

**EQUITY GROUP HOLDINGS PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**

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## **REGISTERED OFFICE**

9<sup>th</sup> Floor, Equity Centre  
Hospital Road, Upper Hill  
P.O. Box 75104 - 00200  
Nairobi, Kenya

## **LAWYERS**

Anjarwalla & Khanna (A&K)  
ALN House, Eldama Ravine Close,  
Off Eldama Ravine Road, Westlands  
P.O. Box 200 - 00606  
Nairobi, Kenya

Dentons Hamilton Harrison & Mathews  
1st Floor, Delta Office Suites  
Waiyaki Way  
P.O. Box 30333 - 00100  
Nairobi, Kenya

Dengtiel A. Kuur  
South Sudan Associated Advocates  
Chamber of Commerce Complex  
Summer Palace Business Hotel Close  
Juba, South Sudan

Mr. Frank Karemera  
F K Advocates  
KG 599 ST 50, Remera - Kigali  
Plot No.574 besides RCN Justice & Democratie Office  
P. O. Box 6936 Kigali, Rwanda

Maitre Jean Bosco Rusanganwa  
Avocat au Barreau du Rwanda  
P.O. Box - 1890 Avenue de la Justice  
Kigali, Rwanda

Mark & Associates Attorneys  
NIC Life House  
1<sup>st</sup> Floor, Wing C  
Sokoine Drive/Ohio Street  
P.O. Box - 8211  
Dar es Salaam, Tanzania

A.F. Mpanga Advocates  
9<sup>th</sup> Floor North Wing Workers House  
1 Pilkington Road  
P.O. Box - 1520  
Kampala, Uganda

Cabinet Kalongo Mbikayi  
Apartment 14 B, New Presidential Galleries  
Kinshasa, Democratic Republic of Congo

## **BANKERS**

Central Bank of Kenya  
P.O. Box 60000 - 00200  
Nairobi, Kenya

Equity Bank (Kenya) Limited  
P.O. Box 75104 - 00200  
Nairobi, Kenya

National Bank of Rwanda  
P.O. Box - 531  
Kigali, Rwanda

Bank of South Sudan (BOSS)  
P.O. Box - 136  
Juba, South Sudan

Bank of Tanzania  
P.O. Box - 2939  
Dar es Salaam - Tanzania

Central Bank of Congo  
P.O. Box - 2627  
Kinshasa, Democratic Republic of Congo

Bank of Uganda  
P.O. Box - 7120  
Kampala, Uganda

## **AUDITOR**

PricewaterhouseCoopers LLP  
PwC Tower  
Waiyaki Way/Chiromo Road, Westlands  
P.O. Box 43963 - 00100  
Nairobi, Kenya

## **COMPANY SECRETARY**

Lydia Ndirangu  
9<sup>th</sup> Floor, Equity Centre  
P.O. Box 75104 - 00200  
Nairobi, Kenya

The directors submit their report together with the audited financial statements of Equity Group Holdings Plc (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2024.

## PRINCIPAL ACTIVITIES

The principal activities of Equity Group Holdings Plc are:

- a) To carry on the business of a non-operating holding company as defined under the Banking Act;
- b) To employ the funds of the Group in the development and expansion of the business of the Group and all or any of its subsidiaries; and
- c) To co-ordinate the administration of and to provide advisory, administrative, management and other services in connection with the activities of its subsidiaries.

## RESULTS AND RECOMMENDED DIVIDEND

Profit for the year of Shs 48,824 million (2023: Shs 43,737 million) has been added to retained earnings. The directors recommend payment of a final dividend of Shs 4.25 per share (2023: Shs 4 per share).

## BUSINESS REVIEW

Equity Group Holdings remains resilient in its business model despite the economic headwinds. The Group's strategy has enabled it to further strengthen the balance sheet, providing a good platform for growth in the current macro-economic environment while maintaining cost discipline. The Group recorded a profit before tax of Shs 60,741 million (2023: Shs 51,879 million) representing a 17% year on year growth, with earnings per share increasing to Shs 12.34 up from Shs 11.12. Regional subsidiaries accounted for 56% of the profit before tax and 49% of total assets for the year.

The Group's total deposits grew to reach Shs 1,401 billion with the customer base growing to Shs 21.6 million, showcasing the scale and reach of the deposit franchise. The Group's liquidity position remains strong, with cash and cash equivalents rising by 19% to Shs 345 billion, while investment securities grew to Shs 512 billion, contributing to an overall liquidity ratio of 57%.

The Group demonstrated commitment to its shareholders by proposing a dividend of Shs 4.25 per share, a payout ratio of 34.5%, reinforcing its track record of delivering value to its shareholders. This is supported by a return on equity (ROE) of 21.5% and a return on assets (ROA) of 2.8%, both of which are well above industry averages.

This performance is coupled by strong capital buffers with core capital ratio of 17.3% (2023: 14.3%) and total capital ratio 19.0% (2023: 18.1%) versus regulatory threshold of 10.5% (2023: 10.5%) and 14.5% (2023: 14.5%) respectively.

As part of its ongoing transformation, Equity Group has continued to invest in technology, infrastructure, and diversification. The Group has modernized its digital channels, which now process 86% of all transactions, enabling customers to access a seamless, digital-first experience. Furthermore, ONE Equity, the Group's integrated digital platform, allows customers to access a wide range of products and services under a single umbrella, enhancing cross-selling and customer engagement.

The volume of business processed through Equity Mobile increased by 67% from Shs 1.895 trillion to Shs 3.174 trillion while Equity Online for business (EazzyBiz) increased by 21% from Shs 3.165 trillion to Shs 3.841 trillion and the interoperable Pay With Equity(PWE) for merchants increased by 14% from Shs 1.884 trillion to Shs 2.149 trillion, ATM increased by 21% from Shs 398.6 billion to Shs 481.4 billion as customers and Kenyans embraced the newly introduced Cash Deposit Machines which were rolled out last year to ease the pain for businesses looking to access their cash after banking hours. Branches are evolving to be more SME, large enterprises and corporates focused, transaction volume increased by 21% from Shs 4.176 trillion to Shs 5.046 trillion.

## **BUSINESS REVIEW (continued)**

The Equity Leaders Program (ELP) continues to make a significant impact, with 113 scholars having received full scholarships to pursue university education in top global universities. The program has already produced over 970 global scholars on full scholarship distributed across various sectors, having attended 233 different universities in 37 countries and 6 continents, 204 scholars have attended the Ivy League universities, contributing to the region's human capital development. The ELP program recently admitted a new cohort of 750 scholars into the pre-university internship program, bringing the total number of ELP scholars supported by the Group to date to 29,515. Cumulatively, the program has facilitated 9,700 paid internships and provided opportunities for 3,979 TVET scholars.

The Group remains a leader in climate action, having planted over 35 million trees and extended more than USD 200 million in climate finance to support climate resilience initiatives. In promoting clean energy transitions, Equity Group Foundation has championed the distribution of 466,975 clean energy products to households and institutions. Equity's commitment to sustainability is further highlighted by its focus on nature restoration and its adoption of the Taskforce for Nature Finance Disclosure (TNFD) framework.

In promoting economic empowerment, 2,477,358 women and youth received training in financial education with 634,059 MSMEs receiving capacity building in entrepreneurship. Under the Young Africa Works Program, Shs 340.8 billion has been disbursed to 323,303 MSMEs.

The Group's social protection programs have reached 5.79 million individuals, with Shs 164.2 billion disbursed via cash transfers. In health, the Equity Afya Clinics have cumulatively recorded 3,343,889 patient visits across 132 outpatient medical centers. This holistic approach underscores Equity Group's commitment to fostering sustainable development and improving livelihoods across the region

## **DIRECTOR**

The directors who served during the year and to the date of this report were:

Prof. Isaac Macharia	Chairperson
Dr. James Mwangi*	Group Chief Executive Officer & Managing Director
Mr. Samwel Kirubi*	
Mrs. Mary Wamae*	(Retired June 2024)
Dr. Helen Gichohi	
Mr. Vijay Gidoomal	
Dr. Edward Odundo	
Dr. Evans Baiya	
Mr. Jonas Mushosho**	
Mr. Samuel Mwale	(Appointed June 2024)
Mr. Clifford Sacks***	(Appointed August 2024)
* Executive Directors	
** Zimbabwean	
*** South African	

#### **STATEMENT AS TO DISCLOSURE TO THE GROUP'S AUDITOR**

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

- a) there is, so far as the director is aware, no relevant audit information of which the Group's auditor is unaware; and
- b) the director has taken all the steps that the director ought to have taken as a Director so as to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

#### **TERMS OF APPOINTMENT OF THE AUDITOR**

PricewaterhouseCoopers LLP continues in office in accordance with the Company's Articles of Association and Section 719 of the Companies Act, 2015.

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

**By order of the Board**



**SECRETARY**

**26 March 2025**

### **Information not subject to audit**

The Board reviews and recommends the remuneration structure of Directors annually, subject to Shareholder's approval. Directors' remuneration is linked to performance and is competitively structured to attract and retain the best talent to effectively develop the Group's business.

### **Executive Directors**

The Executive Directors remuneration package comprises core fixed elements (base salary, pension and other benefits). Executive Directors are eligible to participate in the Group's bonus scheme which is anchored on achievement of key business performance indicators but are not entitled to earn fees or other allowances.

### **Non-Executive Directors**

Non-Executive Directors are appointed for a renewable term of 3 years, subject to regulatory approval and shareholder ratification. They are obligated to act reasonably, in good faith and in the best interests of the Group and its shareholders. Non-Executive Directors are vested with the following key responsibilities:

- a) to constructively challenge and contribute to the development of strategy and extend the business of the Group;
- b) to monitor the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance; and
- c) to ensure that the financial information is accurate, and that financial controls and systems of risk management are robust and defensible.

Non-Executive Directors are entitled to fees for attending Board and Committee meetings, as well as an out of station per diem for attending to Group's business outside their usual place of business. Non-Executive Directors do not earn a salary and they do not participate in the Group's bonus schemes nor the Group's pension plan.

Upon retirement or termination, Non-Executive Directors are entitled to any accrued but unpaid Director's fees or reasonably incurred expenses but not to any other compensation.

### **Insurance**

The Group provides Directors' and Officers' Liability insurance for all Directors of the Group during the entire duration of their tenure.

### **Share Options**

There are currently no share options issued by the Group to the Executive and the Non-Executive Directors. Particulars of compensation of Directors and key personnel are disclosed in Note 32.



**Audited information**

The following table shows a single figure remuneration for the Chairman, Non-Executive Directors (NEDs) and Executive Directors in respect of qualifying services for the year ended 31 December 2024 together with the comparative figures for 2023. The aggregate Directors' emoluments are shown on Note 32 (e).

	Salary	Fees	Pension	Bonus	Other allowances	Gratuity	Leave pay	Estimated value for non-cash benefits	Total
Year ended 31 December 2024	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000
Dr. James Mwangi*	152,362	-	25	-	9,198	-	-	4,702	166,287
Mr. Samwel Kirubi*	54,012	-	3,245	-	-	-	-	-	57,257
Mrs. Mary Wamae*	28,408	-	1,765	-	-	-	-	-	30,173
Prof. Isaac Macharia	-	30,965	-	-	-	-	-	-	30,965
Dr. Helen Gichohi	-	5,134	-	-	-	-	-	-	5,134
Mr. Vijay Gidoomal	-	5,762	-	-	-	-	-	-	5,762
Dr. Edward Odundo	-	6,212	-	-	-	-	-	-	6,212
Mr. Jonas Mushosho	-	6,587	-	-	-	-	-	-	6,587
Dr. Evans Baiya	-	5,877	-	-	-	-	-	-	5,877
Mr. Samuel Mwale	-	5,534	-	-	-	-	-	-	5,534
Mr. Clifford Sacks	-	9,132	-	-	-	-	-	-	9,132
	234,782	75,203	5,035	-	9,198	-	-	4,702	328,920

\*Executive Directors: Executive Directors are not entitled to receive fees or allowances for attending meetings of the Company's Board and those of any subsidiary company of which they may be a director.

**Audited information (continued)**

	Salary	Fees	Pension	Bonus	Other allowances	Gratuity <sup>(1)</sup>	Leave pay	Estimated value for non-cash benefits	Total
Year ended 31 December 2023	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000
Dr. James Mwangi*	106,080	-	12	-	9,198	31,824	7,032	4,702	158,848
Mrs. Mary Wamae*	52,800	-	5,286	5,500	-	-	5,459	-	69,045
Prof. Isaac Macharia	-	17,717	-	-	-	-	-	-	17,717
Mrs. Evelyn Rutagwenda	-	11,791	-	-	-	-	-	-	11,791
Dr. Helen Gichohi	-	6,010	-	-	-	-	-	-	6,010
Mr. Vijay Gidoomal	-	5,801	-	-	-	-	-	-	5,801
Dr. Edward Odundo	-	4,915	-	-	-	-	-	-	4,915
Mr. Jonas Mushosho	-	4,837	-	-	-	-	-	-	4,837
Dr. Evans Baiya	-	40,405	-	-	-	-	-	-	40,405
	158,880	91,476	5,298	5,500	9,198	31,824	12,491	4,702	319,369

\*Executive Directors: Executive Directors are not entitled to receive fees or allowances for attending meetings of the Company's Board and those of any subsidiary company of which they may be a director.

<sup>(1)</sup> Gratuity paid in lieu of pension contribution over the past 2 years of service.

**On behalf of the Board**

  
\_\_\_\_\_  
Dr. James Mwangi  
Director

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

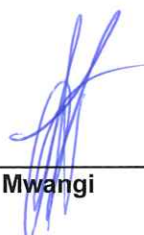
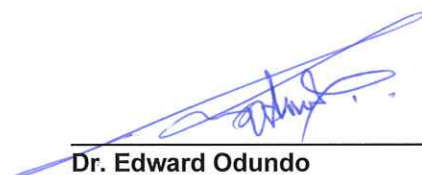
The directors accept responsibility for the preparation and presentation of these financial statements in accordance with IFRS Accounting Standards and in the manner required by the Companies Act, 2015. They also accept responsibility for:

- i) designing, implementing and maintaining such internal controls as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii) selecting suitable accounting policies and applying them consistently; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

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

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

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

  
\_\_\_\_\_  
**Dr. James Mwangi**  
Director  
\_\_\_\_\_  
**Dr. Edward Odundo**  
Director



**Independent auditor's report  
To the shareholders of Equity Group Holdings Plc**

**Report on the audit of the financial statements**

*Our opinion*

We have audited the accompanying financial statements of Equity Group Holdings Plc (the "Company") and its subsidiaries (together, the "Group") set out on pages 14 to 153, which comprise the consolidated statement of financial position at 31 December 2024 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 December 2024 and the Company statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and the notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company 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.

*Key audit matters*

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

Key audit matter	How our audit addressed the key audit matter
<b>Expected credit losses on loans and advances at amortised cost</b>  Loans and advances to customers comprise a significant portion of the Group's total assets. The estimation of expected credit losses (ECL) on loans and advances requires management judgment in the assumptions that are applied in the models used to calculate ECL.	We obtained the Group's methodology for determining ECL, including enhancements in the year, and evaluated this against the requirements of IFRS 9.



**Independent auditor's report  
To the shareholders of Equity Group Holdings Plc (continued)**

*Key audit matters (continued)*

Key audit matter	How our audit addressed the key audit matter
<p>The policies for estimating ECL are explained in notes 2 (j), 3 (a) and 4 (b) of the financial statements.</p> <p>The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include:</p> <ul style="list-style-type: none"> <li>the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) for the various segments;</li> <li>the judgments made to determine the staging of facilities in line with IFRS 9. In particular, the identification of <i>Significant Increase in Credit Risk</i> ("SICR") and <i>Default</i> requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used. Specific assumptions have been applied by management in determining the staging, PD and LGD for certain segments of the loan book;</li> <li>the relevance of forward-looking information used in the models;</li> <li>for certain individually assessed loans and advances, judgement is exercised in the consideration of quantitative and qualitative factors, and the mapping of these loans to external ratings.</li> </ul> <p>Due to the significant impact of management judgments applied in calculating the ECL, we designated this as a key audit matter in our audit.</p>	<p>We tested how the banking subsidiaries extract 'days past due (DPD)' applied in classifying the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model. In addition, we assessed the qualitative information applied by the Group in determining the appropriate staging.</p> <p>We obtained an understanding of the basis used to determine the probabilities of default. We tested the completeness and accuracy of the historical data used in derivation of PDs and LGDs, and re-calculated the same on a sample basis.</p> <p>We reviewed the approach used to estimate LGD at each point during the life of the exposure including time to realisation and the recovery rate calculations. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports.</p> <p>We tested, on a sample basis, the reasonableness of EAD for both on and off-balance sheet exposures.</p> <p>For forward-looking information, we assessed the appropriateness of the model, including assumptions applied; we corroborated the data using publicly available information; and assessed the reasonableness of the weightings applied to different scenarios to reflect the impact of current developments.</p> <p>For the loans whose PDs are derived from external ratings, we discussed with management and reviewed the appropriateness of their assessment and mapping to external ratings.</p> <p>We assessed whether the disclosures in the financial statements on the key judgements and assumptions were adequate.</p>



**Independent auditor's report  
To the shareholders of Equity Group Holdings Plc (continued)**

*Other information*

The other information comprises the Group and Company information, Directors' report, Directors' remuneration report and 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 Integrated Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

*Responsibilities of the directors for the financial statements*

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the requirements of the Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

*Auditor's responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.





**Independent auditor's report  
To the shareholders of Equity Group Holdings Plc (continued)**

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

*Report of the directors*

In our opinion, the information given in the Directors' report on pages 3 to 5 is consistent with the financial statements.

*Directors' remuneration report*

In our opinion, the auditable part of the directors' remuneration report on pages 6 to 8 has been properly prepared in accordance with the Companies Act, 2015.

*Bernice Kimacia*

**CPA Bernice Kimacia, Practicing Certificate Number 1457  
Engagement partner responsible for the audit**

**For and on behalf of PricewaterhouseCoopers LLP  
Certified Public Accountants  
Nairobi**

26 March 2025

**Consolidated statement of profit or loss**

	Notes	2024 Shs' millions	2023 Shs' millions
Interest income	6	185,344	164,214
Interest expense	6	(61,575)	(51,191)
<b>Net interest income</b>		<b>123,769</b>	<b>113,023</b>
Fee and commission income	7 (a)	44,821	40,821
Fee and commission expense	7 (b)	(12,558)	(11,876)
<b>Net fee and commission income</b>		<b>32,263</b>	<b>28,945</b>
Insurance revenue	9	1,429	1,657
Insurance service expense	10	(813)	(1,134)
<b>Insurance service result</b>		<b>616</b>	<b>523</b>
Net foreign exchange income	8	12,587	17,356
Other operating income	11	12,554	8,347
<b>Total net income</b>		<b>181,789</b>	<b>168,194</b>
Fair value gain on loan notes at FVTPL	22 (d)	2,440	(783)
Credit impairment losses	13	(23,261)	(32,954)
<b>Net operating income</b>		<b>160,968</b>	<b>134,457</b>
Employee benefits	14	(33,364)	(32,011)
Depreciation and amortisation	12	(8,151)	(7,321)
General and administrative expenses	18	(52,930)	(43,246)
Loss on net monetary position	40	(5,782)	-
<b>Operating expenses</b>		<b>(100,227)</b>	<b>(82,578)</b>
<b>Profit before income tax</b>		<b>60,741</b>	<b>51,879</b>
Income tax expense	20	(11,917)	(8,142)
<b>Profit for the year</b>		<b>48,824</b>	<b>43,737</b>
Profit attributable to:			
- Owners of the parent company		46,549	41,977
- Non-controlling interest		2,275	1,760
		<b>48,824</b>	<b>43,737</b>
<b>Earnings per share (basic and diluted) (Shs)</b>	34	<b>12.34</b>	<b>11.12</b>



**Consolidated statement of other comprehensive income**

	Notes	2024 Shs' millions	2023 Shs' millions
<b>Profit for the year</b>		48,824	43,737
<b>Other comprehensive income:</b>			
<i>Items that will be subsequently reclassified to profit or loss when specific conditions are met:</i>			
Fair value gains/(losses) on investments in financial instruments measured at FVOCI	23	23,194	(14,553)
Income tax relating to these items	26	(6,959)	4,366
		16,235	(10,187)
Exchange differences on translation of foreign operations		(22,820)	17,547
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Re-measurement of defined benefit obligation	30	2,270	(185)
Income tax relating to these items	26	(681)	56
		1,589	(129)
		(4,996)	7,231
<b>Total comprehensive income for the year, net of tax</b>		43,828	50,968
Total comprehensive income attributable to:			
- Owners of the parent company		41,615	46,693
- Non-controlling interest		2,213	4,275
		43,828	50,968

**Company statement of profit or loss and other comprehensive income**


	Notes	2024 Shs' millions	2023 Shs' millions
Interest income	6	1,389	782
Interest expense	6	(1,416)	(1,427)
<b>Net Interest income</b>		(27)	(645)
Dividend income	32 (h)	20,464	16,465
Other operating income (expenses)	11	2,202	(2,908)
<b>Operating income</b>		22,639	12,912
Employee benefits	14	(87)	(26)
Depreciation and amortisation	16 (a)	(2)	(2)
General and administrative expenses	18	(1,067)	(923)
<b>Operating expenses</b>		(1,156)	(951)
<b>Profit before income tax</b>		21,483	11,961
Income tax credit	20	(1,171)	583
<b>Profit for the year</b>		20,312	12,544
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		20,312	12,544

