ECL on financial assets at amortised cost was assessed and deemed immaterial to the financial statements and has not been recognised. (2023: Nil)

## 16. Deposits and Balances From Banking Institutions

Group and Bank	2024 KShs '000	2023 KShs '000
Overnight lending	351,196	-
Balances with banks abroad	194,654	522,017
	545,850	522,017

The ECL on deposits was assessed and deemed immaterial to the financial statements and has not been recognised. (2023: Nil)

## 17. Loans and Advances to Customers

	2024 KShs '000	2023 KShs '000
<b>Retail customers</b>		
Mortgage lending	753,834	903,538
Personal unsecured	260,146	153,870
Personal secured Loans	1,298,293	1,133,381
<b>Corporate customers</b>		
Commercial term loans	11,506,711	11,637,568
Overdraft facilities	6,841,089	6,427,035
Gross loans and advances	20,660,073	20,255,392
Less: Provision for ECL on loans and advances		
- Stage 1	(8,790)	(72,173)
- Stage 2	(99,530)	(51,781)
- Stage 3	(2,554,261)	(1,170,037)
	(2,662,581)	(1,293,991)
Net loans and advances	17,997,492	18,961,401

## 17. Loans and Advances to Customers (Continued)

## 17. i) Gross Carrying Amount of Loans and Advances

	Stage 1 12-Month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	Total KShs '000
<b>Year ended 31 December 2024</b>				
At start of year	7,870,471	3,506,681	8,877,940	20,255,092
Transfer from stage 1 to stage 2	(985,427)	985,427	-	-
Transfer from stage 1 to stage 3	(1,332,379)	-	1,332,379	-
Transfer from stage 2 to stage 1	34,049	(34,049)	-	-
Transfer from stage 2 to stage 3	-	(1,388,391)	1,388,391	-
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	8,324	(8,324)	-
Financial assets derecognised	(2,115,727)	(97,578)	(876,690)	(3,089,995)
New financial assets originated	1,037,345	748,610	1,709,021	3,494,976
<b>At end of year</b>	<b>4,508,332</b>	<b>3,729,024</b>	<b>12,422,717</b>	<b>20,660,073</b>
<b>Year ended 31 December 2023</b>				
At start of year	10,045,821	3,585,751	4,762,373	18,393,945
Transfer from stage 1 to stage 2	(1,847,031)	1,847,031	-	-
Transfer from stage 1 to stage 3	(278,522)	-	278,522	-
Transfer from stage 2 to stage 1	378,808	(378,808)	-	-
Transfer from stage 2 to stage 3	-	(2,476,215)	2,476,215	-
Transfer from stage 3 to stage 1	26,191	-	(26,191)	-
Transfer from stage 3 to stage 2	-	313,690	(313,690)	-
New financial assets originated	(1,534,311)	(58,384)	(129,604)	(1,722,299)
Financial assets derecognised	1,079,515	673,916	1,830,315	3,583,746
<b>At end of year</b>	<b>7,870,471</b>	<b>3,506,981</b>	<b>8,877,940</b>	<b>20,255,392</b>

**17. ii) Provisions for Expected Credit Loss on Loans and Advances**

	Stage 1 12-Month ECL KShs '000	Stage 2 Lifetime ECL KShs '000	Stage 3 Lifetime ECL KShs '000	Total KShs '000
<b>Year ended 31 December 2024</b>				
At start of the year	72,173	51,781	1,170,037	1,293,991
Movements during the year				
Transfer to 12 month ECL	(9,498)	2,871	6,627	-
Transfer to lifetime ECL not credit impaired	66	(5,801)	5,735	-
Transfer to life time ECL credit impaired	-	23,442	(23,442)	-
Financial assets originated or purchased	(53,951)	27,237	1,395,304	1,368,590
	(63,383)	47,749	1,384,224	1,368,590
<b>At end of year</b>	<b>8,790</b>	<b>99,530</b>	<b>2,554,261</b>	<b>2,662,581</b>
<b>Year ended 31 December 2023</b>				
At start of the year	39,690	45,611	857,509	942,810
Movements during the year				
Transfer to 12 month ECL	23,950	(23,950)	-	-
Transfer to lifetime ECL not credit impaired	(954)	984	(30)	-
Transfer to life time ECL credit impaired	-	-	-	-
Financial assets originated or purchased	9,487	29,136	312,558	351,181
	32,483	6,170	312,528	351,181
<b>At end of year</b>	<b>72,173</b>	<b>51,781</b>	<b>1,170,037</b>	<b>1,293,991</b>