**Consolidated statement of financial position**

	Notes	2024 Shs' millions	2023 Shs' millions
<b>Assets</b>			
Cash, deposits, and balances due from financial institutions	21 (a)	344,609	289,253
Derivative financial assets	38	184	96
Investment securities	23	511,982	500,542
Due from related parties	32 (f)	67	141
Current income tax	20	2,949	1,088
Loans and advances to customers	22	819,236	887,380
Other assets	24	30,546	38,233
Reinsurance contract assets	25 (a)	1,655	1,623
Investment properties	16 (d)	6,087	7,497
Property and equipment	16 (a)	23,393	26,138
Right-of-use assets	16 (b)	9,775	8,446
Intangible assets	17	18,646	19,168
Deferred income tax	26	35,497	41,830
<b>Total assets</b>		<b>1,804,626</b>	<b>1,821,435</b>
<b>Liabilities</b>			
Deposits from customers	27	1,401,387	1,358,228
Borrowed funds	29	72,533	150,595
Other liabilities	28	46,736	57,857
Employee benefit obligations	30	2,163	2,262
Lease liabilities	16 (c)	11,131	9,591
Insurance contract liabilities	25 (b)	19,894	16,903
Current income tax	20	619	5,036
Deferred income tax	26	3,295	2,828
<b>Total liabilities</b>		<b>1,557,758</b>	<b>1,603,300</b>
<b>Equity</b>			
Share capital	31 (a)	1,887	1,887
Share premium		15,325	15,325
Retained earnings		248,872	216,393
FVOCI reserve		(23,985)	(40,220)
Statutory reserve		619	1,644
Foreign currency translation reserve		(8,729)	12,712
Other reserves		52	52
Equity attributable to owners of the Company		234,041	207,793
Non-controlling interests		12,827	10,342
<b>Total equity</b>		<b>246,868</b>	<b>218,135</b>
<b>Total equity and liabilities</b>		<b>1,804,626</b>	<b>1,821,435</b>

The financial statements on pages 14 to 153 were approved for issue by the Board of directors on 26 March 2025 and signed on its behalf by:

  
Dr. James Mwangi  
Director

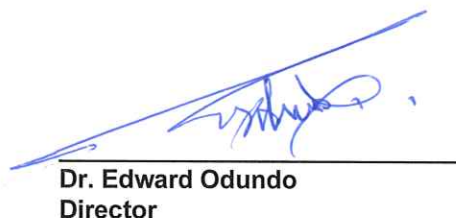
  
Dr. Edward Odundo  
Director

**Company statement of financial position**

		<b>2024</b>	<b>2023</b>
	<b>Notes</b>	<b>Shs' millions</b>	<b>Shs' millions</b>
<b>Assets</b>			
Cash, deposits and balances due from financial institutions	21(a)	22,148	20,335
Due from related parties	32(f)	903	905
Other assets	24	3,114	1,502
Current income tax	20	266	197
Property and equipment	16(a)	6	8
Investments in subsidiary companies	19(a)	101,632	100,586
Deferred income tax	26	-	964
<b>Total assets</b>		<b>128,069</b>	<b>124,497</b>
<b>Liabilities</b>			
Due to related parties	32(g)	15,158	13,986
Borrowed funds	29	13,225	16,111
Other liabilities	28	81	96
Deferred income tax	26	84	-
<b>Total liabilities</b>		<b>28,548</b>	<b>30,193</b>
<b>Equity</b>			
Share capital	31(a)	1,887	1,887
Share premium		15,325	15,325
Retained earnings		82,309	77,092
<b>Total equity</b>		<b>99,521</b>	<b>94,304</b>
<b>Total equity and liabilities</b>		<b>128,069</b>	<b>124,497</b>

The financial statements on pages 14 to 153 were approved for issue by the Board of directors on 26 March 2025 and signed on its behalf by:

  
\_\_\_\_\_  
**Dr. James Mwangi**  
Director

  
\_\_\_\_\_  
**Dr. Edward Odundo**  
Director

**Consolidated statement of changes in equity**

	Notes	Share capital	Share premium	Attributable to owners of the Parent			Foreign currency translation reserve	Other Reserves	Total	Non-controlling interests	Total equity
		Shs' millions	Shs' millions	Retained earnings Shs' millions	Statutory reserve Shs' millions	FVOCI Reserve Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
<b>Year ended 31 December 2024</b>											
At start of year		1,887	15,325	216,393	1,644	(40,220)	12,712	52	207,793	10,342	218,135
<b>Total comprehensive income:</b>											
Profit for the year		-	-	46,549	-	-	-	-	46,549	2,275	48,824
Other comprehensive income		-	-	-	-	16,235	(21,441)	-	(5,206)	210	(4,996)
		-	-	46,549	-	16,235	(21,441)	-	41,343	2,485	43,828
Loan loss reserve transfers	31(d)	-	-	1,025	(1,025)	-	-	-	-	-	-
Dividends declared and paid	31(g)	-	-	(15,095)	-	-	-	-	(15,095)	-	(15,095)
At end of year		1,887	15,325	248,872	619	(23,985)	(8,729)	52	234,041	12,827	246,868

**Consolidated statement of changes in equity (continued)**

	Notes	Share capital	Share premium	Attributable to owners of the Parent			Foreign currency translation reserve	Other Reserves	Total	Non-controlling interests	Total equity
				Retained earnings	Statutory reserve	FVOCI Reserve					
Year ended 31 December 2023		Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
At start of year		1,887	15,325	189,573	1,582	(30,033)	(2,191)	52	176,195	6,016	182,211
Non-controlling interests from business acquisition	19	-	-	-	-	-	-	-	-	51	51
		1,887	15,325	189,573	1,582	(30,033)	(2,191)	52	176,195	6,067	182,262
<b>Total comprehensive income:</b>											
Profit for the year		-	-	41,977	-	-	-	-	41,977	1,760	43,737
Other comprehensive income		-	-	-	-	(10,187)	14,903	-	4,716	2,515	7,231
		-	-	41,977	-	(10,187)	14,903	-	46,693	4,275	50,968
Loan loss reserve transfers	31(d)	-	-	(62)	62	-	-	-	-	-	-
Dividends declared and paid	31(g)	-	-	(15,095)	-	-	-	-	(15,095)	-	(15,095)
At end of year		1,887	15,325	216,393	1,644	(40,220)	12,712	52	207,793	10,342	218,135

**Company statement of changes in equity**

	Note	Share capital Shs' millions	Share premium Shs' millions	Retained earnings Shs' millions	Total equity Shs' millions
<b>Year ended 31 December 2024</b>					
At start of year		1,887	15,325	77,092	94,304
<b>Total comprehensive income:</b>					
Profit for the year		-	-	20,312	20,312
Dividends paid		-	-	(15,095)	(15,095)
At end of year		1,887	15,325	82,309	99,521
<b>Year ended 31 December 2023</b>					
At start of year		1,887	15,325	79,643	96,855
<b>Total comprehensive income:</b>					
Profit for the year		-	-	12,544	12,544
Dividends paid		-	-	(15,095)	(15,095)
At end of year		1,887	15,325	77,092	94,304

**Consolidated statement of cash flows**

	Notes	2024 Shs' millions	2023 Shs' millions
<b>Cash flows from operating activities</b>			
Cash generated from operations	33	185,834	238,263
Income taxes paid	20	(15,871)	(9,631)
<b>Net cash flows from operating activities</b>		<b>169,963</b>	<b>228,632</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	16(a)	(5,830)	(7,254)
Proceeds from sale of property and equipment		3,142	16
Purchase of investment properties	16(d)	-	(37)
Purchase of intangible assets	17(a)	(1,594)	(3,814)
Purchase of investment securities	23	(159,545)	(308,817)
Proceeds from sale / maturity of investment securities	23	133,137	199,038
Acquisition of subsidiary, net of cash acquired		-	919
<b>Net cash flows used in investing activities</b>		<b>(30,690)</b>	<b>(119,949)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to ordinary shareholders	31(g)	(15,095)	(15,095)
Proceeds from borrowed funds	29	17,265	42,011
Repayment of borrowed funds	29	(85,011)	(57,137)
Interest paid on borrowed funds	29	(12,101)	(28,403)
Interest paid on leases	16(c)	(729)	(602)
Principal elements of lease payments	16(c)	(2,689)	(2,327)
<b>Net cash flows used in financing activities</b>		<b>(98,360)</b>	<b>(61,553)</b>
<b>Net increase in cash and cash equivalents</b>		<b>40,913</b>	<b>47,130</b>
Cash and cash equivalents at start of year		193,738	147,802
Effect of foreign exchange differences		12,150	(1,194)
<b>Cash and cash equivalents at end of year</b>	21 (a)	<b>246,801</b>	<b>193,738</b>



**Company statement of cash flows**

		<b>2024</b>	<b>2023</b>
	<b>Notes</b>	<b>Shs' millions</b>	<b>Shs' millions</b>
<b>Cash flows from operating activities</b>			
Profit before income tax		21,483	11,961
<b>Adjustments for:</b>			
Depreciation on property and equipment	16 (a)	2	2
Interest expense on term borrowings	29	1,416	1,427
Dividends income		(20,464)	(16,465)
Foreign exchange differences on borrowings	29	(2,775)	3,355
<b>Operating loss before changes in operating assets and liabilities</b>		(338)	280
<b>Movement in operating assets and liabilities</b>			
Other assets		(1,612)	222
Due from related parties		2	(902)
Due to related parties		1,172	13,439
Other liabilities		(15)	82
<b>Cash generated from operations</b>		(791)	13,121
Income taxes paid	20	(192)	(112)
<b>Net cash flows from operating activities</b>		(983)	13,009
<b>Cash flows from investing activities</b>			
Investment in subsidiaries		(1,046)	(7,153)
Purchase of property and equipment	16 (a)	-	(1)
Dividends received		20,464	16,465
<b>Net cash flows from investing activities</b>		19,418	9,311
<b>Cash flows from financing activities</b>			
Interest paid on borrowed funds	29	(1,527)	(1,300)
Dividends paid	31 (g)	(15,095)	(15,095)
<b>Net cash flows used in financing activities</b>		(16,622)	(16,395)
<b>Net increase in cash and cash equivalents</b>		1,813	5,925
Cash and cash equivalents at start of year		20,335	14,410
<b>Cash and cash equivalents at end of year</b>	21	22,148	20,335

## Notes

### 1 Corporate information

Equity Group Holdings Plc (the "Company") is a limited liability company incorporated under the Companies Act, 2015 and is domiciled in Kenya. The Company is licensed under the Kenyan Banking Act (Chapter 488).

The Company has subsidiaries in Kenya, Uganda, South Sudan, Rwanda, Tanzania and the Democratic Republic of Congo. It also has a representative office in Ethiopia. The Company shares are listed on the Nairobi Securities Exchange, Uganda Securities Exchange and Rwanda Securities Exchange.

### 2 Material accounting policies

The material accounting policies applied in the presentation of the Group and Company's annual financial statements are set out below. The accounting policy elections below apply to the Group and company, and are applied to all years presented, unless otherwise stated.

#### (a) Basis of preparation

The Group's and Company's financial statements have been prepared in accordance with IFRS Accounting Standards. The measurement basis applied is the historical cost basis, except for fair value through other comprehensive income investments, derivatives and loan notes at fair value through profit or loss which have been measured at fair value.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Group and Company 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.

#### (b) Changes in accounting policy and disclosures

##### (i) *New standards, amendments and interpretations by the Group and Company*

The following standards and amendments have been applied by the Group for the first time for the financial year beginning 1 January 2024:

##### *Amendments to IAS 1 - classification of liabilities as current or non-current*

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

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments did not have an impact on the Group's and Company's statement of financial position, which is presented in order of liquidity

**Notes (continued)**

**2 Material accounting policies (continued)**

**(b) Changes in accounting policy and disclosures (continued)**

*(i) New standards, amendments and interpretations by the Group and Company (continued)*

*Amendments to IAS 1 - Non-current Liabilities with covenants*

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period.

This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments did not have an impact on the Group's and Company's statement of financial position, which is presented in order of liquidity.

*Amendments to IFRS 16 – Leases - Lease liability in a sale and leaseback*

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15 is a lease liability.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

**Notes (continued)**

**2 Material accounting policies (continued)**

**(b) Changes in accounting policy and disclosures (continued)**

*(i) New standards, amendments and interpretations by the Group and Company (continued)*

*Amendments to IAS 7 - Statement of cash flows and IFRS 7 - Financial instruments: Disclosures titled Supplier Finance Arrangements*

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

*(ii) Standards, interpretations and amendments issued but not effective and have not been early adopted by the Group and Company*

Title	Key requirements	Effective date
<i>Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7</i>	<p>On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments).</p> <p>The Amendments include:</p> <ul style="list-style-type: none"> <li>• A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date</li> <li>• Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed</li> <li>• Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments</li> <li>• The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)</li> </ul> <p>The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Group is currently not intending to early adopt the Amendments.</p> <p>With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Bank is currently performing an assessment of all material electronic payment systems utilised in the various jurisdictions it operates, in order to assess whether the amendments will result in a material change with respect to current practices and whether it meets the conditions to apply the accounting policy option to derecognise such financial liabilities before the settlement date. Moreover, the Bank is reviewing all its other payment systems (such as cheques, credit cards, debit cards) to ensure that the corresponding financial assets are derecognised when the right to cash flows are extinguished and that the corresponding financial liabilities are derecognised on settlement date.</p>	1 January 2026

**Notes (continued)**

**2 Material accounting policies (continued)**

**(b) Changes in accounting policy and disclosures (continued)**

- (ii) *Standards, interpretations and amendments issued but not effective and have not been early adopted by the Group and Company*

<b>Title</b>	<b>Key requirements</b>	<b>Effective date</b>
<i>Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7 (Continued)</i>	In addition, the Bank is assessing the impact of the Amendments on its financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features, as well as on non-recourse financing and contractually linked instruments. Based on the initial assessment performed, the amendments in these areas are not expected to have a material impact on the financial statements, however, the assessment is yet to be concluded.	1 January 2026
<i>IFRS 18 Presentation and Disclosure in Financial Statements</i>	<p>In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities, such as financial institutions, that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).</p> <p>It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.</p> <p>Narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.</p> <p>IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.</p>	1 January 2027

**Notes (continued)**

**2 Material accounting policies (continued)**

**(b) Changes in accounting policy and disclosures (continued)**

(iii) *Standards, interpretations and amendments issued but not effective and have not been early adopted by the Group and Company*

Title	Key requirements	Effective date
<i>Lack of exchangeability – Amendments to IAS 21</i>	<p>In August 2023, the IASB issued amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.</p> <p>The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.</p> <p>The amendments are not expected to have a material impact on the Group's financial statements.</p>	1 January 2025
<i>Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28</i>	<p>The IASB has made limited scope amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i>.</p> <p>The amendments clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 <i>Business Combinations</i>).</p> <p>Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.</p> <p>** In December 2015, the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.</p>	**n/a

**Notes (continued)**

**2 Material accounting policies (continued)**

**(b) Changes in accounting policy and disclosures (continued)**

- (iv) *Standards, interpretations and amendments issued but not effective and have not been early adopted by the Group and Company*

Title	Effective date	Key requirements
IFRS S1	<p>Annual periods beginning on or after 1 January 2024 (Published June 2023)</p> <p>Earlier application permitted as long as IFRS S2 Climate-related Disclosures is also applied.</p>	<p>The objective of IFRS S1 is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity.</p> <p>IFRS S1 requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as 'sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects').</p> <p>IFRS S1 prescribes how an entity prepares and reports its sustainability-related financial disclosures. It sets out general requirements for the content and presentation of those disclosures so that the information disclosed is useful to users in making decisions relating to providing resources to the entity.</p> <p>IFRS S1 sets out the requirements for disclosing information about an entity's sustainability-related risks and opportunities. In particular, an entity is required to provide disclosures about:</p> <ol style="list-style-type: none"> <li>the governance processes, controls and procedures the entity uses to monitor, manage and oversee sustainability-related risks and opportunities;</li> <li>the entity's strategy for managing sustainability-related risks and opportunities;</li> <li>the processes the entity uses to identify, assess, prioritise and monitor sustainability-related risks and opportunities; and</li> <li>the entity's performance in relation to sustainability-related risks and opportunities, including progress towards any targets the entity has set or is required to meet by law or regulation.</li> </ol>

**Notes (continued)**

**2 Summary of material accounting policies (continued)**

**(b) Changes in accounting policy and disclosures (continued)**

- (v) *Standards, interpretations and amendments issued but not effective and have not been early adopted by the Group*

<b>Title</b>	<b>Effective date</b>	<b>Key requirements</b>
IFRS S2	Annual periods beginning on or after 1 January 2024 (Published June 2023) . Earlier application permitted as long as IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information is also applied.	<p>IFRS S2 requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as 'climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects').</p> <p>IFRS S2 applies to:</p> <ol style="list-style-type: none"> <li>climate-related risks to which the entity is exposed, which are: <ol style="list-style-type: none"> <li>climate-related physical risks; and</li> <li>climate-related transition risks; and</li> </ol> </li> <li>climate-related opportunities available to the entity.</li> </ol> <p>IFRS S2 sets out the requirements for disclosing information about an entity's climate-related risks and opportunities. In particular, IFRS S2 requires an entity to disclose information that enables users of general purpose financial reports to understand:</p> <ol style="list-style-type: none"> <li>the governance processes, controls and procedures the entity uses to monitor, manage and oversee climate-related risks and opportunities;</li> <li>the entity's strategy for managing climate-related risks and opportunities.</li> <li>the processes the entity uses to identify, assess, priorities and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process; and</li> <li>the entity's performance in relation to its climate-related risks and opportunities, including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation.</li> </ol>

IFRS S1 and S2 are effective for periods beginning on or after 1 January 2024 but are subject to adoption by the local regulatory authorities. As at 31 December 2024, the Kenyan authorities had not indicated the effective date of adoption and hence these standards have not been adopted by the group.



**Notes (continued)**

**2 Material accounting policies (continued)**

**(c) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over fair value of the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date.

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

In the Company's financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses.

If the purchase consideration paid is less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

**Business combinations involving entities under common control**

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total face value of shares issued) is adjusted against the capital reserve. Any cost directly attributable to the combination is recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

**Notes (continued)**

**2 Material accounting policies (continued)**

**(d) Foreign currency translation**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The consolidated financial statements are presented in Kenya Shillings rounded off to the nearest million Shillings (Shs 'million), which is the Company's Functional and Presentation currency.

*(i) Transactions and balances*

Transactions in foreign currencies are initially recorded by the group entities at their respective Functional Currency prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the Functional Currency at the spot rate of exchange at the reporting date. All differences arising from non-trading activities are taken to other operating income in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of recognition.

*(ii) Group companies*

On consolidation, the assets and liabilities in foreign operations whose functional currencies are not the currency of a hyperinflationary currency are translated into Kenya Shillings at the spot rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated at average rates. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

*(iii) Hyperinflationary economies*

The Group considers an economy to be hyperinflationary if the cumulative inflation rate over three years is approaching, or exceeds, 100%. The financial statements of a subsidiary whose functional currency is the currency of a hyperinflationary economy are restated from historical cost into the measuring unit current at the end of the reporting period by applying a general price index.

The corresponding figures for the previous period and any information in respect of earlier periods is also stated in terms of the measuring unit current at the end of the reporting period. The restatement is based on conversion factors derived from Consumer Price Indices (CPI) (refer to Note 40).

For the purpose of consolidation, the results and financial position of a subsidiary whose functional currency is the currency of a hyperinflationary economy are translated into Kenya Shillings at the spot rate of exchange prevailing at the reporting date. However, the comparative amounts are those that were presented in the prior year financial statements.

**(e) Recognition of interest income, dividend and interest expense**

Revenue is recognised as control is passed, either over time or at a point in time. The Group recognises revenue over time after each performance obligation is fulfilled.

Interest income and expense are recognised in profit or loss on the Effective Interest Rate (EIR) method. Interest income and expense presented in the statement of profit or loss include:

- Interest on financial assets and liabilities measured at amortised cost and debt instruments classified as FVOCI, calculated using the effective interest rate (EIR). The calculation takes into account all of the contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. When the recorded value of a financial asset or a group of similar financial assets has been reduced by an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.
- Dividend income is recognised when the Company's right to receive that payment is established.

**Notes (continued)**

**2 Material accounting policies (continued)**

**(f) Fee and commission income and expense**

Fees and commissions charged for services provided or received by the Group are recognised as the services are provided or received, for example on completion of an underlying transaction.

**(g) Net foreign exchange income**

Net foreign exchange income arises from both the sale and purchase of investment securities, margins which are achieved through market-making and customer business and from changes in fair value caused by movements in interest and exchange rates and other market variables.

Gains or losses on assets or liabilities are included in profit or loss under net foreign exchange income.

**(h) Leases**

*(i) Determination*

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

*(ii) Group as a lessee*

The Group leases various offices and are typically made for fixed periods of 6 months to 10 years but may have extension options. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. For leases of real estate for which the group is a lessee, it has elected to separate lease and non-lease components and instead accounted for them as separate component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

**Notes (continued)**

**2 Material accounting policies (continued)**

**(h) Leases (continued)**

*(iii) Group as a lessee*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in the financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

*(iii) Group as lessor*

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

**Notes (continued)**

**2 Material accounting policies (continued)**

**(i) Income tax**

The income 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 the tax 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. It establishes 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 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 substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised 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 profits will be available against which the temporary differences can be utilised.

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

**(j) 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.

**Notes (continued)**

**2 Material accounting policies (continued)**

**(j) Financial assets and liabilities (continued)**

*(i) Classification and subsequent measurement (continued)*

**Financial assets (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 Group 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. The Group currently has no equity investments held at FVOCI.

***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.

**Notes (continued)**

**2 Material accounting policies (continued)**

**(j) Financial assets and liabilities (continued)**

*(i) Classification and subsequent measurement (continued)*

**Financial assets (continued)**

***Fair Value through Profit or Loss (FVTPL) (continued)***

The Group classifies derivative financial assets and loan notes 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.

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

***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.

**Notes (continued)**

**2 Material accounting policies (continued)**

**(j) Financial assets and liabilities (continued)**

*(i) Classification and subsequent measurement (continued)*

**Financial assets (continued)**

***Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI) (continued)***

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.

The prevailing rates are generally based on a regulator's rate and include a discretionary spread (Margin). In these cases, the Group will assess 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.

Interest rate on loans made by other banking subsidiaries within the Group are based on the prevailing market rates depending on the specific country of operation.

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 another asset) 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.



**Notes (continued)**

**2 Material accounting policies (continued)**

**(j) Financial assets and liabilities**

*(i) Classification and subsequent measurement*

**Financial assets (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 will be 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:

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

**Notes**

1. Subject to meeting the SPPI criterion.

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

## Notes (continued)

### 2 Material accounting policies (continued)

#### (j) Financial assets and liabilities

##### *(i) Classification and subsequent measurement (continued)*

##### **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 Group'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; and
- 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.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (j) Financial assets and liabilities

##### *(i) Classification and subsequent measurement (continued)*

##### **Interest income recognition**

According to IFRS 9 paragraph 5.4.1 interest revenue shall be calculated by using the effective interest method. 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; and
- 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, and interest on these accounts is calculated on the gross carrying amount and not recognised in profit or loss but rather suspended in the statement of financial position.

##### **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 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.

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 expected credit losses (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.

**Notes (continued)**

**2 Material accounting policies (continued)**

**(j) Financial assets and liabilities**

*(i) Classification and subsequent measurement (continued)*

**Assets that are credit-impaired on initial recognition (continued)**

*Modifications*

When the contractual cash flows of a POCL 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*

The 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 FVPL.

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 Group 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.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (j) Financial assets and liabilities

(ii) *Impairment – financial assets, loan commitments and financial guarantee contracts (continued)*

##### **Measurement of expected credit losses**

ECLs are a probability-weighted estimate of credit losses and have been 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 Group 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 Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Group 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 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.

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

##### **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 x LGD x 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 IFRS 16 Leases. The Group 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:

## Notes (continued)

### 2 Material accounting policies (continued)

#### (j) Financial assets and liabilities

(ii) *Impairment – financial assets, loan commitments and financial guarantee contracts (continued)*

##### **The General Approach (continued)**

**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).

$$\text{ECL}_{12m} = \text{PD}_{12m} \times \text{LGD}_{12m} \times \text{EAD}_{12m} \times \text{D}_{12m}$$

**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).

$$\text{ECL}_{LT} = \sum_{t=1}^T \text{PD}_t \times \text{LGD}_t \times \text{EAD}_t \times \text{D}_t$$

**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.

Where: **D** – discounting factor and **t** - time

The table below shows the link between the regulator risk classifications, internal grading and the IFRS 9 stage allocation for assets for banking subsidiaries in the Group.

Central Banks Guidelines	Days past due	Internal grading	Stage allocation
Normal	0-30	1	1
Watch	31-90	2	2
Substandard	91-180	3	3
Doubtful	181 - 365	4	3
Loss	Over 365 or considered uncollectible	5	3

##### **Definition of default**

The Group will consider a financial asset to be in default when:

- the borrower is unlikely to pay their credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Group. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Group; 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 regulator definition that will be used for regulatory purposes. In assessing whether a borrower is in default, the Group will consider 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;

## Notes (continued)

### 2 Material accounting policies (continued)

#### (j) Financial assets and liabilities

(ii) *Impairment – financial assets, loan commitments and financial guarantee contracts (continued)*

##### **Definition of default (continued)**

- it 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 (SICR)**

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 Group's historical experience, expert credit assessment and forward-looking information.

The Group identifies a significant increase in credit risk where

- exposures have a regulatory risk rating of 'WATCH';
- 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 an exposures:
  - credit risk quality at the date of reporting; with
  - the credit risk quality on initial recognition of the exposure.

The Group has not followed an overall blanket approach to the ECL impact of COVID-19 (where COVID-19 is seen as a significant increase in credit risk (SICR) trigger that will result in the entire portfolio of advances moving into their respective next staging bucket). The Group incorporated qualitative factors to assess significant increase in credit risk on these loans as below:

- All loans whose business activity, in our assessment, was significantly lower than the pre-COVID period as at 31 December 2021, was considered to have a significant increase in credit risk and downgraded to Stage 2.
- Loans in high risk industry segments (see the section "Restructuring" below) were assessed for significant increase in credit risk.

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 regulator which requires the prediction of the risk of default and applying experienced credit judgement. The Group 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 Group 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.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (j) Financial assets and liabilities

##### *(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)*

##### ***Determining whether credit risk has increased significantly***

The Group has established 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 has been aligned with the Group's internal credit risk management process. The criteria for determining whether credit risk has increased significantly varies 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 Group 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 Group 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 has included 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 will presumptively consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Group will determine 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 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.



**Notes (continued)**

**2 Material accounting policies (continued)**

**(j) Financial assets and liabilities**

*(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)*

**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 Group'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.

However, on the onset of the COVID-19 pandemic, the impact of the containment measures on the economy made it imperative for the Group to support its customers. The Group's view was that the economic impacts of the pandemic will be felt for a period of three to five years before there is full recovery. The Group therefore accommodated its customers to cushion them from the economic downturn by rescheduling their loan facilities for a period of 6 months to 36 months. The length of the period of accommodation depended on the impact of the pandemic on the industry in which the customer operates. The Group segregated the loan book into low risk, medium risk and high risk based on the industry. For example, Agriculture was rated as low risk, Mining as medium risk and Tourism and Hospitality and Real Estate as High Risk. The Group then accommodated for different periods depending on the level of risk.

The accommodation given to customers was given due to a macro economic issue that was facing customers in impacted industries. This was not an issue of an individual customer exhibiting significant increase in credit risk or default. These accommodations were therefore exempted from the general policy of a restructure being necessarily an indicator of significant increase in credit risk or default. This is fully compliant with the requirements of IFRS 9 and the Central Bank prudential guidelines. These loans are however monitored under a more stringent credit risk framework and judgmental factors are considered in the IFRS 9 provision methodology for these loans.

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 Group reverts to measuring 12-month ECLs.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (j) Financial assets and liabilities

*(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)*

##### **Restructuring (continued)**

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.

##### **ECL model**

##### **Segmentation**

In order to determine the ECL by modelling the PD, LGD and EAD for different loan accounts, the Group has segmented the loan book into twelve industries namely Building & Construction, Energy & Water, Financial Services, Food and Agriculture, ICT and Telecommunications, Manufacturing, Mining and Quarrying, Personal Household, Real Estate, Tourism and Hospitality, Trade and Transport & logistics. The PDs are determined at industry level, LGD at customer or industry level (based on collateral and collections respectively) and EAD at account level. Where a borrower has been in several industries historically the Group uses the borrower's current segmentation.

In addition to the on-balance sheet facilities, the Group considered treasury products (investment securities and placements with other banking institutions) and the off balance sheet facilities offered by the Group such as guarantees, letters of credit, overdrafts and credit cards where an exposure is present. The EAD for these facilities is based on whether there is a commitment by the Group to fund a customer and the rate of conversion of such facilities (Credit Conversion Factor – CCF).

##### **Risk parameters in measurement of ECLs**

The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

- PD;
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

These parameters has been derived from internally developed statistical models and other historical data that leverage regulatory models. They have been adjusted to reflect forward-looking information as described below.

**Notes (continued)**

**2 Material accounting policies (continued)**

**(j) Financial assets and liabilities**

*(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)*

**Probability of default**

Probability of Default (“PD”) refers to the likelihood of a default occurring and is a measure of the risk of default. In order to calculate IFRS 9 PD, there is a need to develop a PD term structure for calculating ECL (forward looking and lifetime PDs). PD estimates for loans and advances are estimates at a certain date, which has been calculated based on statistical migration matrices that model the chance of an exposure transitioning to default over time and has been assessed at portfolio level for portfolios of assets that have similar characteristics. PDs have been estimated based on the theory of Markov Chain process. The method requires information regarding transitions among credit states. Credit states are defined by rating classes. The Group reviews and updates the portfolio PDs on a semi-annual basis.

The Group has drawn yearly transition matrix of ratings to compute a value or transaction-based PD over the one year horizon for the past 3-5 years. The Group has built data to 5 years and update every year thereafter for new data. The PDs are approved by the relevant Board committees for them to take effect. Transition probabilities are determined from the actually observed number of transitions over the observed period of time. These PDs have been classified as per stage 1 and 2 which is driven by the central bank risk classifications, management view and DPD. This rating migration captures the movement of obligors into default at yearly intervals.

An average default rate of 5 years is used. Based on the transitions of counterparties within the stages in value terms, the default estimation is done by the transition matrix.

**Probability of default (continued)**

PD estimates for other exposures are estimates at a certain date, which will be calculated based on statistical rating tools and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data has also been used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. Lifetime PDs will be estimated considering the contractual maturities of exposures and estimated prepayment rates. Lifetime PDs are calculated using the Matrix Multiplication method utilising the Markov Chain method.

**LGD**

LGD is the forecast of the magnitude of the likely loss if there is a default. The Group has estimated LGD parameters based on collateral available for secured debt instruments against exposures and the history of recovery rates of claims against defaulted counterparties for unsecured portfolios.

*LGD by collateral*

The LGD models have considered the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. The Group will consider the eligibility of collateral. Collateral is eligible if the following can be demonstrated:

- Legal certainty and enforceability; and
- History of enforceability and recovery

LGD estimates have been calibrated for different collateral types. To reflect possible changes in property prices, the forced sale value (FSV) shall be considered for all collateral types.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (j) Financial assets and liabilities (continued)

##### *(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)*

The collateral values to consider have been calculated on a discounted cash flow basis using the effective interest. The table below highlights the Group's acceptable collateral types;

No	Collateral Type
1	Cash Under Lien
2	Corporate Guarantees
3	Debenture/Land
4	Government Guarantee
5	Hire Purchase Agreement
6	Land & Buildings-Commercial
7	Land & Buildings-Residential
8	Logbooks
9	Shares
10	Treasury Bonds/Bills

##### *LGD by Collections*

For the purpose of LGD estimation on its non-collateralized portfolio, the Group shall compute LGD based on actual recoveries on its defaulted portfolio over a period of at least 3- 5 years prior to the assessment date. To determine this recovery rate, the Group has identified the point in time when accounts first go into default in half year periods, filter out any non-performing loan (NPL) accounts that cure and for the remaining accounts obtain data on amounts collected. The difference between the value of the NPL accounts that do not cure and the collections from these accounts as a percentage of the original NPL accounts (NPL accounts that cured and did not cure) is determined as the LGD. For individually assessed unsecured accounts, the LGD is assessed based on the circumstances of the facility.

##### **Exposure at default (EAD)**

EAD represents the expected exposure in the event of a default. The Group has derived the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is measured as:

$$\text{EAD} = \text{Outstanding exposure} + (\text{CCF} \times \text{Undrawn portion})$$

For lending commitments and financial guarantees, the EAD has considered the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which will be estimated based on behavioural study of historical patterns and forward-looking forecasts.

For revolving off-balance sheet positions, the CCF to be applied to the undrawn commitments have been derived from a behavioural study of historical patterns. In the case of undrawn commitments (i.e. undrawn portions of the Group's commitments for off-balance sheet items), if the terms of the contract clearly state that the commitment is unconditionally cancellable for any reason, the committed amounts for such arrangements has not be considered as EAD.

**Notes (continued)**

**2 Material accounting policies (continued)**

**(j) Financial assets and liabilities (continued)**

*(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)*

*Term of loan in calculating Lifetime ECL and determining the EAD*

As described previously in this document, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group will measure ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group will consider a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee. For overdrafts, guarantee facilities and other revolving facilities that include both a loan and an undrawn commitment component, the Group will measure ECLs over a period of one year unless the expected life of the exposure can be reasonably determined.

**Forward-looking information**

Under IFRS 9, the Group 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 advice from the Group's Executive Risk Committees (ALCO & CORC) and economic experts and 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. External information may include economic data and forecasts published by governmental bodies and monetary authorities in East Africa, supranational organisations such as the World Bank and the International Monetary Fund and selected private sector and academic forecasters. The base case represents a most-likely outcome and be aligned with information used by the Group for other purposes, such as strategic planning and budgeting. The other scenarios will represent more optimistic and more pessimistic outcomes. 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.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. These key drivers include, among others, inflation rates, GDP forecasts, balance of trade, unemployment rates and interest rates. Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets shall be developed based on analysing historical data over the previous 5 years. The economic scenarios used have been approved by the Group's Credit and Risk Committees.

*(iii) Fair value measurement*

The Group measures financial instruments such as derivatives, loan notes at FVTPL and 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.

**Notes (continued)**

**2 Material accounting policies (continued)**

**(j) Financial assets and liabilities (continued)**

*(iii) Fair value measurement (continued)*

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

**Notes (continued)**

**2 Material accounting policies (continued)**

**(j) Financial assets and liabilities (continued)**

*(iii) Fair value measurement (continued)*

	Class (as determined by the Group)	Subclasses
Financial assets		
Financial assets at fair value through profit or loss (FVTPL)	Financial assets held for trading	Derivative financial assets
	Financial assets designated at fair value through profit or loss	Loan notes at FVTPL
		Investment securities designated at FVTPL
		Insurance contract assets
Amortised cost	Deposits and balances due from financial institutions	
	Due from group companies	
	Loans and advances to customers	Term loans
		Mobile loans
		Credit cards
		Mortgages
		Overdrafts
	Others	
	Settlement and clearing accounts	
	Cash balances with central banks	
Other assets		
Investment securities		
Financial assets at fair value through other comprehensive income (FVOCI)	Investment securities	
	Employee benefit obligations	
Financial liabilities		
Financial liabilities at amortised cost	Deposits due to other financial institutions	
	Deposits from customers	
	Other liabilities	
	Insurance contract liabilities	
	Borrowed funds	
	Lease liabilities	
	Due to group companies	
Off-balance sheet financial instruments		
Loan commitments		
Guarantees, acceptances and other financial liabilities		

Fair-value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarised in Note 5 to the financial statements.

**Notes (continued)**

**2 Material accounting policies (continued)**

**(k) Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand and bank balances held with central banks in the countries in which the Group operates and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are classified and carried at amortised cost in the statement of financial position. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and balances with banks, unrestricted balances with central banks in the countries in which the Group operates and money market placements.

**(l) Property and equipment**

*(i) Recognition and measurement*

Items of property and equipment are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost includes any other costs directly attributable to bringing the asset to a working condition for its intended use and the present value of the estimated costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. After initial recognition, property and equipment are measured at cost less accumulated depreciation and impairment losses.

*(ii) Subsequent costs*

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as they are incurred.

*(iii) Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment in order to write down the carrying amount over its useful life to its residual value. Freehold land is not depreciated

The annual rates of depreciation (2.5% - 33.3%) in use are as follows:

Buildings	2.5%
Motor vehicles and Village cell banking vans	25%
Office equipment, furniture and fittings	12.5%
Computer hardware	33.3%
ATM machines, core banking hardware	20%

Leasehold improvements are written off over their estimated useful lives or the lease period, whichever is shorter. The assets' residual values, useful lives and methods of depreciation are reassessed at each financial year-end and adjusted prospectively, as a change in an estimate, if appropriate. Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other operating income in profit or loss in the year the asset is derecognised.



## Notes (continued)

### 2 Material accounting policies (continued)

#### (m) Intangible assets

The Group's intangible assets include the value of computer software. Costs associated with maintaining software programmes 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 group are recognised as intangible assets when the following criteria are met:

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

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite or indefinite. Intangible assets with finite lives are amortised over the useful lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. The intangible assets have a maximum useful life of ten years.

#### Acquired intangible assets

The customer relationship and core deposit intangible asset ("acquired intangible assets") were acquired as part of a business combination (Note 15 (a)). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives. Separately 'acquired intangible assets are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. The Group amortises intangible assets with a limited useful life, using the straight-line method over 1 period of 3 years. For brand name, this is not amortised since it has an indefinite useful life but assessed for impairment on an annual basis.

#### (n) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication that an asset may be impaired. If any such indication exists, then the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. Impairment losses are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

**Notes (continued)**

**2 Material accounting policies (continued)**

**(n) Impairment of non-financial assets (continued)**

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

**(o) Provisions**

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

**(p) Employee benefits**

*(i) Defined contribution schemes*

The Group contributes to statutory defined contribution pension schemes (the National Social Security Fund (NSSF)), for Kenya, Tanzania, Uganda and Democratic Republic of Congo employees. The Group also contributes to the Rwanda Social Security Fund for Rwanda employees and to a private pension fund for employees in South Sudan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The assets of the schemes are held in a separate trustee administered funds, which are funded by contributions from both the Group and employees.

*(ii) Defined benefit plan*

The Group has an unfunded defined benefit scheme for employees in DRC. The benefits provided by the defined benefit scheme are based on a formula taking into account years of service and remuneration levels, whilst the benefits provided by the defined contribution scheme are determined by accumulated contributions and returns on investments.

For the defined benefit plan, the liability recognised in the statement of financial position is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an interest rate equal to the yield on government securities that have a term to maturity approximating to the term of the related pension liability.

Actuarial gains and losses that arise are recognised in shareholders' equity and presented in the statement of other comprehensive income in the period they arise. The Group determines the net interest expense on the net defined liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognised in the income statement. When the defined benefit calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. The Group contributions to both schemes are charged to the statement of comprehensive income in the year to which they relate.

**Notes (continued)**

**2 Material accounting policies (continued)**

**(p) Employee benefits (continued)**

In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to the plan. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement (Note 29).

*(iii) Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus and leave if the group has a present obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(q) Segmental reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing the performance of the operating segments has been identified as the Group Strategy and Investment Committee that makes strategic decisions.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

**(r) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

**(s) Dividends**

Dividends are recognised as a liability and deducted from equity in the year in which they are declared when they are approved by the Company's Shareholders. Proposed dividends are disclosed as part of Note 30 (g).

**(t) Deposits from customers**

Deposits from customers are recognized and accounted for on receipt basis as liabilities. Interest expense is accrued on the deposits on a daily basis.

**(u) Work in progress**

Work-in-progress includes assets paid for but are not yet ready for the intended use and include software, computers and equipment. These are not depreciated and are capitalized when they get in the location and condition necessary for them to be capable of operating in the manner intended by management.

**Notes (continued)**

**2 Material accounting policies (continued)**

**(v) Fiduciary assets**

The Group entities provide trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless recognition criteria are met, are not reported in the financial statements, as they are not assets of the Group (Note 37).

**(w) Derivative financial assets and liabilities**

The Group enters into derivatives (currency forwards and swaps) for trading purposes. At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. The Group may take positions with the expectation of profiting from favourable movement in prices, rates or indices. The Group's exposure under derivative contracts is closely monitored as part of the overall management of its market risk. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income.

The Group uses the following derivative instruments:

*Currency forwards* - Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. The Group has credit exposure to the counterparties of forward contracts. Forward contracts are settled gross and result in market risk exposure.

*Currency swaps* - Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as a foreign currency rate. In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency.

*Currency spots* - Spot contracts are contractual agreements between two parties to exchange streams with immediate settlement (payment and delivery) on the spot date, which is normally two business days after the trade date.

**(x) 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 a 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 guarantees contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of loss allowance and;
- The premium received on initial recognition less recognition 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.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and 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 a provision.

**Notes (continued)**

**2 Material accounting policies (continued)**

**(y) Investment properties**

Buildings, or part of a building, (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and /or capital appreciation and are not occupied by the Group are classified as investment property and are non-current assets. Investment property is carried at fair value, representing open market value determined every three years by external valuers. Properties under construction and development sites with projected use as investment properties are valued at projected fair values considering current market conditions. Changes in fair values are included in investment income in the income statement.

**(z) Insurance contracts**

A contract is classified as an insurance contract where the Group accepts significant insurance risk from another party by agreeing to compensate that party if it is adversely affected by a specified uncertain future event. An insurance contract may also transfer financial risk, but is accounted for as an insurance contract if the insurance risk is significant. In addition, the Group issues investment contracts that transfer financial risk with no significant insurance risk, which are also accounted under IFRS 17 'Insurance Contracts'.

**i) Recognition, measurement, and presentation of insurance contracts**

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the company's estimates of the present value of future cash flows that are expected to arise as the company fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin (CSM).