## 18. Other Assets and Prepaid Expenses

	Group		Bank	
	2024 KShs '000	2023 KShs '000	2024 KShs '000	2023 KShs '000
Items in transit	221,235	221,830	221,235	221,830
Prepaid expenses	88,474	71,015	88,474	71,015
Stationery stocks	4,903	4,903	4,903	4,903
Others	521,312	402,049	465,466	350,228
	835,924	699,797	780,078	647,976

## 19. Deferred Income Tax

Deferred income tax is calculated, in full, on all temporary differences under the liability method using the enacted income tax rate of 30% (2023: 30%). The movement on the deferred income tax account is as follows:

Deferred Income Tax Group	2024 KShs '000	2023 KShs '000
At start of year	268,652	250,155
Charge to profit or loss	411,872	11,090
Charge to other comprehensive income	(1,665)	7,407
At end of year	678,859	268,652

The net deferred income tax asset in the statement of financial position, deferred income tax credit in the profit or loss and charge to other comprehensive income (OCI) are attributable to the following items:

Attribution of Net Deferred Income Tax Group	At Start of Year KShs '000	Credit/(Charge) to P&L KShs '000	Charge to OCI KShs '000	At End of Year KShs '000
<b>Year ended 31 December 2024</b>				
Property and equipment	15,703	(12,396)	-	3,307
General provisions	244,223	368,231	-	612,454
Right of use asset and lease liability	7,476	2,734	-	10,210
Unrealised exchange gains/ (losses)	(7,764)	7,227	-	(537)
Tax losses	-	46,076	-	46,076
Fair value gain/ (losses)	9,014	-	(1,665)	7,349
<b>Net deferred income tax asset</b>	<b>268,652</b>	<b>411,872</b>	<b>(1,665)</b>	<b>678,859</b>

## 19. Deferred Income Tax (Continued)

Attribution of Net Deferred Income Tax Group	At Start of Year KShs '000	Credit/ (Charge) to P&L KShs '000	Charge to OCI KShs '000	At End of Year KShs '000
<b>Year ended 31 December 2023</b>				
Property and equipment	19,451	(3,748)	-	15,703
General provisions	220,129	24,094	-	244,223
Right of use asset and lease liability	8,968	(1,492)	-	7,476
Unrealised exchange gains - trading	-	(7,764)	-	(7,764)
Fair value gain/ (losses)	1,607	-	7,407	9,014
<b>Net deferred income tax asset</b>	<b>250,155</b>	<b>11,090</b>	<b>7,407</b>	<b>268,652</b>

Deferred Income Tax Bank	2024 KShs '000	2023 KShs '000
<b>At start of year</b>	267,542	250,085
Charge to profit or loss	410,679	10,050
Charge to other comprehensive income	(1,665)	7,407
<b>At end of year</b>	<b>676,556</b>	<b>267,542</b>

The net deferred income tax asset in the statement of financial position and deferred income tax expense in the profit or loss are attributable to the following items:

Attribution of Net Deferred Income Tax Bank	At Start of Year KShs '000	Credit/(Charge) to P&L KShs '000	Charge to OCI KShs '000	At End of Year KShs '000
<b>Year ended 31 December 2024</b>				
Property and equipment	15,655	(12,389)	-	3,266
General provisions	243,161	367,031	-	610,192
Right of use asset and lease liability	7,476	2,734	-	10,210
Unrealised exchange gains/ (losses)	(7,764)	7,227	-	(537)
Tax losses	-	46,076	-	46,076
Fair value gain/ losses	9,014	-	(1,665)	7,349
<b>Net deferred income tax asset</b>	<b>267,542</b>	<b>410,679</b>	<b>(1,665)</b>	<b>676,556</b>