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

Insurance finance income and expenses, disaggregated between profit or loss and other comprehensive income (OCI) for life risk and life savings contracts, are presented separately from insurance revenue and insurance service expenses. The company applies the premium allocation approach (PAA) to simplify the measurement of contracts in the non-life segment, except for groups of acquired contracts that do not qualify for the PAA. When measuring liabilities for remaining coverage, the PAA is similar to the company's previous accounting treatment. However, when measuring liabilities for incurred claims, the company now discounts the future cash flows unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in profit or loss. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised under insurance contract liabilities and are tested for recoverability. These deferred acquisition costs are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

**Notes (continued)**

**2 Material accounting policies (continued)**

**(z) Insurance contracts (continued)**

**ii) Transition**

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022 the company:

identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;

- Identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under IFRS 17, they are included in the measurement of the insurance contracts; and
- recognised any resulting net difference in equity.
- 

The company having commenced business in January 2022 only has transition impact effective 1 January 2022.

**iii) Classification**

Contracts under which the company accepts significant insurance risk are classified as insurance contracts. Contracts held by the company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the company to financial risk.

Insurance contracts may be issued, and reinsurance contracts may be initiated by the company, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated or acquired by the company, unless otherwise stated.

Some contracts entered into by the company have the legal form of insurance contracts but do not transfer significant insurance risk. These contracts are classified as financial liabilities and are referred to as 'investment contracts'.

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

All other insurance contracts and all reinsurance contracts are classified as contracts without direct participation features. Some of these contracts are measured under the PAA.

**Notes (continued)**

**2 Material accounting policies (continued)**

**(z) Insurance contracts (continued)**

**iv) Measurement**

On initial recognition, the company measures a group of insurance contracts as the total of:

(a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and

(b) the CSM. The fulfilment cash flows of a group of insurance contracts do not reflect the company's non-performance risk.

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of insurance contracts represents the unearned profit that the company will recognise as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the company (including assets for insurance acquisition cash flows under (iii)) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date.

A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue

**(v) Presentation**

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows under (iii)) are included in the carrying amount of the related portfolios of contracts.

The Company disaggregates amounts recognised in the statement of profit or loss and OCI into an insurance service result, comprising insurance revenue and insurance service expenses; and insurance finance income or expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

**Notes (continued)**

**2 Material accounting policies (continued)**

**(z) Insurance contracts (continued)**

**(v) Presentation (continued)**

Insurance revenue and insurance service expenses exclude any investment components and are recognised as follows:

**Insurance revenue – Contracts not measured under the PAA**

The company recognises insurance revenue as it satisfies its performance obligations – i.e. as it provides services under groups of insurance contracts. For contracts not measured under the PAA, the insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which the Group expects to receive consideration, and comprises the following items.

- A release of the CSM, measured based on coverage units provided.
- Changes in the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts which are recognised as insurance revenue and insurance service expenses at that date.
- Other amounts, including experience adjustments for premium receipts for current or past services for the life risk segment and amounts related to incurred policyholder tax expenses for the participating segment.
- 

**Insurance revenue – Contracts measured under the PAA**

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The company allocates the expected premium receipts to each period on the following bases:

- certain property contracts;
- the expected timing of incurred insurance service expenses;
- and other contracts: the passage of time.



## Notes (continued)

### 3 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

#### Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### *(a) Measurement of expected credit loss allowance*

The measurement of expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

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

- Determining the criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings for a forward-looking scenarios for each type of product / market and associated ECL;
- Establishing groups of similar assets for the purposes of measuring ECL; and
- Determining LGDs of individually assessed loan accounts.

The expected credit loss allowance on loans and advances is disclosed in more detail in Notes 13 and 22 (b).

##### *(b) Uncertain tax positions*

Significant judgment is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

##### *(c) Fair value of financial instruments*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date.

All financial instruments are initially recognized at fair value, which is normally the transaction price. Subsequent to initial recognition, some of the Group's financial instruments are carried at fair value. The fair values of quoted financial instruments in active markets are based on current prices with no subjective judgments. If the market for a financial instrument does not exist or is not active including for unlisted securities, the Group establishes fair value by using valuation techniques.

These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Where representative prices are unreliable because of illiquid markets, the determination of fair value may require estimation of certain parameters, which are calibrated against industry standards and observable market data, or the use of valuation models that are based on observable market data.

The fair value for the majority of the Group's financial instruments is based on observable market prices or derived from observable market parameters. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**Notes (continued)**

**3 Critical accounting estimates and assumptions (continued)**

*d) Income taxes*

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax balances and deferred tax provisions in the period in which such determination is made.

*e) Retirement benefits*

The cost of the defined benefit pension plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty and a change in any of the assumptions will alter the carrying amount of pension obligations. The assumptions used in determining the net cost (income) for pensions include the discount rate. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions.

*f) Leases*

The right of use is depreciated over the lease term considering the renewal option. The Group will renew the lease when it is reasonably certain that the lease location is still economically viable to conduct business. The Group will bear restoration costs upon relocation or end of lease where such is stipulated in the lease agreement.

**Notes (continued)**

**4 Financial risk management**

**(a) Introduction and overview**

The Group and Company have exposure to the following risks from its financial instruments:

- credit risk
- liquidity risk
- market risk
- capital risk

This note presents information about the Group's and Company's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. There were no changes in the risk and capital management policies during the current financial year.

*Risk management framework*

The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework. The Board has established the Board Risk Management Committee, which is responsible for developing and monitoring Group risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Risk Management Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Board Risk Management Committee is assisted in these functions by Risk Management Department. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board Risk Management Committee.

**(b) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks, and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure.

***Management of credit risk***

The Board of Directors has delegated responsibility for the management of credit risk to Group management through the Chief Executive Officer. Management has delegated this responsibility to head office and branch credit committees as prescribed in the Group's credit charter.

A separate Group Credit Committee, reporting to the Chief Executive Officer, is responsible for oversight of the Group's credit risk, including: *Formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

**Notes (continued)**

**4 Financial risk management (management)**

**(b) Credit risk (continued)**

***Management of credit risk (continued)***

- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits are allocated to head office and branch credit committees as stipulated in the Group's Credit Charter.
- *Reviewing and assessing credit risk* - The Group Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the branch concerned. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties, geographies and industries (for loans and advances) and by issuer, credit rating band, market liquidity and country (for investment securities).
- *Developing and maintaining the Group's risk grading* in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive / committee as appropriate. Risk grades are subject to regular reviews by Group's credit risk department.
- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Group Credit department on the credit quality of local portfolios and appropriate corrective action is taken.
- *Providing advice, guidance and specialist skills* to branches to promote best practice throughout the Group in the management of credit risk.

Each branch is required to implement Group credit policies and procedures, with credit approval authorities delegated from the Group Credit committee. Each branch has a credit risk manager who reports on all credit related matters to local management who report to Group management and the Group Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of branches and Group credit processes are undertaken by internal audit.

**Notes (continued)**

**4 Financial risk management (continued)**

**(b) Credit risk (continued)**

The maximum exposure to credit risk for the components of the statement of financial position at 31 December is their carrying amount as illustrated in the tables below:

<b>Group</b>		<b>2024</b>		<b>2023</b>	
<b>Credit exposures</b>	<b>Note</b>	<b>Shs' millions</b>	<b>%</b>	<b>Shs' millions</b>	<b>%</b>
<b>On – balance sheet items</b>					
Balances and deposits due from financial institutions*	21	263,950	16%	219,825	13%
Derivative financial assets	38	184	0%	96	0%
Investment securities	23	511,982	32%	500,542	31%
Due from related parties	32(f)	67	0%	141	0%
Loans and advances to customers at amortised cost	22(a)	815,869	50%	885,066	54%
Loans and advances to customers at FVTPL	22(d)	3,367	0%	2,314	0%
Other assets**	24	26,885	2%	26,941	2%
		<b>1,622,304</b>		<b>1,634,925</b>	
<b>Off-balance sheet items</b>					
Guarantees and standby letters of credit	35	122,748		140,357	
Letters of credit, acceptances and other credits	35	50,152		113,133	
		<b>172,900</b>		<b>253,490</b>	
		<b>1,795,204</b>		<b>1,888,415</b>	
<b>Company</b>					
<b>Credit exposures</b>					
<b>On – balance sheet items</b>					
Balances and deposits due from financial institutions	21	22,150	84%	20,337	89%
Due from related parties	32 (f)	1,103	4%	905	4%
Other assets	24	3,114	12%	1,502	7%
		<b>26,367</b>		<b>22,744</b>	

\*Balances and deposits due from financial institutions excludes cash at hand as disclosed under Note 21 (a) as this does not pose a credit risk. The credit risk on balances and deposits due from financial institutions, investment securities and derivative financial assets is limited as the counterparties are all recognised financial institutions with good reputation. None of the balances are past due or impaired and no collateral is held for these balances. ECL has been assessed using a 12 month ECL and is disclosed in Note 24.

Notes (continued)

4 Financial risk management (continued)

(b) Credit risk (continued)

\*\*Other assets are made up of settlement and clearing accounts, refundable deposits and other receivable balances. Prepayments are excluded as they do not pose a credit risk. The balances are settled no more than 12 months after the reporting date. All the balances are non-interest bearing. None of the other assets and balances due from related parties are past due or impaired. No collateral is held for these assets. Management has established a related entity risk management framework including mandatory credit checks with counter parties. The arising ECL and remeasurement in the year is shown in Note 24.

Letters of credit, acceptances, guarantees and performance bonds are issued by the Group, on behalf of customers, to guarantee performance by customers to third parties. The Group will only be required to meet these obligations in the event of default by the customers. The off-balance sheet items have been assessed for impairment and resulting ECL booked as part of the total provisions held for loans and advances.

*Exposure to credit risk – Loans and advances*

	2024			Total
	Stage 1 12-month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	
<b>Amortised cost</b>				
<b>Individually and collectively impaired</b>				
Grade 3: Substandard	-	-	18,376	18,376
Grade 4: Doubtful	-	-	70,521	70,521
Grade 5: Loss	-	-	20,835	20,835
<b>Gross amount</b>			109,732	109,732
Provision for impairment losses	-	-	(60,674)	(60,674)
<b>Carrying amount</b>	-	-	49,058	49,058
<b>Individually and collectively impaired</b>				
Grade 1: Normal	713,820	-	-	713,820
Grade 2: Watch	-	67,105	-	67,105
<b>Gross amount</b>	713,820	67,105	-	780,925
Provision for impairment losses	(6,680)	(7,434)	-	(14,114)
<b>Carrying amount</b>	707,140	59,671	-	766,811
<b>Total carrying amount</b>				815,869
<b>Fair value through profit or loss</b>				
Loan note				6,463
Fair value loss				(3,096)
<b>Carrying amount</b>				3,367
<b>Total carrying amount</b>				819,236

**Notes (continued)**

**4 Financial risk management (continued)**

**(b) Credit risk (continued)**

*Exposure to credit risk – Loans and advances (continued)*

	<b>2023</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>12 month ECL</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	
	<b>Shs' millions</b>	<b>Shs' millions</b>	<b>Shs' millions</b>	<b>Shs' millions</b>
<b>Amortised cost</b>				
<b>Individually and collectively impaired</b>				
Grade 3: Substandard	-	-	24,301	24,301
Grade 4: Doubtful	-	-	56,398	56,398
Grade 5: Loss	-	-	26,419	26,419
<b>Gross amount</b>	-	-	107,118	107,118
Provision for impairment losses	-	-	(51,785)	(51,785)
<b>Carrying amount</b>	-	-	55,333	55,333
<b>Individually and collectively impaired</b>				
Grade 1: Normal	749,455	-	-	749,455
Grade 2: Watch	-	98,566	-	98,566
<b>Gross amount</b>	749,455	98,566	-	848,021
Provision for impairment losses	(8,854)	(9,434)	-	(18,288)
<b>Carrying amount</b>	740,601	89,132	-	829,733
<b>Total carrying amount</b>				885,066
<b>Fair value through profit or loss</b>				
Loan note				7,850
Fair value loss				(5,536)
<b>Carrying amount</b>				2,314
<b>Total carrying amount</b>				887,380

Grade 1 and grade 2 represent loans and advances that are not impaired. Grade 3, grade 4 and grade 5 refer to loans and advances that have been impaired in line with the Group's credit policy and internal model. These represent the loans and advances that the Group cannot collect according to contractual terms of the loan agreements.

**Notes (continued)**

**4 Financial risk management (continued)**

**(b) Credit risk (continued)**

*Exposure to credit risk – Loans and advances (continued)*

*Impaired loans*

Impaired loans are loans which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements.

*Past due but not impaired loans*

These are loans where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the stage of collection of amounts owed to the Group.

*Allowances for impairment*

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

- Transfers between Stages 1, 2 and 3 reflective of significant increases (or decreases) of credit risk or loans and advances becoming credit impaired in the period, and the consequent “step up” or “step down” between 12-month and lifetime ECL;
- Allowance for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis.

*Write-off policy*

The Group writes off a loan balance when the credit department determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral have failed to cover the entire facility outstanding. For smaller balance standardised loans, write-off decisions are generally based on a product specific past due default history.

*Collateral on loans and advances*

The Group routinely obtains collateral and security to mitigate credit risk. The Group ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed.

Before attaching value to collateral, the business holding approved collateral must ensure that they are legally perfected and devoid of any encumbrances. Security structures and legal covenants are subject to regular review, to ensure that they remain fit for purpose and remain consistent with accepted local market practice.

The principal collateral types held by the Group 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.

Valuation of collateral taken is within agreed parameters. The valuation is performed on origination, periodically in line with the Group policy and in the course of enforcement actions. Collateral for impaired loans is reviewed regularly to ensure that it is still enforceable and that the impairment allowance remains appropriate given the current valuation.



**Notes (continued)**

**4 Financial risk management (continued)**

**(b) Credit risk (continued)**

*Collateral on loans and advances (continued)*

The Group has considered all relevant factors, including local market conditions and practices, before any collateral is realized.

The collateral held by the Group against loans and advances is as below;

	<b>Group 2024 Shs' millions</b>	<b>2023 Shs' millions</b>
Property	1,153,293	638,106
Equities	226	184
Other*	250,767	113,466
<b>Total</b>	<b>1,404,286</b>	<b>751,756</b>

\*Other includes log-books, cash cover, debentures and directors' guarantees.

The Group monitors concentration of credit risk by industry. An analysis of concentrations of credit risk at the reporting date is shown below:

	<b>Group 2024 Shs' millions</b>	<b>2023 Shs' millions</b>
<b>Concentration by sector</b>		
<i>Gross loans and advances (overall – amortised and fair value)</i>		
Personal household	233,263	235,177
Trade	239,545	278,645
Real estate	65,807	116,986
Mining & Quarrying	34,474	33,978
Transport and logistics	72,629	56,174
Financial services	61,176	20,837
Agriculture	39,286	32,032
Energy and water	67,224	33,551
Manufacturing	41,534	44,482
Building and construction	16,736	34,255
Tourism and Hospitality	22,638	75,534
ICT and Telecommunication	2,808	1,338
	<b>897,120</b>	<b>962,989</b>

*Exposure to credit risk – investment securities*

Investment securities comprise treasury bills and bonds held with various governments in the Group. No collateral is held for these assets. None of the other financial assets are either past due or impaired. The balances have been assessed for impairment using a 12 month ECL and the arising ECL is shown in Note 23.

## Notes (continued)

### 4 Financial risk management (continued)

#### (c) Liquidity risk

The definition of liquidity risk is the risk that the Group is unable to meet its obligations as they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows. Such outflows would deplete available cash resources for customer lending, trading activities and investments. These outflows could be principally through customer withdrawals, wholesale counterparties removing financing, collateral posting requirements or loan draw-downs. This risk is inherent in all banking operations and can be affected by a range of Group-specific and market-wide events which can result in: – an inability to support normal business activity; and – a failure to meet liquidity regulatory requirements.

During periods of market dislocation, the Group's ability to manage liquidity requirements may be impacted by a reduction in the availability of wholesale term funding as well as an increase in the cost of raising wholesale funds. Asset sales, balance sheet reductions and the increasing costs of raising funding will affect the earnings of the Group. In illiquid markets, the Group may decide to hold assets rather than securitising, syndicating or disposing of them. This could affect the Group's ability to originate new loans or support other customer transactions as both capital and liquidity are consumed by existing or legacy assets.

The efficient management of liquidity is essential to the Group in retaining the confidence of the financial markets and ensuring that the business is sustainable. Liquidity risk is managed through the Liquidity Risk Framework, which is designed to meet the following objectives:

- Maintain liquidity resources that are sufficient in amount and quality and a funding profile that is appropriate to meet the liquidity risk framework as expressed by the Board;
- maintain market confidence in the Group;
- set limits to control liquidity risk within and across lines of business;
- accurately price liquidity costs, benefits and risks and incorporate those into product pricing and performance measurement;
- set early warning indicators to identify immediately the emergence of increased liquidity risk or vulnerabilities including events that would impair access to liquidity resources;
- project fully over an appropriate set of time horizons cash flows arising from assets, liabilities and off-balance sheet items; and
- maintain a contingency funding plan ("CFP") that is comprehensive and proportionate to the nature, scale and complexity of the business and that is regularly tested to ensure that it is operationally robust.

#### Management of liquidity risk

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

To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Group has developed internal control processes and contingency plans for managing liquidity risk.

This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required. The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Group also has lines of credit that it can access to meet liquidity needs.

**Notes (continued)**

**4 Financial risk management (continued)**

**(c) Liquidity risk (continued)**

**Management of liquidity risk (continued)**

In accordance with the Group's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. Net liquid assets consist of cash, short-term bank deposits and liquid debt securities available for immediate sale, less deposit for banks and borrowings due to mature within the next month.

The Group stresses the importance of current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of core customer current and savings accounts, together with term funding with a remaining term to maturity in excess of one year.

Treasury maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Board Risk Management Committee.

*Exposure to liquidity risk*

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

Details of the reported Group ratios of net liquid assets to deposits at the reporting date and during the reporting period were as follows:

	<b>Kenya</b>	<b>Uganda</b>	<b>South Sudan</b>	<b>Rwanda</b>	<b>Tanzania</b>	<b>DRC</b>
<b>At 31 December 2024</b>						
At 31 December	80%	37%	147%	336%	33%	134%
Average for the year	74%	31%	137%	323%	31%	134%
Maximum for the year	82%	37%	151%	520%	35%	138%
Minimum for the year	66%	20%	103%	201%	27%	130%
Minimum statutory requirement	20%	20%	20%	100%	20%	100%
<b>At 31 December 2023</b>						
At 31 December	67%	32%	138%	282%	34.3%	132%
Average for the year	58%	31%	135%	282%	33.7%	132%
Maximum for the year	67%	37%	157%	374%	38.5%	146%
Minimum for the year	45%	24%	102%	209%	29.3%	124%
Minimum statutory requirement	20%	20%	20%	100%	20%	100%

**Notes (continued)**

**4 Financial risk management (continued)**

**(c) Liquidity risk (continued)**

**Analysis of financial assets and liabilities by remaining contractual maturities**

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at 31 December.

<b>Group 2024</b>	<b>Less than 3 months Shs' millions</b>	<b>3-6 months Shs' millions</b>	<b>6-12 months Shs' millions</b>	<b>1-5 years Shs' millions</b>	<b>More than 5 years Shs' millions</b>	<b>Totals Shs' millions</b>
<i>Financial assets</i>						
Balances and deposits due from financial institutions	304,853	3,797	6,101	3,646	2,290	320,687
Loans and advances to customers	235,016	37,987	93,990	471,205	215,189	1,053,387
Investment securities	18,145	41,071	47,173	255,939	441,662	803,990
Derivative financial assets	184	-	-	-	-	184
Other assets	20,829	3,242	3,242	3,242	3,242	33,797
Due to related parties	67	-	-	-	-	67
<b>Total financial assets</b>	<b>579,094</b>	<b>86,097</b>	<b>150,506</b>	<b>734,032</b>	<b>662,383</b>	<b>2,212,112</b>
<i>Financial liabilities</i>						
Deposits from customers	631,440	116,910	164,824	477,112	71,968	1,462,254
Borrowed funds	17,375	1,620	4,443	49,238	5,520	78,196
Insurance contract liabilities	19,894	-	-	-	-	19,894
Lease liabilities	7,778	410	950	7,751	699	17,588
Other liabilities	13,732	7,094	7,502	15,004	6,685	50,017
<b>Total financial liabilities</b>	<b>690,219</b>	<b>126,034</b>	<b>177,719</b>	<b>549,105</b>	<b>84,872</b>	<b>1,627,949</b>
<b>Liquidity gap at 31 December 2024</b>	<b>(111,125)</b>	<b>(39,937)</b>	<b>(27,213)</b>	<b>184,927</b>	<b>577,511</b>	<b>584,163</b>
<i>Off-balance sheet items</i>						
Guarantees and standby letters of credit	16,717	7,165	21,132	24,390	16,717	86,121
Letters of credit, acceptances and other documentary credits	29,391	7,809	12,552	8,966	29,391	88,109
Capital commitments	28,716	12,095	3,020	102	28,716	72,649
Loans approved but not disbursed	30	51	1,944	278	30	2,333
<b>Total commitments and guarantees</b>	<b>74,854</b>	<b>27,120</b>	<b>38,648</b>	<b>33,736</b>	<b>74,854</b>	<b>249,212</b>

**Notes (continued)**

**4 Financial risk management (continued)**

**(c) Liquidity risk (continued)**

<b>Group 2023</b>	<b>Less than 3 months Shs' millions</b>	<b>3-6 Months Shs' millions</b>	<b>6-12 months Shs' millions</b>	<b>1-5 years Shs' millions</b>	<b>More than 5 years Shs' millions</b>	<b>Totals Shs' millions</b>
<i>Financial assets</i>						
Balances and deposits due from financial institutions	284,605	-	-	-	-	284,605
Loans and advances to customers	173,562	54,008	129,896	464,785	264,756	1,087,007
Investment securities	11,286	31,318	35,408	264,764	552,559	895,335
Derivative financial assets	96	-	-	-	-	96
Other assets	16,334	3,554	3,597	3,642	4,466	31,593
Due to related parties	141	-	-	-	-	141
<b>Total financial assets</b>	<b>486,024</b>	<b>88,880</b>	<b>168,901</b>	<b>733,191</b>	<b>821,781</b>	<b>2,298,777</b>
<i>Financial liabilities</i>						
Deposits from customers	788,845	67,496	125,881	398,522	672	1,381,416
Borrowed funds	7,860	2,151	15,932	120,961	5,254	152,158
Insurance contract liabilities	16,903	-	-	-	-	16,903
Lease liabilities	8,558	596	1,507	9,980	2,183	22,824
Other liabilities	18,206	8,551	8,902	11,533	8,497	55,689
<b>Total financial liabilities</b>	<b>840,372</b>	<b>78,794</b>	<b>152,222</b>	<b>540,996</b>	<b>16,606</b>	<b>1,628,990</b>
<b>Liquidity gap at 31 December 2023</b>	<b>(354,348)</b>	<b>10,086</b>	<b>16,679</b>	<b>192,195</b>	<b>805,175</b>	<b>669,787</b>
<i>Off-balance sheet items</i>						
Guarantees and standby letters of credit	21,256	15,028	59,601	28,734	-	124,619
Letters of credit, acceptances and other documentary credits	84,821	19,621	6,242	193	-	110,877
Capital commitments	53	57	9,046	321	-	9,477
Loans approved but not disbursed	4,487	1,766	83	184	-	6,520
<b>Total commitments and guarantees</b>	<b>110,617</b>	<b>36,472</b>	<b>74,972</b>	<b>29,432</b>	<b>-</b>	<b>251,493</b>

The effect of discounting balances with maturity profile of 3 months or below is not material.

Notes (continued)

4 Financial risk management (continued)

(c) Liquidity risk (continued)

Company 2024	Less than 3 months Shs' millions	3-6 months Shs' millions	6-12 months Shs' millions	1-5 Years Shs' millions	Over 5 Years Shs' millions	Totals Shs' millions
<b>Financial assets</b>						
Balances and deposits due from financial institutions	22,148	-	-	-	-	22,148
Due from related parties	903	-	-	-	-	903
Other assets	3,114	-	-	-	-	3,114
<b>Total financial assets</b>	26,165	-	-	-	-	26,165
<b>Financial liabilities</b>						
Due to related parties	15,158	-	-	-	-	15,158
Borrowed funds	13,225	-	-	-	-	13,225
Other liabilities	81	-	-	-	-	81
<b>Total financial liabilities</b>	28,464	-	-	-	-	28,464
<b>Liquidity gap at 31 December 2024</b>	(2,299)	-	-	-	-	(2,299)
<b>Company 2023</b>						
<b>Financial assets</b>						
Balances and deposits due from financial institutions	20,335	-	-	-	-	20,335
Due from related party	905	-	-	-	-	905
Other assets	1,502	-	-	-	-	1,502
<b>Total financial assets</b>	22,742	-	-	-	-	22,742
<b>Financial liabilities</b>						
Due to related parties	13,986	-	-	-	-	13,986
Borrowed funds	-	403	805	19,494	-	20,702
Other liabilities	96	-	-	-	-	96
<b>Total financial liabilities</b>	14,082	403	805	19,494	-	34,784
<b>Liquidity gap at 31 December 2023</b>	8,660	(403)	(805)	(19,494)	-	(12,042)

**Notes (continued)**

**4 Financial risk management (continued)**

**(d) Market risk**

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market risk includes non-traded market risk which is the risk of the Group being exposed to interest rate risk arising from loans, deposits and similar instruments held for longer term strategic purposes rather than for the purpose of profiting from changes in interest rates. Non-trading portfolios also consist of foreign exchange and price risks arising from the Group's amortised and FVOCI financial assets.

*Exposure to market risks – trading portfolios*

Market Risk exposures arising from the trading book are managed by the Treasury department whilst those arising from the non-trading activities are managed through the ALM (Asset and Liability Management) and ICAAP processes.

**Management of market risks**

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The Group's Treasury is responsible for the development of detailed market risk management policies and for day-to-day implementation of those policies.

Furthermore, it includes the protection and enhancement of the statement of financial position and statement of profit or loss and other comprehensive income and facilitating business growth within a controlled and transparent risk management framework.

All foreign exchange risk within the Group is managed by the Treasury department. Accordingly, the foreign exchange position is treated as part of the Group's trading portfolios for risk management purposes (refer to note 35).

Overall authority for market risk management is vested in the Board Risk Management Committee. The Finance and Treasury departments in collaboration with the Risk Management department are responsible for the development of detailed market risk management policies (subject to review and approval by Board Risk Management Committee) and for the day-to-day review of their implementation.

**Notes (continued)**

**4 Financial risk management (continued)**

**(d) Market risk (continued)**

**Market risk measurement techniques**

*(i) Value at risk*

The Group applies a 'value at risk' (VAR) methodology to its foreign currency trading to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that may be accepted for each banking subsidiary, which are monitored on a daily basis by the Treasury department of each banking subsidiary.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the banking subsidiary might lose, but only to a certain level of confidence (95%). There is therefore a specified statistical probability (5%) that actual loss could be greater than the VAR estimate. The VAR model assumes a certain 'holding period' until positions can be closed (1 day). It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over 1-day periods in the past. The Group's assessment of past movements is based on data for the past five years. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VAR constitutes an integral part of the Group's market risk control regime, VAR limits are established by the Board annually for all trading portfolio operations and allocated to business units. Actual exposure against limits is reviewed daily by the Treasury department of each banking subsidiary and centrally by Group Treasury. The result of the VAR testing in the year were within the acceptable thresholds.

*(ii) Stress tests*

The Group applies a 'stress test' methodology to its non-trading book. Interest rate risk in the non-trading book is measured through the use of interest rate repricing gap analysis. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The results of the stress tests are reviewed by heads of business unit and by the Board. The stress testing is tailored to the business and typically uses scenario analysis. The Group's test results in the year were within the expected threshold. Management continue to monitor the stress levels especially in light of COVID-19 to ensure the Group's risk profile is robust.

**Interest rate risk**

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The Board Risk Management Committee is the monitoring body for compliance with these limits and is assisted by Treasury back office and Finance department in the day-to-day monitoring activities, while Risk Management department carries out regular reviews. A summary of the Group's interest rate gap position on non-trading portfolios is as follows:



**Notes (continued)**

**4 Financial risk management (continued)**

**(d) Market risk (continued)**

**Interest rate risk (continued)**

*Financial assets and liabilities subject to interest rate fluctuations.*

Included in the table below are financial assets and financial liabilities at carrying amount categorised by earlier of contractual repricing or maturity date.

	<b>Carrying amount</b>	<b>Non- interest bearing</b>	<b>Less than 3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
<b>31-Dec-24</b>	<b>Shs' millions</b>	<b>Shs' millions</b>	<b>Shs' millions</b>	<b>Shs' millions</b>	<b>Shs' millions</b>	<b>Shs' millions</b>	<b>Shs' millions</b>
<b>Assets</b>							
Balances and deposits due from financial institutions	344,609	164,038	151,940	15,138	1,032	12,461	-
Loans and advances to Customers	819,236	-	547,445	13,870	40,935	180,710	36,276
Investment securities	511,982	330	10,879	29,752	29,459	149,299	292,263
	1,675,827	164,368	710,264	58,760	71,426	342,470	328,539
<b>Liabilities</b>							
Deposits from customers	1,401,387	557,855	440,669	111,775	161,698	59,125	70,265
Borrowed funds	72,533	-	3,513	2,282	6,821	57,783	2,134
Lease Liabilities	11,131	-	733	773	1,676	7,949	-
Insurance liabilities	19,894	19,894	-	-	-	-	-
	1,504,945	577,749	444,915	114,830	170,195	124,857	72,399
<b>Interest rate sensitivity gap</b>	170,882	(413,381)	265,349	(56,070)	(98,769)	217,613	256,140

**Notes (continued)**

**4 Financial risk management (continued)**

**(d) Market risks (continued)**

**Interest rate risk (continued)**

	Carrying amount	Non- interest bearing	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
31 December 2023	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
<b>Assets</b>							
Balances and deposits due from financial institutions	289,253	6,949	282,304	-	-	-	-
Loans and advances to Customers	887,380	-	523,183	73,633	130,128	90,686	69,750
Investment securities	500,542	324	4,841	17,790	13,589	115,391	348,607
	1,677,175	7,273	810,328	91,423	143,717	206,077	418,357
<b>Liabilities</b>							
Deposits from customers	1,358,228	709,291	404,524	61,473	113,654	68,914	372
Borrowed funds	9,591	6,169	18	18	362	1,067	1,957
Lease Liabilities	150,595	-	2,431	2,649	14,566	128,237	2,712
Insurance liabilities	16,903	16,903	-	-	-	-	-
	1,535,317	732,363	406,973	64,140	128,582	198,218	5,041
<b>Interest rate sensitivity gap</b>	141,858	(725,090)	403,355	27,283	15,135	7,859	413,316

The Group closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of assets and liabilities carried on the statement of financial position. Assets and Liabilities Committee (ALCO) monitors compliance with the set interest rate gaps.

Notes (continued)

4 Financial risk management (continued)

(d) Market risks (continued)

*Company interest rate risk*

	Carrying amount Shs' millions	Less than 3 Months Shs' millions	1 - 5 Years Shs' millions	More than 5 Years Shs' millions
<b>31 December 2024</b>				
<b>Assets</b>				
Cash and cash equivalents	22,148	22,148	-	-
<b>Liabilities</b>				
Borrowed funds	(13,225)	-	(13,225)	-
<b>Interest rate sensitivity gap</b>	8,923	22,148	(13,225)	-
<b>31 December 2023</b>				
<b>Assets</b>				
Cash and cash equivalents	20,335	20,335	-	-
<b>Liabilities</b>				
Borrowed funds	(16,111)	-	(16,111)	-
<b>Interest rate sensitivity gap</b>	4,224	20,335	(16,111)	-

During the year, a 5% increase / decrease (2023: 5%) of the annual interest rate would have the following effect on profit or loss and equity:

	Sensitivity	Group impact on profit or loss Shs' millions	Company impact on profit or loss Shs' millions	Group impact on equity Shs' millions	Company impact on equity Shs' millions
2024	+/-5%	+/- 3,037	+/- 1,074	+/- 1,368	+/- 261
2023	+/-5%	+/- 2,594	+/- 598	+/- 1,816	+/- 419

*Exposure to other market risks – non-trading portfolios*

Credit spread risk (not relating to changes in the obligor / issuer's credit standing) on debt securities held by Treasury and price risk is subject to regular monitoring by Board Risk Management Committee. Currently, the exposure to other market risks on non-trading portfolio is not significant in relation to the overall results and financial position of the Group.

**Foreign currency exposure**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board of directors has set limits on foreign currency positions. The foreign currency positions are monitored on daily basis and strategies used to ensure that positions are maintained within the established limits. The amounts below summarize the foreign currency exposure position as at 31 December.

**Notes (continued)**

**4 Financial risk management (continued)**

**(d) Market risks (continued)**

<b>Group</b>	<b>US\$ Shs' millions</b>	<b>GBP Shs' millions</b>	<b>Euro Shs' millions</b>	<b>Others Shs' millions</b>	<b>Total Shs' millions</b>
<b>31 December 2024</b>					
Cash and cash equivalents	368,518	754	8,372	82,885	460,529
Loans and advances to customers	398,454	41	901	41,203	440,599
Investment securities	159,769	-	-	35,615	195,384
Other assets	44,382	448	449	22,134	67,413
<b>Total assets</b>	<b>971,123</b>	<b>1,243</b>	<b>9,722</b>	<b>181,837</b>	<b>1,163,925</b>
Customer deposits	619,034	1,276	10,420	120,250	750,980
Borrowed funds	54,626	-	-	647	55,273
Other liabilities	103,693	31	336	18,546	122,606
<b>Total liabilities</b>	<b>777,353</b>	<b>1,307</b>	<b>10,756</b>	<b>139,443</b>	<b>928,859</b>
<b>Net financial position</b>	<b>193,770</b>	<b>(64)</b>	<b>(1,034)</b>	<b>42,394</b>	<b>235,066</b>
<b>31 December 2023</b>					
Cash and cash equivalents	117,157	892	9,390	95,210	222,649
Loans and advances to customers	460,431	53	1,921	64,633	527,038
Investment securities	178,701	-	-	49,720	228,421
Other assets	52,226	699	728	14,619	68,272
<b>Total assets</b>	<b>808,515</b>	<b>1,644</b>	<b>12,039</b>	<b>224,182</b>	<b>1,046,380</b>
Customer deposits	547,977	881	10,995	52,951	612,804
Borrowed funds	155,717	452	199	88,951	245,319
Other liabilities	142,856	34	610	27,000	170,500
<b>Total liabilities</b>	<b>846,550</b>	<b>1,367</b>	<b>11,804</b>	<b>168,902</b>	<b>1,028,623</b>
<b>Net financial position</b>	<b>(38,035)</b>	<b>277</b>	<b>235</b>	<b>55,280</b>	<b>17,757</b>

**Notes (continued)**

**4 Financial risk management (continued)**

**(d) Market risks (continued)**

**Foreign currency exposure (continued)**

Company	2024		2023	
	US\$ Shs' millions	Total Shs' millions	US\$ Shs' millions	Total Shs' millions
<b>Assets</b>				
Cash and cash equivalents	372	372	2,159	2,159
<b>Liabilities</b>				
Borrowed funds	13,225	13,225	16,111	16,111
Net financial position	(12,853)	(12,853)	(13,952)	(13,952)

Group		Effect on profit before income tax Shs' millions	Effect on equity Shs' millions
	<b>Changes in EUR</b>		
2024			
2023	+/-3%	+/-9.5	+/-6.4
	<b>Changes in US\$</b>		
2024			
2023	+/-9%	+/-1,370	+/-1,440
	<b>Changes in GBP</b>		
2024			
2023	+/-3%	+/-5.2	+/-4.0
<b>Company</b>			
	<b>Changes in US\$</b>		
2024			
2023	+/-9%	-/+1,981	-/+1,087

The analysis calculates the effect of a reasonably possible movement of the currency rate against other currencies profit or loss and equity. A negative amount in the table reflects a potential net reduction in profit or equity, while a positive amount reflects a net potential increase.

**Notes (continued)**

**4 Financial risk management (continued)**

**(e) Capital management**

Capital risk is the risk that the Group is unable to maintain adequate levels of capital which could lead to an inability to support business activity or to meet regulatory requirements. Changes to credit ratings, could result in increased costs or reduced capacity to raise funding.

The primary objectives of the Group's capital management policy are to ensure that the Group complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value. This is done by the Board of Directors. The Group Board manages its capital structure and makes adjustments according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group Board may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. Primary objectives and core practices are:

- Provide a viable and sustainable business offering by maintaining adequate capital to cover the Group's current and forecast business needs and associated risks;
- Meet minimum regulatory requirements;
- Ensure the Group maintains adequate capital to withstand the impact of the risks that may arise under the stressed conditions;
- Perform internal and regulatory stress tests;
- Maintain capital buffers over regulatory minimum;
- Develop contingency plans for severe (stress management actions) to support the Group's and Company's growth and strategic options; and
- Maintain a capital plan on a short-term and medium-term basis aligned with strategic objectives.

We adopt a forward-looking, risk-based approach to capital risk management. Capital demand and supply is actively managed taking into account the regulatory, economic and commercial environment in which Group operates.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised, and the Group and the Company recognises the need to maintain a balance between the higher returns that might be possible with higher leverage and the advantages and security afforded by a sound capital position.

Insurance entities in Kenya are governed by the Insurance Act and as such are subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held. The Company manages capital in accordance with these rules.

The Group insurance subsidiaries have complied with the regulatory risk-based capital requirements. Capital adequacy is monitored regularly by the Company's Management and submitted quarterly to the Insurance Regulatory Authority. The capital structure of the Company consists of issued capital, share premium and retained earnings.

The Group has complied with all externally imposed capital requirements throughout the year .

**Notes (continued)**

**4 Financial risk management (continued)**

**(e) Capital management**

The regulatory capital position at 31 December was as follows:

<b>Shs 'millions</b>	<b>EBKL</b>	<b>Equity BCDC</b>	<b>EBTL</b>	<b>EBUL</b>	<b>EBRPLC</b>	<b>EBSSL</b>
<b>31 December 2024</b>						
Risk Weighted Assets	846,171	411,779	34,577	60,388	85,700	4,688
Core Capital	132,336	48,531	5,767	10,783	16,053	4,817
Total Capital	149,222	56,184	5,767	11,377	17,210	4,817
Deposits	841,547	542,164	44,370	98,270	92,683	12,023
Core capital / TRWA	15.64%	11.79%	16.68%	17.61%	18.73%	102.75%
Statutory minimum	10.50%	7.50%	12.50%	13.20%	10.00%	8.00%
Excess	5.14%	4.29%	4.18%	4.41%	8.73%	94.25%
Total capital / TRWA	17.63%	13.64%	16.68%	18.58%	20.08%	102.75%
Statutory minimum	14.50%	10.00%	14.50%	15.20%	15.00%	8.00%
Excess	3.13%	3.64%	2.18%	3.38%	5.08%	94.25%
Core capital / deposits	15.73%	8.95%	13.53%	11.21%	17.32%	40.07%
Statutory minimum	8.00%	8.00%	8.00%	10.00%	8.00%	12.00%
Excess	7.73%	0.95%	5.53%	1.21%	9.32%	32.07%
<b>31 December 2023</b>						
Risk Weighted Assets	892,999	398,690	36,855	95,280	88,458	4,298
Core Capital	127,817	44,032	5,994	17,741	16,363	5,047
Total Capital	168,690	49,952	5,994	18,620	17,365	5,047
Deposits	772,742	504,566	46,840	123,450	96,999	14,946
Core capital / TRWA	14.31%	11.04%	16.26%	18.62%	18.50%	117.43%
Statutory minimum	10.50%	7.50%	12.50%	10.00%	10.00%	8.00%
Excess	3.81%	3.54%	3.76%	8.62%	8.50%	109.43%
Total capital / TRWA	18.89%	12.53%	16.26%	19.54%	19.63%	117.43%
Statutory minimum	14.50%	10.00%	14.50%	12.00%	15.00%	8.00%
Excess	4.39%	2.53%	1.76%	7.54%	4.63%	109.43%
Core capital / deposits	16.54%	8.73%	12.80%	14.37%	16.87%	33.77%
Statutory minimum	8.00%	8.00%	8.00%	10.00%	8.00%	12.00%
Excess	8.54%	0.73%	4.80%	4.37%	8.87%	21.77%

**Notes (continued)**

**4 Financial risk management (continued)**

**(e) Capital management**

	<b>ELAK 2024</b>	<b>ELAK 2023</b>
Capital adequacy ratio	242.0%	182.0%
Minimum statutory requirement	100.0%	100.0%
Excess	142.0%	82.0%
	<b>Group 2024 Shs' millions</b>	<b>2023 Shs' millions</b>
Total risk-weighted assets	1,453,481	1,541,117
<i>Capital ratios</i>		
Total regulatory capital expressed as a percentage of total risk-weighted assets	19.0%	18.1%
Total tier 1 capital expressed as a percentage of risk-weighted assets	17.3%	14.3%

**f) Managing Insurance risk**

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency of severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and number of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risk accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.



**Notes (continued)**

**4 Financial risk management (continued)**

**f) Managing Insurance risk (continued)**

**(i) Frequency and severity of claims**

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, such as dietary, smoking, exercise habits resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

These risks are monitored closely, and reinsurance arrangements are in place to protect the impact of severity of claims and frequency from one event. There is an underwriting policy in place which is strictly followed.

The underwriting strategy adopted is intended to ensure that the risks underwritten are well diversified in terms of type of risk and level of insured benefits. Medical selection is also included in underwriting procedures with premiums varied to reflect the health condition and family medical history of the insured. The Group has retention limit for standard risks (from a medical point of view). The Group has a reinsurance arrangement to cover risks above its retention limit. Insurance risk for contracts disclosed in this note is also affected by policyholder's right to pay reduced premiums or no future premiums or terminate the contract completely.

**(ii) Sources of uncertainty in the estimation of future claim payments**

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The Group uses appropriate base tables of standard mortality according to the type of contract being written.

The process and assumptions for long-term contracts to determine liabilities are decided by the appointed actuary and are contained in the Statutory Actuarial Valuation Report as at 31 December 2022. The actuarial method and basis used are those set out in the Insurance Act.