## Notes to the Financial Statements (Continued)

### 19. Deferred Income Tax (Continued)

Attribution of Net Deferred Income Tax Bank	At Start of Year KShs '000	Credit/ (Charge) to P&L KShs '000	Charge to OCI KShs '000	At End of Year KShs '000
<b>Year ended 31 December 2023</b>				
Property and equipment	19,396	(3,741)	-	15,655
General provisions	220,110	23,051	-	243,161
Right of use asset and lease liability	8,972	(1,496)	-	7,476
Unrealised exchange gains - trading	-	(7,764)	-	(7,764)
Fair value gain/ losses	1,607	-	7,407	9,014
Net deferred income tax asset	250,085	10,050	7,407	267,542



## 20. Property and Equipment

Group	Leasehold Improvements KShs '000	Motor Vehicles KShs '000	Office Equipment KShs '000	Computer And Electronic Equipment KShs '000	Furniture and Fittings KShs '000	Total KShs '000
<b>At January 2023</b>						
Cost	287,110	30,959	349,560	167,006	49,985	884,620
Accumulated Depreciation	(187,588)	(30,959)	(238,345)	(161,457)	(39,282)	(657,631)
Net Book Value	99,522	-	111,215	5,549	10,703	226,989
<b>Year ended 31 December 2023</b>						
Opening net book amount	99,522	-	111,215	5,549	10,703	226,989
Additions	170	-	8,655	495	108	9,428
Adjustments	(9)	(129)	3,677	-	-	3,539
Depreciation charge	(20,391)	-	(29,065)	(3,109)	(2,543)	(55,108)
Closing net book amount	79,292	(129)	94,482	2,935	8,268	184,848
<b>At 31 December 2023</b>						
Cost	287,271	30,830	361,892	167,501	50,093	897,587
Accumulated depreciation	(207,979)	(30,959)	(267,410)	(164,566)	(41,825)	(712,739)
Net book amount	79,292	(129)	94,482	2,935	8,268	184,848
<b>Year ended 31 December 2024</b>						
Opening net book amount	79,292	(129)	94,482	2,935	8,268	184,848
Additions	1,293	-	21,923	8,709	272	32,197
Adjustment	-	129	(129)	(26)	26	-
Depreciation charge	(21,500)	-	(28,537)	(2,419)	(2,264)	(54,720)
Closing net book amount	59,085	-	87,739	9,199	6,302	162,325
<b>At 31 December 2024</b>						
Cost	288,564	30,959	383,686	176,184	50,391	929,784
Accumulated depreciation	(229,479)	(30,959)	(295,948)	(166,985)	(44,089)	(767,459)
Net book amount	59,085	-	87,739	9,199	6,302	162,325

## 20. Property and Equipment (Continued)

## 20. Property and Equipment

Bank	Leasehold Improvements KShs '000	Motor Vehicles KShs '000	Office Equipment KShs '000	Computer And Electronic Equipment KShs '000	Furniture and Fittings KShs '000	Total KShs '000
<b>At January 2023</b>						
Cost	283,657	31,089	344,768	165,737	49,421	874,672
Accumulated Depreciation	(184,135)	(31,089)	(233,553)	(160,215)	(38,729)	(647,721)
Net Book Value	99,522	-	111,215	5,522	10,692	226,951
<b>Year ended 31 December 2023</b>						
Opening net book amount	99,522	-	111,215	5,522	10,692	226,951
Additions	170	-	8,655	495	108	9,428
Adjustments	(9)	(129)	3,677	-	-	3,539
Depreciation charge	(20,391)	-	(29,065)	(3,106)	(2,534)	(55,096)
Closing net book amount	79,292	(129)	94,482	2,911	8,266	184,822
<b>At 31 December 2023</b>						
Cost	283,818	30,960	357,100	166,232	49,529	887,639
Accumulated depreciation	(204,526)	(31,089)	(262,618)	(163,321)	(41,263)	(702,817)
Net book amount	79,292	(129)	94,482	2,911	8,266	184,822
<b>Year ended 31 December 2024</b>						
Opening net book amount	79,292	(129)	94,482	2,911	8,266	184,822
Additions	1,292	-	21,922	8,709	272	32,197
Adjustment	-	129	(129)	(26)	26	-
Disposals	(21,500)	-	(28,528)	(2,419)	(2,264)	(54,711)
Depreciation charge	(21,500)	-	(28,528)	(2,419)	(2,264)	(54,711)
Closing net book amount	59,084	-	87,747	9,174	6,299	162,306
<b>At 31 December 2024</b>						
Cost	285,110	31,089	378,893	174,915	49,827	919,834
Accumulated depreciation	(226,026)	(31,089)	(291,146)	(165,740)	(43,527)	(757,528)
Net book amount	59,084	-	87,747	9,175	6,300	162,306