**(iii) Reinsurance**

Reinsurance is used to manage insurance risk. This does not however discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

## Notes (continued)

### 5 Financial assets and liabilities

The fair value of financial instruments is included at 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, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. Non-performance risk refers to the risk that the obligation will not be fulfilled and affects the value at which the liability is transferred. The fair value of cash and cash equivalents, loans and advances, customer deposits and borrowed funds are evaluated by the Group based on parameters such as interest rates, specific country factors and individual creditworthiness of the customer. The valuation is performed on a discounted cash flow basis. Based on this evaluation, allowances are taken to account for the expected losses of the receivables.

#### *Valuation methods and assumptions*

The following methods and assumptions were used to estimate the fair values. The fair values of the quoted notes and bonds are based on price quotations at the reporting date. The fair values of loans and advances, borrowed funds and other financial liabilities, are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The fair values of remaining FVOCI financial assets are derived from quoted market prices in active markets. There have been no transfers between Level 1 and Level 2 during the year ended 31 December 2024 (2023: Nil).

The table below shows certain financial assets and financial liabilities that have been measured at either fair value, or for which fair value has been disclosed in the financial statements, analysed by the level of valuation method.

	Valuation technique	Significant observable inputs	Range (Weighted average)	
			31 December 2024	31 December 2023
<b>Level 1</b>				
Investment securities - FVOCI	Fair value at closing rate	Quoted yields	12% - 18%	12% - 18%
Investment securities - amortised cost	Fair value at closing rate	Quoted yields	10% - 14%	10% - 14%
<b>Level 2</b>				
Loan note at FVTPL	Fair value at closing rate and discounted cash flow	Quoted yields and expected cash flows	12% - 18%	12% - 18%
<b>Level 3</b>				
Currency swaps and forwards	Forward pricing model	Interest curve	2% - 5%	2% - 5%
Deposits from customers-fixed deposits	Discounted cash flow	Fixed rate and fixed time period	2.5% - 17%	2.5% - 17%
Borrowed funds	Discounted cash flow	Expected cashflows	4% - 11%	4% - 11%

**Notes (continued)**

**5 Financial assets and liabilities (continued)**

*Valuation methods (continued)*

\* The Group holds a loan note that contains an embedded derivative and has therefore been measured at fair value through profit or loss. For this, the fair value is composed of two key cashflow components, being the interest receivable on the mandatorily convertible component of the loan note and valuation of the shares upon whose sale the principal debt amount will be realised. Any shortfall from the above cashflow streams is covered, albeit partially, by a government guarantee.

In valuing the hybrid instrument, management has only considered the Government guarantee and interest receivable as there is significant uncertainty in relation to the future recovery of amounts from sale of shares. In particular, the original borrower company is loss making, is in a significant shareholders' deficit position and has been significantly adversely.

*Fair value measurement hierarchy*

Group	Level 1 Shs' millions	Level 2 Shs' millions	Level 3 Shs' millions	Total Shs' millions
<b>At 31 December 2024</b>				
<b>Financial assets fair value disclosures:</b>				
Investment securities – FVOCI (Note 23)	470,807	-	-	470,807
Loan note at FVTPL (Note 22 (a))	-	3,367	-	3,367
Derivative financial assets (Note 38)	-	184	-	184
Investment securities – FVTPL (Note 23)	25,902	-	-	25,902
<b>Total financial assets at fair value</b>	<b>496,709</b>	<b>3,551</b>	<b>-</b>	<b>500,260</b>
<b>At 31 December 2023</b>				
<b>Financial assets fair value disclosures:</b>				
Investment securities – FVOCI (Note 23)	463,189	-	-	463,189
Loan note at FVTPL (Note 22 (a))	-	2,314	-	2,314
Derivative financial assets (Note 38)	-	96	-	96
Investment securities – FVTPL (Note 23)	12,570	-	-	12,570
<b>Total financial assets at fair value</b>	<b>475,759</b>	<b>2,410</b>	<b>-</b>	<b>478,169</b>

The movement in the loan note at FVTPL is attributable to exchange and fair value changes.

The following summarises the carrying amount of those assets and liabilities not held at fair value. Except for amortised cost investment securities, the carrying amount of assets and liabilities held at amortised cost is considered to approximate their fair value where they have short tenor or, for long term facilities, earn/accrue interest at market rate.

**Notes (continued)**

**5 Financial assets and liabilities (continued)**

*Fair value measurement hierarchy*

<b>Group</b>	<b>Carrying amount Shs' millions</b>	<b>Fair value Shs' millions</b>	<b>Level 1 Shs' millions</b>	<b>Level 2 Shs' million</b>	<b>Level 3 Shs' millions</b>
<b>At 31 December 2024</b>					
Cash balances and deposits in financial institutions (Note 21 (a))	339,428	339,428	-	-	339,428
Investment securities – amortised cost (Note 23)	15,586	8,722	-	8,722	-
Loans and advances at amortised cost (Note 22)	815,869	815,869	-	-	815,869
Due from related parties (Note 32)	67	67	-	-	67
Other assets (Note 24)	23,554	23,554	-	-	23,554
<b>Total financial assets</b>	<b>1,194,504</b>	<b>1,187,640</b>	<b>-</b>	<b>8,722</b>	<b>1,178,918</b>
Deposits from customers (Note 27)	1,396,206	1,396,206	-	-	1,396,206
Borrowed funds (Note 29)	72,533	72,533	-	-	72,533
Lease liabilities (Note 16(c))	11,131	11,131	-	-	11,131
Other liabilities (Note 28)	46,736	46,736	-	-	46,736
<b>Total financial liabilities</b>	<b>1,526,606</b>	<b>1,526,606</b>	<b>-</b>	<b>-</b>	<b>1,526,606</b>
<b>At 31 December 2023</b>					
Cash balances and deposits in financial institutions (Note 21 (a))	289,253	289,253	-	-	289,253
Investment securities – amortised cost (Note 23)	40,680	22,766	-	22,766	-
Due from related parties (Note 32)	885,066	885,621	-	-	885,621
Loans and advances at amortised cost (Note 22)	141	141	-	-	141
Other assets (Note 24)	24,429	24,429	-	-	24,429
<b>Total financial assets</b>	<b>1,239,569</b>	<b>1,222,210</b>	<b>-</b>	<b>22,766</b>	<b>1,199,444</b>
Deposits from customers (Note 27)	1,358,228	1,358,228	-	-	1,358,228
Borrowed funds (Note 29)	150,595	150,595	-	-	150,595
Lease Liabilities (Note 16(c))	9,591	9,591	-	-	9,591
Other liabilities (Note 28)	57,857	57,857	-	-	57,857
<b>Total liabilities</b>	<b>1,576,271</b>	<b>1,576,271</b>	<b>-</b>	<b>-</b>	<b>1,576,271</b>

**Notes (continued)**

**5 Financial assets and liabilities (continued)**

<b>Company</b>	<b>Carrying amount Shs' millions</b>	<b>Fair value Shs' millions</b>	<b>Level 1 Shs' millions</b>	<b>Level 2 Shs' million</b>	<b>Level 3 Shs' millions</b>
<b>At 31 December 2024</b>					
Cash balances and deposits in financial institutions (Note 21(a))	22,148	22,148	-	-	22,148
Due from related parties (Note 32)	1,103	1,103	-	-	1,103
Other assets (Note 24)	3,381	3,381	-	-	3,381
<b>Total financial assets</b>	<b>26,632</b>	<b>26,632</b>	<b>-</b>	<b>-</b>	<b>26,632</b>
Borrowed funds (Note 29)	13,225	13,225	-	-	13,225
Due to related parties (Note 32)	15,158	15,158	-	-	15,158
Other liabilities (Note 28)	81	81	-	-	81
<b>Total liabilities</b>	<b>28,465</b>	<b>28,465</b>	<b>-</b>	<b>-</b>	<b>28,465</b>
<b>At 31 December 2023</b>					
Cash balances and deposits in financial institutions (Note 21(a))	20,335	20,335	-	-	20,335
Due from related parties (Note 32)	105	105	-	-	105
Other assets (Note 24)	1,502	1,502	-	-	1,502
<b>Total financial assets</b>	<b>21,942</b>	<b>21,942</b>	<b>-</b>	<b>-</b>	<b>21,942</b>
Borrowed funds (Note 29)	16,111	16,111	-	-	16,111
Due to related parties (Note 32)	13,986	13,986	-	-	13,986
Other liabilities (Note 28)	96	96	-	-	96
<b>Total liabilities</b>	<b>30,193</b>	<b>30,193</b>	<b>-</b>	<b>-</b>	<b>30,193</b>

**Notes (continued)**

**6 Interest income**

	<b>Group</b>		<b>Company</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Shs' millions</b>	<b>Shs' millions</b>	<b>Shs' millions</b>	<b>Shs' millions</b>
<b>Interest income</b>				
Loans and advances to customers	112,549	102,263	-	-
Cash and cash equivalents	5,762	2,325	1,389	782
Credit related fees	10,559	8,222	-	-
Investment securities at amortised cost	42,599	12,351	-	-
Investment securities at FVOCI	13,875	39,053	-	-
	<b>185,344</b>	<b>164,214</b>	<b>1,389</b>	<b>782</b>
<b>Interest expense</b>				
Deposits from banks	(4,098)	(4,396)	-	-
Deposits from customers	(46,737)	(33,442)	-	-
Borrowed funds (Note 29)	(9,769)	(12,512)	(1,416)	(1,427)
Lease liabilities (Note 16)	(971)	(841)	-	-
	<b>(61,575)</b>	<b>(51,191)</b>	<b>(1,416)</b>	<b>(1,427)</b>
<b>Net interest income</b>	<b>123,769</b>	<b>113,023</b>	<b>(27)</b>	<b>(645)</b>

Included within the Group interest income is Shs 4,233 million (2023: Shs 3,507 million) in respect of credit -impaired financial assets.

**7 Net fee and commission income**

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs' millions</b>	<b>Shs' millions</b>
<b>(a) Fee and commission income</b>		
<i>Recognised at a point in time</i>		
Service fees and commission	44,503	40,590
Custodial fee income	318	231
	<b>44,821</b>	<b>40,821</b>
<b>(b) Fee and commission expense</b>		
Fee and commission expense	(12,558)	(11,876)
<b>Net fee and commission income</b>	<b>32,263</b>	<b>28,945</b>

The service fees largely relate to fees earned from transactions with customers and commissions earned on facilitation of remittances.

**Notes (continued)**

**8 Net foreign exchange income**

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs' millions</b>	<b>Shs' millions</b>
Net foreign exchange gain	12,587	17,356

**9 Insurance revenue**

Insurance revenue measured under PAA	1,429	1,657
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**10 Insurance service expense**

Incurring claims	415	334
Other directly attributable expenses	196	309
Changes that relate to past service -adjustments to the liability for incurred claims	84	366
Amortisation of insurance acquisition cash flows	118	125
Insurance expenses measured under PAA	813	1,134

**11 Other operating income/ (expenses)**

	<b>Group</b>		<b>Company</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Shs' millions</b>	<b>Shs' millions</b>	<b>Shs' millions</b>	<b>Shs' millions</b>
Realised gain on investment securities	443	1,035	-	-
Profit on disposal of property and equipment	434	18	-	-
Rental income	367	375	-	-
Insurance brokerage income	-	45	-	-
Re-insurance commission	-	-	-	-
Other income/(expenses)*	11,310	6,874	2,202	(2,908)
	12,554	8,347	2,202	(2,908)

\*Other income includes unrealised foreign exchange gain on monetary assets and liabilities as well as fee income from government social payments and other programmes.

**12 Depreciation and amortisation**

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs' millions</b>	<b>Shs' millions</b>
Depreciation on property and equipment (Note 16 (a))	3,869	3,491
Depreciation of right-of-use assets (Note 16 (b))	2,103	2,019
Amortisation of intangible assets - Software (Note 17 (a))	2,179	1,811
	8,151	7,321

**Notes (continued)**

**13 Credit impairment losses**

		2024	Group 2023
	Notes	Shs' millions	Shs' millions
<b>Movements during the year:</b>			
Increase in other assets	24	383	8
Increase in money market	19 (a)	39	8
Increase in investment securities	23	238	222
<b>Loans and advances:</b>			
Increase in Stage 1	22 (b)	(2,174)	2,408
Increase (Decrease) in Stage 2	22 (b)	(2,000)	1,914
Increase in Stage 3	22 (b)	31,181	31,030
<b>Net increase in impairment losses</b>		<b>27,667</b>	<b>35,590</b>
Loan recoveries		(4,406)	(2,636)
		<b>23,261</b>	<b>32,954</b>

**14 Employee benefits**

	Group		Company	
	2024	2023	2024	2023
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Salaries and other staff costs	31,359	29,970	81	26
Defined contribution plans	1,789	1,779	-	-
Defined benefit plans (Note 30)	216	262	6	-
	<b>33,364</b>	<b>32,011</b>	<b>87</b>	<b>26</b>

The average number of permanent staff in the Group for the year was 13,083 (2023: 13,102).

**15 Lease expenses**

	Group		Company	
	2024	2023	2024	2023
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
VAT & service charge	756	332	-	-

Lease expenses relate to VAT and service charge which are excluded in the assessment of lease liability and right-of-use asset.



Notes (continued)

16 (a) Property and equipment - Group

	Freehold land & buildings	Leasehold improvements	Motor vehicles	Equipment, furniture & fittings	Computers	Work-in- progress	Total
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
<b>31 December 2024</b>							
<b>Cost</b>							
At start of year	13,024	15,627	1,655	17,041	17,440	4,015	68,802
Translation differences	(1,639)	(1,667)	(190)	(1,772)	(744)	(1,198)	(7,210)
Additions	61	453	9	1,042	646	3,619	5,830
Transfers	(367)	416	-	1,370	2,939	(4,336)	22
Disposals	(2,805)	(118)	(110)	(171)	(394)	-	(3,598)
IAS 29 cost restatement	-	200	14	107	54	130	505
At end of year	8,274	14,911	1,378	17,617	19,941	2,230	64,351
<b>Accumulated depreciation</b>							
At start of year	2,283	12,320	1,287	10,562	13,521	-	39,973
Translation differences	138	(1,094)	(123)	(967)	(290)	-	(2,336)
Charge for the year	232	717	124	1,251	1,545	-	3,869
Transfers	-	39	-	5	2	(46)	-
Disposals	(385)	165	(110)	(192)	(368)	-	(890)
IAS 29 cost restatement	-	191	-	103	48	-	342
At end of year	2,268	12,338	1,178	10,762	14,458	(46)	40,958
<b>Net book value at end of year</b>	<b>6,006</b>	<b>2,573</b>	<b>200</b>	<b>6,855</b>	<b>5,483</b>	<b>2,276</b>	<b>23,393</b>

Notes (continued)

16 (a) Property and equipment - Group

	Freehold land & buildings	Leasehold improvements	Motor vehicles	Equipment, furniture & fittings	Computers	Work-in- progress	Total
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
<b>31 December 2023</b>							
<b>Cost</b>							
At start of year	7,473	13,749	1,191	12,500	14,548	3,537	52,998
Translation differences	494	(433)	(72)	1,855	(1,104)	171	911
Additions	751	920	160	1,120	1,727	2,576	7,254
Transfers	-	-	156	1,629	689	(2,474)	-
Disposals	-	(66)	(68)	(187)	(196)	-	(517)
At end of year	8,718	14,170	1,367	16,917	15,664	3,810	60,646
<b>Accumulated depreciation</b>							
At start of year	1,605	10,865	1,008	8,411	12,210	-	34,099
Translation differences	10	(318)	(111)	(1,384)	(753)	-	(2,556)
Charge for the year	229	969	140	1,134	1,019	-	3,491
Disposals	-	(65)	(68)	(188)	(205)	-	(526)
At end of year	1,844	11,451	969	7,973	12,271	-	34,508
<b>Net book value at end of year</b>	<b>6,874</b>	<b>2,719</b>	<b>398</b>	<b>8,944</b>	<b>3,393</b>	<b>3,810</b>	<b>26,138</b>

**Notes (continued)**

**16 (a) Property and equipment – Company**

	<b>2024</b>	<b>2023</b>
<b>Equipment, furniture &amp; fittings</b>	<b>Shs' millions</b>	<b>Shs' millions</b>
<b>Cost</b>		
At start of year	16	15
Additions	-	1
At end of year	16	16
<b>Accumulated depreciation</b>		
At start of year	8	6
Charge for the year	2	2
At end of year	10	8
<b>Net book value at end of year</b>	<b>6</b>	<b>8</b>

**(b) Right-of-use assets – Group**

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs' millions</b>	<b>Shs' millions</b>
<b>Cost</b>		
At start of year	16,961	14,557
Remeasurements	5,083	1,427
Disposals	(696)	(394)
Translation differences	(2,408)	1,371
At end of year	18,940	16,961
<b>Accumulated depreciation</b>		
At start of year	8,515	6,383
Remeasurements	102	(67)
Charge for the year	2,103	2,019
Disposals	(310)	(326)
Translation differences	(1,245)	506
	9,165	8,515
<b>Net book value at end of year</b>	<b>9,775</b>	<b>8,446</b>

**Notes (continued)**

**16 (c) Lease liabilities – Group**

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs' millions</b>	<b>Shs' millions</b>
Current	3,212	1,966
Non-current	7,919	7,625
	<b>11,131</b>	<b>9,591</b>
<b>Movement during the year:</b>		
At start of year	9,591	9,127
Disposals	(507)	(551)
Remeasurements	5,148	901
Interest expense	951	841
Interest paid	(729)	(602)
Principal elements of lease payments	(2,689)	(2,327)
Translation differences	(634)	2,202
	<b>11,131</b>	<b>9,591</b>
<b>Amounts recognised in the statement of profit or loss:</b>		
Depreciation charge of right-of-use assets – branches and ATMs	2,103	2,019
Interest expense	951	841
	<b>3,054</b>	<b>2,860</b>
<b>Amounts recognised in the statement of cash flows:</b>		
The total cash outflow for leases was as follows:		
Financing cash flows from leases	3,418	2,929

**(d) Investment properties**

**(i) Measuring investment property at fair value**

Investment properties, principally office buildings, are held for long-term rental yields and are not occupied by the Group. They are carried at fair value. Changes in fair values are presented in other income.

The Group's investment properties are held in Democratic Republic of Congo (DRC). The valuation of the properties was carried out by an independent professional valuer.

**(ii) Non-current assets - at fair value**

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs' millions</b>	<b>Shs' millions</b>
At start of the year	7,497	6,115
Additions	-	37
Change in fair valuation	(1,433)	(317)
Translation differences	23	1,662
<b>At 31 December</b>	<b>6,087</b>	<b>7,497</b>

**Notes (continued)**

**16 (d) Investment properties (continued)**

(iii) Amounts recognised in profit or loss for investment properties	Group	
	2024 Shs' millions	2023 Shs' millions
Rental income from operating leases	265	370
Direct operating expenses from property that generated rental income	102	102

**(iv) Fair value hierarchy**

Investment properties	Level 1 Shs' millions	Level 2 Shs' millions	Level 3 Shs' millions	Total Shs' millions
31 December 2024	-	-	6,087	6,087
31 December 2023	-	-	7,497	7,497

The table below summarizes the significant unobservable inputs used in the fair value measurement.

- Average occupancy rate: 95% (2023: 90%)
- Weighted average rent of Shs 1,680 (2023: Shs 1,852) per square metre
- Risk-adjusted discount rates (Weighted average 4.0% (2023: 4.2%) )
- Market rental growth (Weighted average of between 2.3% to 2.9% (2023: 2.3% to 2.7%)

*Sensitivity analysis*

Changes in the above assumptions could affect the reported fair value of investment properties for the period ending 31 December 2024. We have summarized in the table below the increases/decreases in fair value arising from a reasonable shift for each of the below factors while holding all other factors constant;

2024	Base assumption Shs' 000	Increase Shs' 000	Decrease Shs' 000
Change in Average occupancy rate; +/-5%	6,087	480	(480)
Change in Weighted average rent; +/-5%	6,087	714	(714)
Change in Risk-adjusted discount rates: +/-5%	6,087	293	(293)
Change in Market rental growth: +/-5%	6,087	356	(356)
2023	Base assumption Shs' 000	Increase Shs' 000	Decrease Shs' 000
Change in Average occupancy rate; +/-5%	7,497	591	(591)
Change in Weighted average rent; +/-5%	7,497	880	(980)
Change in Risk-adjusted discount rates: +/-5%	7,497	(361)	360
Change in Market rental growth: +/-5%	7,497	438	(460)

**17 Intangible assets – Group**

	2024 Shs' millions	2023 Shs' millions
Software	15,321	15,446
Acquired intangible assets	276	552
Goodwill	3,049	3,170
	18,646	19,168

Notes (continued)

17 Intangible assets – Group (continued)

(a) Software & acquired intangible assets

Group 31 December 2024	Software Shs' millions	Work in progress Shs' millions	Work in progress Shs' millions	Total Shs' millions
<b>Cost</b>				
At start of year	21,581	2,434	5,689	29,704
Additions	525	-	1,069	1,594
Disposals	(827)	-	663	(164)
Transfers	917	-	(917)	-
Translation differences	(2,452)	-	(647)	(3,099)
At end of year	19,744	2,434	5,857	28,035
<b>Amortisation</b>				
At start of year	9,757	552	5,689	15,998
Amortisation	1,903	276	-	2,179
Disposals	(21)	-	-	(21)
Translation differences	(29)	-	-	(29)
At end of year	11,610	828	-	12,438
<b>Net book value at end of year</b>	<b>8,134</b>	<b>1,606</b>	<b>5,857</b>	<b>15,597</b>
<b>31 December 2023</b>	<b>Software Shs' millions</b>	<b>Acquired intangible asset Shs' millions</b>	<b>Work in progress Shs' millions</b>	<b>Total Shs' millions</b>
<b>Cost</b>				
At start of year	17,376	1,882	5,195	24,453
Additions	527	552	4,101	5,180
Transfers	3,607	-	(3,607)	-
Translation differences	71	-	-	71
At end of year	21,581	2,434	5,689	29,704
<b>Amortisation</b>				
At start of year	10,780	1,145	-	11,925
Amortisation	1,074	737	-	1,811
Translation differences	(30)	-	-	(30)
At end of year	11,824	1,882	-	13,706
<b>Net book value at end of year</b>	<b>9,757</b>	<b>552</b>	<b>5,689</b>	<b>15,998</b>

**Notes (continued)**

**17 Intangible assets – Group (continued)**

**(a) Software & acquired intangible assets (continued)**

The Group's intangible assets include the value of computer software.