## 21. Intangible Assets

Group and Bank	Software Licences KShs '000	Work in Progress KShs '000	Total KShs '000
<b>Year ended 31 December 2023</b>			
Opening net book amount	77,231	22,798	100,029
Additions	-	18,775	18,775
Amortisation for the year	(32,508)	-	(32,508)
Closing net book amount	44,723	41,573	86,296
<b>Year ended 31 December 2024</b>			
Opening net book amount	44,723	41,573	86,296
Additions	52,188	(23,564)	28,624
Amortisation for the year	(25,542)	-	(25,542)
Closing net book amount	71,369	18,009	89,378

## 22. Investment in Subsidiary

The Bank has an investment in a wholly owned subsidiary called Credit Bank Insurance Agency Limited. The subsidiary provides bancassurance services.

## 23. Deposits and Balances Due to Banking Institutions

Group and Bank	2024 KShs '000	2023 KShs '000
Current accounts	84	84
Overnight borrowing	3,910,241	3,552,025
	3,910,325	3,552,109

## 24. Customer Deposits

	Group		Bank	
	2024 KShs '000	2023 KShs '000	2024 KShs '000	2023 KShs '000
<b>Retail customers:</b>				
Current and demand deposits	1,428,627	1,709,090	1,428,627	1,709,090
Fixed deposits	7,588,147	6,331,852	7,623,640	6,331,852
Savings accounts	328,978	240,786	328,978	240,786
<b>Corporate customers:</b>				
Current and demand deposits	2,408,262	2,465,849	2,408,262	2,465,849
Fixed deposits	7,080,939	7,525,577	7,080,940	7,574,551
Savings Accounts	43,489	41,719	43,488	41,719
	18,878,442	18,314,873	18,913,935	18,363,847

## 25. Other Liabilities

	Group		Bank	
	2024 KShs '000	2023 KShs '000	2024 KShs '000	2023 KShs '000
Items in transit	8,186	9,919	8,186	9,919
Bills payable	36,081	32,528	36,081	32,528
Unclaimed balances	398	779	398	779
Other payables	312,867	427,090	255,461	371,320
	357,532	470,316	300,126	414,546

## 26. Right-of-Use Assets

Group and Bank	2024 KShs '000	2023 KShs '000
At start of year	190,329	278,100
Additions	48,702	-
Disposal	-	(3,523)
Depreciation Charge	(96,377)	(84,248)
At end of year	142,654	190,329

## 27. Lease Liabilities

Group and Bank	2024 KShs '000	2023 KShs '000
At start of the year	215,248	331,334
Additions	39,311	6,739
Interest expense on lease liabilities	63,789	35,829
Principal and interest payments	(141,661)	(158,654)
	176,687	215,248
Lease liabilities can be classified as current or non – current liabilities depending on the expected date of settlement/ cash outflow as per the table below :-		
Expected to be settled within 12 months after the year end	104,524	136,820
Expected to be settled more than 12 months after the year end	72,163	78,428
	176,687	215,248

## 28. Borrowings

Group and Bank	2024 KShs '000	2023 KShs '000
<b>Movement during the year:</b>		
At start of year	695,024	896,743
Repayment of borrowed funds	(368,707)	(365,379)
Interest charged on borrowed funds	57,202	102,357
Interest paid on borrowed funds	(52,072)	(75,844)
Foreign exchange gain/loss	(106,640)	137,147
	224,807	695,024
Current	185,161	209,979
Non-current portion	39,646	485,045
	224,807	695,024

Lender	Type of loan	Loan Balance KShs '000	Currency	Interest Rate	Maturity Date	Finance Cost Recognised in the Year KShs '000
African Development Bank	Long term loan	180,235	USD	SOFR + 4.75%	1 February 2025	54,599
KMRC - AFDB Line	Long term loan	26,086	KES	5%	1/12/2036	1,527
KMRC - World Bank Line	Long term loan	18,486	KES	5%	1/11/2036	1,076
		224,807				57,202

## 29. Share Capital

Group and Bank	Number of Shares (thousands)	Ordinary Shares KShs '000	Share Premium KShs '000
<b>Year ended 31 December 2023</b>			
At start of the year	29,160	2,915,971	87,757
Issue of shares	7,290	728,993	-
Share issue costs	-	-	(27,346)
At end of year	36,450	3,644,964	60,411
<b>Year ended 31 December 2024</b>			
At start of year	36,450	3,644,964	60,411
Issue of shares	-	-	-
Share issue costs	-	-	-
At end of year	36,450	3,644,964	60,411

As at 31 December 2024, the Banks authorised share capital was 75,000,000 ordinary shares of KShs 100 each (2023: 75,000,000). During the year no additional shares were issued, (2023:7,289,925 shares were issued to ShoreCap III, Ltd). Shares 36,449,639 are issued and fully paid (2023: 36,449,639).

## 30. Regulatory Reserve

	2024 KShs '000	2023 KShs '000
At start of year	1,542,515	1,687,559
Transfer to statutory risk reserve	-	(145,044)
At end of year	1,542,515	1,542,515

The regulatory reserve represents an appropriation from retained earnings to comply with the CBK's Prudential guidelines. The balance in the reserve represents the excess of impairment provisions determined in accordance with the CBK's Prudential guidelines over the impairment provisions recognised in accordance with the International Financial Reporting Standards. This reserve is not distributable.

### 31. Fair Value Reserve

Group and Bank	2024 KShs '000	2023 KShs '000
At start of year	(91,935)	(76,229)
Revaluation of FVOCI instruments net of tax	22,838	(15,706)
At end of year	(69,097)	(91,935)

Fair value reserve comprises the cumulative net change in the fair value of FVOCI investments until the investment is derecognised or impaired.

### 32. Off-Balance Sheet Financial Instruments, Contingent Liabilities and Commitments (Group and Bank)

In common with other banks, the Bank conducts business involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

In addition, there are other off-balance sheet financial instruments including forward contracts for the purchase and sale of foreign currencies, whose nominal amounts are not reflected in the statement of financial position. At the year end, the contingent items were as follows:

#### Contingent Liabilities

Group and Bank	2024 KShs '000	2023 KShs '000
Acceptances and letters of credit	669,347	768,656
Guarantees and performance bonds	2,501,830	4,009,920
Forwards, Options & Swaps	103,202	1,095,248
	3,274,379	5,873,824
<b>Clients' investments</b>		
Clients' treasury bonds	57,700	582,600
Clients' treasury bills	-	10,500
	57,700	593,100



### Nature of Contingent Liabilities (Group and Bank)

The Bank invests in Government of Kenya treasury bills and treasury bonds on behalf of its clients. These investments are held in Bank's clients account with the Central Bank of Kenya separate from the Bank's own investments. These investments are recognised as client investments and as off-balance sheet assets in the Bank's books.

An acceptance is an undertaking by a Bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, but reimbursement by the customer is normally immediate.

Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

Guarantees are generally written by a Bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

### Commitments

#### (a) Legal Proceedings

There were a few of legal proceedings outstanding against the Bank at 31 December 2024.

Claims and counter claims against the Bank regarding collaterals held by the Bank have been lodged. The Bank considers the cases as without merit and is defending them vigorously.

#### (b) Capital Commitments

At 31 December 2024, the Bank had capital commitments of KShs 399 million (2023: 330 million) in respect of software, buildings and equipment purchases.

#### c) Other Commitments

Group and Bank	2024 KShs '000	2023 KShs '000
Undrawn formal stand-by facilities, credit lines and other commitments to lend	4,210,024	2,213,119

### Nature of Commitments

Commitments to lend are agreements to advance to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The Bank may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer.

### 33. Assets Pledged as Security

As at 31 December 2024 treasury bonds valued at KShs Nil (2023: Nil) were pledged to secure trade finance lines with various banks.