The work-in-progress is composed of software in development. Costs directly attributable to the development of computer software are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group has the intention and ability to complete and use the software and the costs can be measured reliably. The transfers relate to projects completed in the course of the year.

Acquired intangibles assets relate to core deposits and customer relations arising from the acquisition of Equity BCDC (formerly BCDC) in 2020 and CogeBanque in 2023. Refer to Note 19 (b) on CogeBanque acquisition.

These were valued as follows;

**Core deposits**

The fair value of the core deposit intangible was determined using the cost savings method. It's calculated as the after-tax present values of; (i) net cost of funding and; (ii) net service fees earned on deposits. Net cost of funding is the difference between interest expense on acquired low cost saving and demand deposit and cost of alternative funding over the useful life of the deposit.

**Customer relationships**

The fair value of customer relationships was valued using replacement cost method. The value is calculated as the estimated cost of acquiring new customers multiplied by the unique number of customers acquired in the transaction. This is adjusted with the profit mark up and opportunity cost

**(b) Goodwill**

	Carrying amount at 1 January Shs' millions	Acquired in the year	Effect of exchange rate changes Shs' millions	Carrying amount at 31 December Shs' millions
<b>Year ended 31 December 2024</b>				
Equity Bank Uganda Limited	731	-	(14)	717
Equity BCDC	1,572	-	(92)	1,480
CogeBanque	867	-	(15)	852
	3,170		(121)	3,049
<b>Year ended 31 December 2023</b>				
Equity Bank Uganda Limited	799	-	(68)	731
Equity BCDC	1,414	-	158	1,572
CogeBanque	-	867	-	867
	2,213	867	90	3,170

**Notes (continued)**

**17 Intangible assets – Group (continued)**

**(c) Goodwill (continued)**

Equity Bank Uganda Limited

The goodwill arose from the acquisition of Equity Bank Uganda Limited (formerly Uganda Microfinance Limited) in April 2008, which was determined in accordance with IFRS 3. It represents the difference between the total purchase consideration (including acquisition costs) paid to acquire 100% stake in Equity Bank Uganda Limited and the fair value of the net tangible assets and the separable identifiable intangible assets.

Equity BCDC

The goodwill arose from the acquisition of 79% stake in Equity Bank Congo S.A (now merged with BCDC to form Equity BCDC) in September 2015, which was determined in accordance with IFRS 3.

CogeBanque

The goodwill arose from the acquisition of 99.1% stake in CogeBanque (now merged with Equity Bank Rwanda Limited) effective 31 December 2023, which was determined in accordance with IFRS 3. Refer to Note 19 (b) on CogeBanque acquisition.

The goodwill arising from acquisition consists largely of the synergies and economies of scale expected from combining the operations of Equity Group Holdings Plc and CogeBanque, Equity Bank Congo S.A, as well as Equity Bank Uganda Limited.

Management carried out an impairment assessment in respect of goodwill at year end. Since the goodwill arose on purchase of Equity Bank Uganda Limited and Equity Bank Congo S.A as subsidiaries, the whole amount is allocated to the subsidiaries which the Group considers as a cash generating unit (CGU). The table below shows the various variables used in management's impairment assessment:

	<b>Equity Bank Uganda Limited</b>		<b>Equity BCDC</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Shs'</b>	<b>Shs'</b>	<b>Shs'</b>	<b>Shs'</b>
	<b>millions</b>	<b>millions</b>	<b>millions</b>	<b>millions</b>
Value in use	93,703	96,832	286,117	180,190
Net assets	14,701	17,845	71,594	69,879
Projected growth in net interest income – 2025/2024	23%	14%	10%	14%
Projected growth in net interest income – 2026/2025	26%	10%	24%	10%
Projected growth in non-interest income – 2025/2024	23%	22%	28%	37%
Projected growth in non-interest income – 2026/2025	21%	15%	26%	29%
Weighted average cost of capital	17.8%	18.3%	16.3%	20.0%
Long term average growth rate	5.1%	5.6%	6.1%	6.5%



**Notes (continued)**

**17 Intangible assets – Group (continued)**

**(d) Goodwill (continued)**

Key assumptions used in value in use calculations and sensitivity to changes in assumptions:

- Budgeted PAT – Budgeted PAT has been based on values achieved in the past five years adjusted for efficiencies expected from implementation of Group initiatives.
- Long term growth rate is based on projected GDP growth rate for each subsidiary.
- Weighted average cost of capital is the pre-tax risk adjusted discount rate based on the risk-free rate of government securities in the respective country adjusted for a risk premium to reflect the increased risk of investing in equities and the systemic risk of the specific Group operating company.
- An assumed terminal value based on a historical performance of the CGUs and Pre-tax risk adjusted discount rate.

*Sensitivity analysis*

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

**18 General and administrative expenses**

	<b>Group</b>		<b>Company</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Shs'</b>	<b>Shs'</b>	<b>Shs'</b>	<b>Shs'</b>
	<b>millions</b>	<b>millions</b>	<b>millions</b>	<b>millions</b>
Software licencing and other IT related costs	11,089	9,513	11	7
Consultancy, legal and professional fees	3,966	3,734	587	373
Electricity, water, repairs and maintenance	2,631	2,388	2	-
Travel and accommodation	4,820	3,440	99	26
Marketing, advertising and sponsorship	3,228	2,394	-	-
Publications, stationery and communications	1,919	2,225	1	2
Lease expenses	756	332	-	3
Deposit fund protection expenses	2,778	2,912	-	-
Auditors' remuneration	103	83	12	2
Other administrative expenses	21,640	16,225	355	510
	<b>52,930</b>	<b>43,246</b>	<b>1,067</b>	<b>923</b>

**Notes (continued)**

**19 (a) Investment in subsidiary companies**

	Country of incorporation	Shareholding		2024	2023
		2024	2023	Shs' millions	Shs' millions
<u>Banking</u>					
Equity Bank (Kenya) Limited	Kenya	100%	100%	40,733	40,733
Equity BCDC	DRC	85.4%	85.4%	27,360	27,360
Equity Bank (South Sudan) Limited	South Sudan	100%	100%	5,712	5,712
Equity Bank Uganda Limited	Uganda	100%	100%	7,954	6,908
Equity Bank Tanzania Limited	Tanzania	100%	100%	7,377	7,377
Equity Bank Rwanda PLC	Rwanda	99.1%	99.1%	10,054	10,054
<u>Telecommunication</u>					
Finserve Africa Limited	Kenya	100%	100%	1,001	1,001
<u>Investment banking</u>					
Equity Investment Bank Limited	Kenya	100%	100%	420	420
<u>Insurance</u>					
Equity Group Insurance Holdings Limited	Kenya	100%	100%	600	600
<u>Insurance brokerage</u>					
Equity Bancassurance Intermediary Limited	Kenya	100%	100%	-	-
<u>Consultancy</u>					
Equity Consulting Group Limited	Kenya	100%	100%	0.5	0.5
Equity Investment Services Limited	Kenya	100%	100%	420	420
<u>Custodial services</u>					
Equity Nominees Limited	Kenya	100%	100%	0.1	0.1
<b>Total</b>				101,632	100,586

In May 2023, Equity Bank Kenya Limited acquired 100% shareholding in Equity Bancassurance Intermediary Limited (EBIL) from Equity Group Holdings Limited (EGHL) for a consideration of Shs 100 million. The acquisition is in line with the Insurance (Bancassurance) Regulations, 2020 which stipulates that a bancassurance intermediary must be wholly owned by a bank, microfinance or a licensed financial institution.

Following the acquisition, EBIL will operate as a wholly owned subsidiary of Equity Bank (Kenya) Limited, maintaining its current brand identity and continuing to provide the same high-quality services to its clients.

Equity Bancassurance Intermediary Limited (EBIL) is still consolidated in Equity Group Holdings Limited in accordance with IFRS 10.

**Notes (continued)**

**19 (b) Acquisition of CogeBanque**

On 30 November 2023, the Group acquired 198,250 of the issued shares, representing 99.13% shareholding of CogeBanque in Rwanda for a total cash consideration of Shs.7.2 billion. On 31 December 2023 CogeBanque was amalgamated with Equity Bank Rwanda Limited and will operate as Equity Bank Rwanda Limited.

**(i) Net acquired assets**

An analysis of the fair value of net assets recognised as a result of the acquisition is as follows:

	<b>Shs' millions</b>
Cash balances and deposits due from other banks	8,166
Government securities and other investments	13,214
Loans and advances to customers	16,056
Property and equipment	1,589
Other assets	1,180
Intangible assets- core deposits	502
Intangible assets- customer relationships	50
Customers deposits	(25,887)
Due from other banks	(7,247)
Deferred tax liabilities	(83)
Other liabilities	(1,104)
<b>Net identifiable assets acquired</b>	<b>6,436</b>
<b>Purchase consideration</b>	<b>7,247</b>
<b>Non-controlling assets</b>	<b>56</b>
<b>Total equity</b>	<b>7,303</b>
<b>Goodwill</b>	<b>867</b>
<i>Purchase consideration - cash outflow</i>	
Cash consideration	7,247
Less: Balances acquired	
Cash balances and deposits due from other banks	(8,166)
<b>Net outflow of cash – investing activities</b>	<b>(919)</b>

**Acquisition-related costs**

Acquisition-related costs of Shs 373 million that were not directly attributable to the issue of shares are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

The acquired business contributed total operating income of Shs 3,621 million and net profit of Shs 351 to the Group for the period from 1 December to 31 December 2023.

If the acquisition had occurred on 1 January 2023, consolidated pro-forma operating income and profit for the year ended 31 December 2023 would have been Shs 42,278 and Shs 1,211 respectively.

**Significant judgements in the estimation of intangible assets**

Intangible assets arising from the acquisition are Core deposits of Shs 502 million and Customer relationships of Shs 50 million. The key considerations applied in the estimation of the fair value of these intangibles is as follows:

**Notes (continued)**

**19 (a) Acquisition of CogeBanque (continued)**

**Significant judgements in the estimation of intangible assets (continued)**

**Customer relationships**

The value of a customer relationship is mainly derived from the expectation of repeat business from the customer, which gives opportunity for cross selling various products and services. Customer relationships provide deposits that will be used to finance assets in the future and earn fees. The replacement cost method was used to determine the fair value of customer relationships. The value is calculated as the estimated cost of acquiring new customers (depositors) multiplied by the number of unique customers acquired from the transaction. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis based on the timing of the projected cashflows of the contracts over their estimated useful lives. The customer relationship value will be amortised to the profit or loss over a period of three years.

**Core deposits**

The premise underlying the core deposit intangible asset is that a rational buyer would be willing to pay a premium to obtain a group of core deposit accounts that are less expensive than the buyer's marginal cost of funds. The stable deposit base provides a low-cost source of funding as banks can utilise the core deposit base as a low-cost source of finance. The alternative to replace these established, low-cost deposit accounts in a timely manner, would be to utilize higher cost funds at current market rates. The fair value of the core deposit intangible was determined using the cost savings method. It's calculated as the after-tax present values of; (i) net cost of funding and (ii) net service fees earned on deposits. Net cost of funding is the difference between interest expense on acquired low cost saving and demand deposit and cost of alternative funding over the useful life of the deposit. Amortisation for this asset is for two years.

**19 (b) Non-controlling interests (NCI)**

Set out below is the summarised financial information of Equity BCDC and Equity bank (Rwanda) Limited which has non-controlling interest that is material to the Group.

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs'</b>	<b>Shs' millions</b>
	<b>millions</b>	
<i>Summarised statement of financial position</i>		
Total assets	780,784	625,336
Total liabilities	690,517	554,230
Equity	90,267	71,106
Accumulated NCI	12,827	10,570
<i>Summarised statement of comprehensive income</i>		
Operating income	67,885	46,010
Profit for the period	27,839	13,671
Other comprehensive income	(272)	681
Total comprehensive income	27,567	14,352
Profit allocated to NCI	2,274	1,760
<i>Summarised statement of cash flows</i>		
Cash flows from operating activities	18,638	94,006
Cash flows to investing activities	(1,256)	(20,437)
Cash flows from financing activities	(12,202)	4,351
Net decrease / increase in cash and cash equivalents	(5,180)	77,920

**Notes (continued)**

**19 (c) Interests in unconsolidated structured entity**

Equity Group Holdings Plc does not consolidate the results of Equity Group Foundation (the "Foundation") which was incorporated on 12 February 2008 under the Companies Act (Cap 486) as a company limited by guarantee. It is a charitable organization set up to provide a platform to development partners, government, the private sector as well as local and international organizations for the implementation of high impact development programs which include Wings to Fly Scholarship Program.

The programs of the Foundation are primarily funded by third party donors under donor agreements. The Group's contributions to the Foundation are both in monetary terms but mainly in-kind in the form of utilising the Group's extensive branch network and staff in driving the achievement of the goals/activities of the Foundation in communities. On the basis that the donors provide majority of the funding and direct the activities of the Foundation through the donor agreements, the Group does not control the Foundation. The table below summarises EGF's source of funding:

	Shs' millions	Shs' millions
	2024	2023
Donors	5,324	5,211
Equity Group Holdings Plc	433	397
<b>Total donations income</b>	<b>5,757</b>	<b>5,608</b>
<b>Program expenses</b>	<b>5,757</b>	<b>5,608</b>
<b>Surplus</b>	<b>-</b>	<b>-</b>

The Group does not earn income from EGF and is not exposed to loss arising from its involvement with the Foundation.

Consistent with previous years, the Group will continue providing support to the Foundation primarily as regards the use of the Group's branch network and staff to carry out its program activities.

**20 Income tax**

Recognised in profit or loss	Group		Company	
	2024 Shs' millions	2023 Shs' millions	2024 Shs' millions	2023 Shs' millions
<b>Current income tax:</b>				
Current year charge	11,404	14,796	-	62
Under provision of income tax in prior years	-	-	123	-
<b>Deferred income tax (Note 26):</b>				
Current year charge/(credit)	513	(6,654)	1,048	(645)
<b>Income tax expense/ (credit)</b>	<b>11,917</b>	<b>8,142</b>	<b>1,171</b>	<b>(583)</b>

Where there's uncertainty in the tax treatment, the Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty. The Group did not have any significant area of uncertainty in the year.

The Group's tax related contingencies are disclosed in Note 26.

**Notes (continued)**

**20 Income tax (continued)**

**Reconciliation of effective tax rate:**

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

	<b>Group</b>		<b>Company</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Shs'</b>	<b>Shs'</b>	<b>Shs'</b>	<b>Shs'</b>
	<b>millions</b>	<b>millions</b>	<b>millions</b>	<b>millions</b>
Profit before income tax	60,741	51,879	21,483	11,961
Income tax using the enacted corporation tax rate	24,679	15,564	6,446	3,588
Income not subject to tax	(20,374)	(8,453)	(6,068)	(4,939)
Other differences	7,612	1,031	793	768
	11,917	8,142	1,171	(583)
<b>Current income tax liability/ (asset)</b>				
At start of year	3,948	102	(197)	(147)
Charge for the year	10,185	14,796	-	62
Translation differences	(592)	(1,319)	-	-
Under provision in the prior years	-	-	123	-
Paid during the year	(15,871)	(9,631)	(192)	(112)
<b>At end of year</b>	<b>(2,330)</b>	<b>3,948</b>	<b>(266)</b>	<b>(197)</b>
<b>Made up of:</b>				
Tax payable	619	5,036	-	-
Tax recoverable	(2,949)	(1,088)	(266)	(197)
	(2,330)	3,948	(266)	(197)

**Notes (continued)**

**20 Income tax (continued)**

Tax rates are as follows:

	<b>Group Shs' millions</b>	<b>EGH Plc Shs' millions</b>	<b>EBKL Shs' millions</b>	<b>EBUL Shs' millions</b>	<b>Equity BCDC Shs' millions</b>	<b>EBRPLC Shs' millions</b>	<b>EBIL Shs' millions</b>	<b>EBTL Shs' millions</b>	<b>EBSSL Shs' millions</b>	<b>Others* Shs' millions</b>
<b>31 December 2024</b>										
Profit before tax	60,740	21,483	26,661	470	20,050	7,789	627	1,539	1,657	1,899
Enacted tax rate	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Income tax using the enacted corporation tax rate	18,222	6,445	7,998	141	6,015	2,337	188	462	497	570
<b>31 December 2023</b>										
Profit before tax	51,879	11,960	25,194	1,295	18,638	5,719	794	631	3,009	2,209
Enacted tax rate	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Income tax using the enacted corporation tax rate	15,564	3,588	7,558	389	5,591	1,716	238	189	903	663

EGH Plc – Equity Group Holdings Plc, EBKL – Equity Bank Kenya Limited, EBUL – Equity Bank Uganda Limited, EBRPLC – Equity Bank Rwanda PLC, EBIL – Equity Bancassurance Intermediary Limited, EBTL – Equity Bank Tanzania Limited, EBSSL – Equity Bank South Sudan Limited, EquityBCDC – Equity Banque Commerciale Du Congo.

Equity Bancassurance Intermediary Limited was transferred to Equity Bank Kenya Limited, a fully owned subsidiary of the Group in accordance with the IRA(Kenya) regulations.

\*Others relate to Equity Investment Bank Limited, Finserve Africa Limited, Equity Nominees Limited, Equity Investment Services Limited and Equity Consulting Group Limited.

**Notes (continued)**

**21 (a) Cash, deposits and balances due from financial institutions**

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	<b>Group</b>		<b>Company</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Shs'</b>	<b>Shs'</b>	<b>Shs'</b>	<b>Shs'</b>
	<b>millions</b>	<b>millions</b>	<b>millions</b>	<b>millions</b>
Cash in hand	80,659	69,428	-	-
Unrestricted balances with central banks	7,968	10,424	-	-
Money market placements	111,731	16,776	-	-
Cash balances with banks	46,637	97,699	22,150	20,337
	246,995	194,327	22,150	20,337
<b>12-month ECL:</b>				
At start of the year	(589)	(528)	(2)	(2)
Re-measurement during the year	395	8	-	-
Translation differences	-	(69)	-	-
At end of the year	(194)	(589)	(2)	(2)
Included in cash and cash equivalents	246,801	193,738	22,148	20,335
Restricted balances with central banks	97,808	95,515	-	-
<b>Net carrying amount</b>	<b>344,609</b>	<b>289,253</b>	<b>22,148</b>	<b>20,335</b>
<b>Movement in restricted balances:</b>				
At start of year	95,515	84,567	-	-
Movement during the year	2,293	10,948	-	-
At end of year	97,808	95,515	-	-

The restricted funds with the central banks in Kenya, Uganda, Tanzania, Rwanda, South Sudan and Democratic Republic of Congo are not interest earning and are based on the value of deposits as adjusted by central banks' requirements from time to time. These funds (restricted balances with central banks) are not available for use by the Group in its day-to-day operations.