There was no contingent liabilities outstanding under these facilities at 31 December 2024 (2023: Nil)

### 34. Analysis of Cash and Cash Equivalents as Shown in the Cash Flow Statement

	Group		Bank	
	2024 KShs '000	2023 KShs '000	2024 KShs '000	2023 KShs '000
Cash and balances with Central Bank of Kenya (Note 13)	1,088,626	1,369,603	1,088,626	1,369,603
Less: cash reserve requirement (see below)	(717,423)	(706,715)	(717,423)	(706,715)
Deposits and balances due from banking institutions (Note16)	545,850	522,017	545,850	522,017
	917,053	1,184,905	917,053	1,184,905

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 91 days maturity from the date of acquisition including: cash and balances with central banks, treasury bills and other eligible bills, and amounts due to and from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Central Bank of Kenya.

Banks are required to maintain a prescribed minimum cash balance with the Central Bank of Kenya that is not available to finance the Bank's day-to-day activities. The amount is determined as 4.25% (2023: 4.25%) of the average outstanding customer deposits over a cash reserve cycle period of one month.

### 35. Related Party Transactions

#### (i) Transactions With Key Management Personnel

Key management personnel and their immediate relatives have transacted with the Bank during the year as follows:

#### Transactions With Key Management Personnel

Group and Bank	2024 KShs '000 Maximum Balance	2024 KShs '000 Closing Balance	2023 KShs '000 Maximum Balance	2023 KShs '000 Closing Balance
Mortgage lending and other secured loans	327,144	323,994	396,914	366,049
Other loans	10,275	9,587	11,341	10,457

Interest rate charged to staff is at preferential rate whereas rates to Directors and related parties are at arm's length transaction. The mortgages and secured loans granted are secured over property of the respective borrowers. Other balances are not secured and no guarantees have been obtained.

No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the period end.

Key management personnel compensation for the year comprised:

(ii) Key management Compensation

	2024 KShs '000	2023 KShs '000
Salaries and other short-term employment benefits	289,312	254,533

(iii) Directors' Remuneration

	2024 KShs '000	2023 KShs '000
- fees for services as non executive directors	9,901	9,923
- other emoluments (included in key management compensation above)	68,964	64,190
	78,865	74,113

(iv) Loans and Advances to Directors and Their Associates (Group and Bank)

At 31 December 2024 advances to companies where the Bank's directors or their families exert significant influence amounted to KShs 551,371,000 (2023: KShs 515,098,000).

At 31 December 2024 advances to employees amounted to KShs 833,142,000 (2023: KShs 908,054,000). The movement in advances to related parties is as shown below:

v) Loans and Advances to Staff

Group and Bank	2024 KShs '000	2023 KShs '000
At start of year	833,142	908,054
Issued during the year	197,865	240,784
Repaid during the year	(211,264)	(315,696)
At end of year	819,743	833,142

Interest earned on staff loans during the year amounted to KShs 70,449,000 (2023: KShs 72,771,000).

## Notes to the Financial Statements (Continued)

### 35. Related Party Transactions (Continued) v) Loans and Advances to Staff (Continued)

The Bank has entered into loan transactions with its directors and associates as follows:

#### Loans and Advances to Directors

Group and Bank	2024 KShs '000	2023 KShs '000
At start of year	551,270	515,099
Interest charged	74,717	61,778
Loans disbursed	59,944	21,034
Repaid during the year	(78,171)	(70,809)
Net movement in overdraft balances	(1,370)	24,168
At end of year	606,390	551,270
Interest income earned on these advances	74,717	61,778

Provisions amounting to KShs 25,248,847 have been recognised in respect of loans given to related parties as at 31 December 2024 (2023: 192,888).

At 31 December 2024, customer deposits include deposits due to directors or their families and employees of KShs 1,297,352,000 (2023: KShs 1,846,483,000).

#### (vi) Other Related Party Transactions

Rent expense payments to related parties during the year amounted to KShs 47,095,000 (2023: KShs 44,113,000).













# Proxy Form

To: The Company Secretary  
Credit Bank PLC  
P O Box 61064 – 00200  
Nairobi

## Details

I/We:

ID No.:

Share Account No.:

Address:

Being a member/members of **Credit Bank PLC** (the Company) hereby appoint:

Name:

ID No.:

Proxy's Mobile No.:

Proxy's Email Address:

Or Failing Him/Her:

As my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 7<sup>th</sup> July 2025, Nairobi and at any adjournment thereof. I / We authorize my/our Proxy to cast the votes as they wish/according to my/our intentions as follows\*:

1. To receive and adopt the audited Balance Sheet and Financial Statements for the year ended 31 December 2024 together with the Directors' and Auditors' Reports thereon.

Approve  Disapprove  Abstain

2. To re-elect Directors in accordance with the Articles of Association:-

a. Mrs. Grace Wamuyu Nyachae, retires from office by rotation and, being eligible, offers herself for re-election.

Approve  Disapprove  Abstain

b. Mr. Moses Munywoki Mwendwa, retires from office by rotation and, being eligible, offers himself for re-election.

Approve  Disapprove  Abstain

c. Mr. Robinson Njagi Gachogu, retires from office by rotation and, being eligible, offers himself for re-election.

Approve  Disapprove  Abstain

d. Mr. Suleiman Kiggundu Jr, retires from office by rotation and, being eligible, offers himself for re-election.

Approve  Disapprove  Abstain

3. To approve the Directors' remuneration for the financial year 2025.

Approve  Disapprove  Abstain



# Proxy Form

4. To authorise the directors to fix the Auditors' remuneration.

Approve

Disapprove

Abstain

5. To re-appoint the Auditors, PricewaterhouseCoopers, who have indicated their willingness to continue in office in accordance with Section 719 (2) of the Companies Act, 2015 and subject to approval by Central Bank of Kenya.

Approve

Disapprove

Abstain

## 6. SPECIAL BUSINESS

Listing of the Bank's Shares on the Unquoted Securities Platform (USP) of the Nairobi Securities Exchange (NSE)

To consider and, if deemed fit, approve that:

Pursuant to the Shareholders' Resolution passed at the Annual General Meeting of the Company held on 23rd June 2023 authorizing the Company to demutualize its shares, the Company be authorised to apply for the admission and listing of its Ordinary Shares on the Unquoted Securities Platform (USP) of the Nairobi Securities Exchange (NSE), subject to the necessary regulatory approvals and compliance with the NSE Rules and the Capital Markets Authority (CMA) Regulations.

Approve

Disapprove

Abstain

Dated this          day of

Signature:

\*Unless specifically indicated, the proxy will vote as they wish.

## Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not to be a member of the Company. A form of proxy may be obtained from the bank's website [www.creditbank.co.ke](http://www.creditbank.co.ke) or the banks head office, One Africa Place, Westlands, Nairobi or our Company's Share Registrar, Custody and Registrars Services, at IKM Place, Tower B, 1<sup>st</sup> Floor, 5<sup>th</sup> Ngong Avenue, Nairobi. To be valid, a form of proxy must be duly completed by the member and must either be lodged with the Registrar of the Company at Custody and Registrars Services, at IKM Place, Tower B, 1<sup>st</sup> Floor, 5<sup>th</sup> Ngong Avenue, Nairobi or be posted to Custody and Registrars Services, P. O. Box 8484-00100 Nairobi, so as to reach the Registrar not later than 48 hours before the meeting or emailed to [proxy@@candr.africa](mailto:proxy@@candr.africa) in pdf format. Duly completed form must be supported by a copy of ID/valid Passport of the member.
2. In the case of a member being a corporation, the proxy must be under a common Seal or under the hand of an officer or attorney duly authorised.
3. Registration for the AGM opens on Monday 27<sup>th</sup> June, 2025 at 8:00 a.m. and will close on Friday 4<sup>th</sup>, July 2025 at 12:00 noon. Shareholders will not be able to register after 4<sup>th</sup>, July 2025 at 12:00 noon.
4. A full copy of the Audited Accounts and Financial Statements for the year ended 31 December 2024 may be viewed on the Bank website [www.creditbank.co.ke](http://www.creditbank.co.ke). A printed copy may be requested from the Bank's head office, One Africa Place, Westlands, Nairobi or our Company's Share Registrar, Custody and Registrars Services, at IKM Place, Tower B, 1<sup>st</sup> Floor, 5<sup>th</sup> Ngong Avenue, Nairobi between 9.00AM to 4.30PM from Monday to Thursday and Friday 8.30AM to 12.30PM.





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ISO 9001:2015 Certified

*Credit Bank PLC is Regulated by the Central Bank of Kenya*