**Notes (continued)**

**21 (b) Net debt reconciliation**

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

<b>Group</b>	<b>2024 Shs' millions</b>	<b>2023 Shs' millions</b>	<b>2024 Shs' millions</b>	<b>2023 Shs' millions</b>
Cash and cash equivalents (Note 21(a))	241,633	193,738	22,148	20,335
<i>Liquid investments:</i>				
FVOCI and FVTPL investment securities (Note 23)	474,986	460,773	-	-
Borrowed funds - repayable within one year (Note 29)	(8,786)	(16,999)	-	-
Borrowed funds - repayable after one year (Note 29)	(94,040)	(127,483)	(13,225)	(16,111)
Lease liabilities (Note 16 (c))	(5,047)	(3,434)		
<b>Net cash</b>	<b>608,746</b>	<b>506,595</b>	<b>8,923</b>	<b>4,224</b>
Cash and liquid investments	716,619	654,511	22,148	20,335
Gross debt - fixed interest rates	(38,617)	(40,636)	-	-
Gross debt - variable interest rates	(69,256)	(107,280)	(13,225)	(16,111)
	<b>608,746</b>	<b>506,595</b>	<b>8,923</b>	<b>4,224</b>

**22 Loans and advances to customers**

	<b>2024 Shs' millions</b>	<b>2023 Shs' millions</b>
Loans and advances at amortised cost	815,869	885,066
Loans and advances at fair value through profit or loss	3,367	2,314
	<b>819,236</b>	<b>887,380</b>

**a) Loans and advances at amortised cost**

<b>At 31 December 2024</b>	<b>Stage 1 12-month ECL Shs' millions</b>	<b>Stage 2 Lifetime ECL Shs' millions</b>	<b>Stage 3 Lifetime ECL Shs' millions</b>	<b>Total Shs' Millions</b>
Gross loans and advances	713,820	67,105	109,732	890,657
Loss allowance	(6,680)	(7,434)	(60,674)	(74,788)
<b>Net loans and advances</b>	<b>707,140</b>	<b>59,671</b>	<b>49,058</b>	<b>815,869</b>

Notes (continued)

22 Loans and advances to customers (continued)

(a) Loans and advances at amortised cost (continued)

At 31 December 2023	Stage 1 12-month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total  Shs' millions
Gross loans and advances	749,455	98,566	107,118	955,139
Loss allowance	(8,854)	(9,434)	(51,785)	(70,073)
Net loans and advances	740,601	89,132	55,333	885,066
	<b>Gross 2024 Shs' millions</b>	<b>2023 Shs' millions</b>	<b>Net 2024 Shs' millions</b>	<b>2023 Shs' millions</b>
Current portion	479,484	510,494	437,858	238,970
Non-current portion	417,636	444,645	381,378	646,096
	897,120	955,139	819,236	885,066

(b) Impairment on financial assets

	Stage 1 12-month ECL Shs' millions	2024 Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total  ECL Shs' millions
Loss allowance as at 1 January	8,854	9,434	51,785	70,073
Transfer to 12 months ECL	2,757	(2,229)	(528)	-
Transfer to lifetime ECL not credit impaired	(628)	1,453	(825)	-
Transfer to lifetime ECL credit impaired	(179)	(3,111)	3,290	-
Net remeasurement	(5,455)	(1,550)	26,101	19,096
New financial assets originated	4,227	5,512	13,854	23,593
Financial assets derecognised	(2,896)	(2,075)	(10,711)	(15,682)
	(2,174)	(2,000)	31,181	27,007
Write offs	-	-	(22,292)	(22,292)
Loss allowance as at 31 December	6,680	7,434	60,674	74,788

Notes (continued)

22 Loans and advances to customers (continued)

(b) Impairment on financial assets (continued)

	2023			Total
	Stage 1 12-month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Shs' millions
Loss allowance as at 1 January	6,446	7,519	36,225	50,190
Transfer to 12 months ECL	1,020	(599)	(421)	-
Transfer to lifetime ECL not credit impaired	(818)	1,239	(421)	-
Transfer to lifetime ECL credit impaired	(323)	(531)	854	-
Net remeasurement	4,995	3,757	25,825	34,577
New financial assets originated	4,536	1,441	9,394	15,371
Financial assets derecognised	(7,002)	(3,392)	(4,201)	(14,595)
	2,408	1,915	31,030	35,353
Write offs	-	-	(15,470)	(15,470)
Loss allowance as at 31 December	8,854	9,434	51,785	70,073
	2024			Total
	Stage 1 12-month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Shs' millions
Gross carrying amount as at 1 January	749,450	98,566	107,123	955,139
<b>Movements during the year:</b>				
Transfer to 12 months ECL	15,939	(14,405)	(1,534)	-
Transfer to lifetime ECL not credit impaired	(27,994)	29,686	(1,692)	-
Transfer to lifetime ECL credit impaired	(15,416)	(15,064)	30,480	-
Net remeasurement	(81,608)	(11,840)	3,065	(90,383)
New financial assets originated	337,244	(16,369)	27,938	348,813
Financial assets derecognised	(263,795)	(3,469)	(55,648)	(322,912)
Gross carrying amount as at 31 December	713,820	67,105	109,732	890,657

Notes (continued)

22 Loans and advances to customers (continued)

(b) Impairment on financial assets (continued)

	2023			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	
	Shs'	Shs'	Shs'	Shs'
	millions	millions	millions	millions
Gross carrying amount as at 1 January	599,576	97,118	58,665	755,359
<b>Movements during the year:</b>				
Transfer to 12 months ECL	14,813	(13,884)	(929)	-
Transfer to lifetime ECL not credit impaired	(34,984)	35,357	(373)	-
Transfer to lifetime ECL credit impaired	(12,588)	(9,848)	22,436	-
Net remeasurement	(29,243)	7,766	(4,188)	(25,665)
New financial assets originated	342,730	3,293	48,457	394,480
Financial assets derecognised	(134,049)	(18,515)	(17,736)	(170,300)
Translation differences	3,195	(2,721)	791	1,265
Gross carrying amount as at 31 December	749,450	98,566	107,123	955,139

Notes (continued)

22 Loans and advances to customers (continued)

(b) Impairment on financial assets (continued)

(c) Movements per sector

	Building and construction				Energy and water				Financial services			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
31 December 2024	12-month	Lifetime	Lifetime		12-month	Lifetime	Lifetime		12-month	Lifetime	Lifetime	
	ECL	ECL	ECL		ECL	ECL	ECL		ECL	ECL	ECL	
	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'
	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions
<b>Gross carrying amount as at 1 January</b>	14,242	4,750	5,560	<b>24,552</b>	51,057	448	14,823	<b>66,328</b>	63,045	4,490	1,467	<b>69,002</b>
Transfer to 12 months ECL	58	(58)	-	-	1,061	(1,061)	-	-	-	-	-	-
Transfer to Lifetime ECL not credit impaired	(1,375)	1,397	(22)	-	(49)	49	-	-	(1)	4	(3)	-
Transfer to Lifetime ECL credit impaired	(1,455)	(451)	1,906	-	(205)	(2)	207	-	(2)	-	2	-
Net remeasurement	(1,884)	(297)	670	<b>(1,511)</b>	(2,835)	(8)	(413)	<b>(3,256)</b>	(5,685)	(1)	1,009	<b>(4,677)</b>
New financial assets originated	6,535	555	1,484	<b>8,574</b>	20,556	44	(46)	<b>20,554</b>	426	2	1	<b>429</b>
Financial assets derecognised	(11,070)	(1,677)	(2,132)	<b>(14,879)</b>	(17,137)	877	(142)	<b>(16,402)</b>	(685)	(2,242)	(652)	<b>(3,579)</b>
<b>Gross carrying amount as at 31 December</b>	<b>5,051</b>	<b>4,219</b>	<b>7,466</b>	<b>16,736</b>	<b>52,448</b>	<b>347</b>	<b>14,429</b>	<b>67,224</b>	<b>57,099</b>	<b>2,253</b>	<b>1,824</b>	<b>61,176</b>
<b>Loss allowance as at 1 January</b>	169	500	5,563	<b>6,232</b>	697	-	12,129	<b>12,826</b>	1,078	127	-	<b>1,205</b>
Transfer to 12 months ECL	5	(5)	-	-	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL not credit impaired	(12)	15	(3)	-	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL credit impaired	(8)	(281)	289	-	-	(1)	1	-	-	-	-	-
Net remeasurement of loss allowance	(10)	(4)	2,818	<b>2,804</b>	(244)	-	(9,536)	<b>(9,780)</b>	(1,046)	-	1,323	<b>277</b>
New financial assets originated	106	206	398	<b>710</b>	413	2	2,442	<b>2,857</b>	-	1	-	<b>1</b>
Financial assets derecognised	(97)	(175)	(2,013)	<b>(2,285)</b>	(295)	-	(509)	<b>(804)</b>	(8)	(127)	-	<b>(135)</b>
Write offs	-	-	(1)	<b>(1)</b>	-	-	(45)	<b>(45)</b>	-	-	(5)	<b>(5)</b>
<b>Loss allowance as at 31 December</b>	<b>153</b>	<b>256</b>	<b>7,051</b>	<b>7,460</b>	<b>571</b>	<b>1</b>	<b>4,482</b>	<b>5,054</b>	<b>24</b>	<b>1</b>	<b>1,318</b>	<b>1,343</b>
<b>Net loans and advances</b>	<b>4,898</b>	<b>3,963</b>	<b>415</b>	<b>9,276</b>	<b>51,877</b>	<b>346</b>	<b>9,947</b>	<b>62,170</b>	<b>57,075</b>	<b>2,252</b>	<b>506</b>	<b>59,833</b>

Notes (continued)

22 Loans and advances to customers (continued)

(b) Impairment on financial assets (continued)

(c) Movements per sector

	Food and agriculture				ICT and Telecommunication				Manufacturing			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
31 December 2024	12-month	Lifetime	Lifetime		12-month	Lifetime	Lifetime		12-month	Lifetime	Lifetime	
	ECL	ECL	ECL		ECL	ECL	ECL		ECL	ECL	ECL	
	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'
	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions
<b>Gross carrying amount as at 1 January</b>	24,715	4,067	4,046	<b>32,828</b>	1,598	26	10	<b>1,634</b>	24,538	23,527	3,977	<b>52,042</b>
Transfer to 12 months ECL	370	(361)	(9)	-	-	-	-	-	86	-	(86)	-
Transfer to Lifetime ECL not credit impaired	(1,020)	1,039	(19)	-	(16)	16	-	-	(136)	139	(3)	-
Transfer to Lifetime ECL credit impaired	(1,159)	(729)	1,888	-	-	-	-	-	(160)	(275)	435	-
Net remeasurement	2,887	(206)	276	<b>2,957</b>	(286)	(2)	-	<b>(288)</b>	(2,392)	24	258	<b>(2,110)</b>
New financial assets originated	22,391	1,115	1,390	<b>24,896</b>	1,569	10	1	<b>1,580</b>	5,341	4,331	2,322	<b>11,994</b>
Financial assets derecognised	(17,460)	(1,915)	(2,020)	<b>(21,395)</b>	(110)	(4)	(5)	<b>(119)</b>	(10,481)	(4,025)	(5,886)	<b>(20,392)</b>
<b>Gross carrying amount as at 31 December</b>	<b>30,724</b>	<b>3,010</b>	<b>5,552</b>	<b>39,286</b>	<b>2,755</b>	<b>46</b>	<b>6</b>	<b>2,807</b>	<b>16,796</b>	<b>23,721</b>	<b>1,017</b>	<b>41,534</b>
<b>Loss allowance as at 1 January</b>	658	266	3,076	<b>4,000</b>	5	-	3	<b>8</b>	316	2,516	-	<b>2,832</b>
Transfer to 12 months ECL	111	(74)	(37)	-	-	-	-	-	3	(3)	-	-
Transfer to Lifetime ECL not credit impaired	(26)	88	(62)	-	-	-	-	-	(1)	1	-	-
Transfer to Lifetime ECL credit impaired	(21)	(50)	71	-	-	-	-	-	(1)	(1,884)	1,885	-
Net remeasurement of loss allowance	(236)	(31)	683	<b>416</b>	(3)	-	-	<b>(3)</b>	(28)	2	3,318	<b>3,292</b>
New financial assets originated	453	267	406	<b>1,126</b>	1	-	-	<b>1</b>	41	2,155	2,773	<b>4,969</b>
Financial assets derecognised	(361)	(87)	(1,147)	<b>(1,595)</b>	(2)	-	-	<b>(2)</b>	(219)	(629)	(7,973)	<b>(8,821)</b>
Write offs			(1,768)	<b>(1,768)</b>				<b>-</b>			(3)	<b>(3)</b>
<b>Loss allowance as at 31 December</b>	<b>578</b>	<b>379</b>	<b>1,222</b>	<b>2,179</b>	<b>1</b>	<b>-</b>	<b>3</b>	<b>4</b>	<b>111</b>	<b>2,158</b>	<b>-</b>	<b>2,269</b>
<b>Net loans and advances</b>	<b>30,146</b>	<b>2,631</b>	<b>4,330</b>	<b>37,107</b>	<b>2,754</b>	<b>46</b>	<b>3</b>	<b>2,803</b>	<b>16,685</b>	<b>21,563</b>	<b>1,017</b>	<b>39,265</b>

Notes (continued)

22 Loans and advances to customers (continued)

(b) Impairment on financial assets (continued)

(c) Movements per sector

(c) Movements per sector	Mining and quarrying				Personal household				Real estate			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
31 December 2024	12-month	Lifetime	Lifetime		12-month	Lifetime	Lifetime		12-month	Lifetime	Lifetime	
	ECL	ECL	ECL		ECL	ECL	ECL		ECL	ECL	ECL	
	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'
	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions
Gross carrying amount as at 1 January	31,109	4,626	5,765	41,500	215,124	7,183	12,214	234,521	66,919	38,107	10,917	115,943
Transfer to 12 months ECL	765	(765)	-	-	2,244	(1,218)	(1,026)	-	1,746	(1,662)	(84)	-
Transfer to Lifetime ECL not credit impaired	(2)	2	-	-	(5,383)	6,320	(937)	-	(9,153)	9,488	(335)	-
Transfer to Lifetime ECL credit impaired	-	(3)	3	-	(3,704)	(1,166)	4,870	-	(922)	(1,859)	2,781	-
Net remeasurement	(11,505)	-	(156)	(11,661)	(30,567)	(777)	(151)	(31,495)	(8,526)	(1,731)	1,562	(8,695)
New financial assets originated	14,077	4	-	14,081	140,143	4,310	3,099	147,552	10,315	(34,559)	9,786	(14,458)
Financial assets derecognised	(7,500)	(10)	(1,936)	(9,446)	(104,723)	(5,648)	(6,944)	(117,315)	(8,310)	(4,013)	(14,660)	(26,983)
Gross carrying amount as at 31 December	26,944	3,854	3,676	34,474	213,134	9,004	11,125	233,263	52,069	3,771	9,967	65,807
Loss allowance as at 1 January	21	307	17	345	2,690	2,704	3,674	9,068	801	2,055	5,285	8,141
Transfer to 12 months ECL	307	(307)	-	-	986	(793)	(193)	-	306	(280)	(26)	-
Transfer to Lifetime ECL not credit impaired	-	-	-	-	(78)	381	(303)	-	(275)	323	(48)	-
Transfer to Lifetime ECL credit impaired	-	-	-	-	(38)	(650)	688	-	(8)	(177)	185	-
Net remeasurement of loss allowance	(186)	-	2,500	2,314	(2,127)	(631)	4,159	1,401	(592)	(900)	3,696	2,204
New financial assets originated	36	1	-	37	916	416	651	1,983	44	78	4,053	4,175
Financial assets derecognised	(2)	-	(7)	(9)	(904)	(831)	(708)	(2,443)	(109)	(190)	(2,235)	(2,534)
Write offs			-	-			(5,323)	(5,323)			(1,085)	(1,085)
Loss allowance as at 31 December	176	1	2,510	2,687	1,445	596	2,645	4,686	167	909	9,825	10,901
Net loans and advances	26,768	3,853	1,166	31,787	211,689	8,408	8,480	228,577	51,902	2,862	142	54,906

Notes (continued)

22 Loans and advances to customers (continued)

(b) Impairment on financial assets (continued)

(c) Movements per sector

	Tourism and hospitality				Trade				Transport and logistics			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
31 December 2024	12-month	Lifetime	Lifetime		12-month	Lifetime	Lifetime		12-month	Lifetime	Lifetime	
	ECL	ECL	ECL		ECL	ECL	ECL		ECL	ECL	ECL	
	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'
	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions
<b>Gross carrying amount as at 1 January</b>	4,824	14,540	5,027	<b>24,391</b>	197,963	(10,112)	36,972	<b>224,823</b>	54,316	6,914	6,345	<b>67,575</b>
Transfer to 12 months ECL	4,378	(4,372)	(6)	-	1,126	(922)	(204)	-	4,105	(3,985)	(120)	-
Transfer to Lifetime ECL not credit impaired	(683)	687	(4)	-	(5,612)	5,980	(368)	-	(4,562)	4,565	(3)	-
Transfer to Lifetime ECL credit impaired	(1,098)	(5,909)	7,007	-	(6,262)	(3,968)	10,230	-	(448)	(702)	1,150	-
Net remeasurement	(1,390)	(134)	1,591	<b>67</b>	(15,293)	(7,540)	(1,240)	<b>(24,073)</b>	(4,134)	(1,166)	(338)	<b>(5,638)</b>
New financial assets originated	4,647	192	45	<b>4,884</b>	92,422	7,246	8,529	<b>108,197</b>	18,821	379	1,329	<b>20,529</b>
Financial assets derecognised	(2,178)	(2,046)	(2,480)	<b>(6,704)</b>	(71,703)	17,857	(15,556)	<b>(69,402)</b>	(12,439)	(624)	(3,237)	<b>(16,300)</b>
<b>Gross carrying amount as at 31 December</b>	<b>8,500</b>	<b>2,958</b>	<b>11,180</b>	<b>22,638</b>	<b>192,641</b>	<b>8,541</b>	<b>38,363</b>	<b>239,545</b>	<b>55,659</b>	<b>5,381</b>	<b>5,126</b>	<b>66,166</b>
<b>Loss allowance as at 1 January</b>	<b>178</b>	<b>-</b>	<b>261</b>	<b>439</b>	<b>1,464</b>	<b>-</b>	<b>17,958</b>	<b>19,422</b>	<b>777</b>	<b>960</b>	<b>3,818</b>	<b>5,555</b>
Transfer to 12 months ECL	-	-	-	-	235	-	(235)	-	804	(767)	(37)	-
Transfer to Lifetime ECL not credit impaired	(16)	16	-	-	(32)	441	(409)	-	(188)	188	-	-
Transfer to Lifetime ECL credit impaired	(28)	-	28	-	(68)	-	68	-	(7)	(68)	75	-
Net remeasurement of loss allowance	15	21	5,235	<b>5,271</b>	(5)	12	11,918	<b>11,925</b>	(993)	(19)	(13)	<b>(1,025)</b>
New financial assets originated	52	132	1	<b>185</b>	2,032	2,100	3,000	<b>7,132</b>	133	154	130	<b>417</b>
Financial assets derecognised	(36)	-	(103)	<b>(139)</b>	(595)	-	4,666	<b>4,071</b>	(268)	(37)	(681)	<b>(986)</b>
Write offs			(284)	<b>(284)</b>			(13,778)	<b>(13,778)</b>			-	-
<b>Loss allowance as at 31 December</b>	<b>165</b>	<b>169</b>	<b>5,138</b>	<b>5,472</b>	<b>3,031</b>	<b>2,553</b>	<b>23,188</b>	<b>28,772</b>	<b>258</b>	<b>411</b>	<b>3,292</b>	<b>3,961</b>
<b>Net loans and advances</b>	<b>8,335</b>	<b>2,789</b>	<b>6,042</b>	<b>17,166</b>	<b>189,610</b>	<b>5,988</b>	<b>15,175</b>	<b>210,773</b>	<b>55,401</b>	<b>4,970</b>	<b>1,834</b>	<b>62,205</b>



Notes (continued)

22 Loans and advances to customers (continued)

(b) Impairment on financial assets (continued)

(c) Movements per sector

	Building and construction				Energy and water				Financial services			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
31 December 2023	12-month	Lifetime	Lifetime		12-month	Lifetime	Lifetime		12-month	Lifetime	Lifetime	
	ECL	ECL	ECL		ECL	ECL	ECL		ECL	ECL	ECL	
	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'
	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions
<b>Gross carrying amount as at 1 January</b>	11,791	4,028	4,161	<b>19,980</b>	38,908	2,385	8,303	<b>49,596</b>	47,486	3,785	1,003	<b>52,274</b>
Transfer to 12 months ECL	1,028	(908)	(120)	-	-	-	-	-	79	(26)	(53)	-
Transfer to Lifetime ECL not credit impaired	(1,774)	1,791	(17)	-	(343)	345	(2)	-	(523)	523	-	-
Transfer to Lifetime ECL credit impaired	(288)	(108)	396	-	(29)	-	29	-	(562)	282	280	-
Net remeasurement	(1,475)	164	(267)	<b>(1,578)</b>	6,212	(2,198)	702	<b>4,716</b>	2,756	7	(66)	<b>2,697</b>
New financial assets originated	7,798	1,573	2,364	<b>11,735</b>	11,438	211	5,799	<b>17,448</b>	17,970	140	772	<b>18,882</b>
Financial assets derecognised	(2,588)	(1,765)	(881)	<b>(5,234)</b>	(5,189)	(322)	(10)	<b>(5,521)</b>	(4,386)	(277)	(571)	<b>(5,234)</b>
Translation differences	(250)	(25)	(76)	<b>(351)</b>	60	27	2	<b>89</b>	225	56	102	<b>383</b>
<b>Gross carrying amount as at 31 December</b>	<b>14,242</b>	<b>4,750</b>	<b>5,560</b>	<b>24,552</b>	<b>51,057</b>	<b>448</b>	<b>14,823</b>	<b>66,328</b>	<b>63,045</b>	<b>4,490</b>	<b>1,467</b>	<b>69,002</b>
<b>Loss allowance as at 1 January</b>	<b>186</b>	<b>381</b>	<b>3,381</b>	<b>3,948</b>	<b>473</b>	<b>501</b>	<b>8,085</b>	<b>9,059</b>	<b>660</b>	<b>107</b>	<b>383</b>	<b>1,150</b>
Transfer to 12 months ECL	92	(73)	(19)	-	-	-	-	-	2	11	(13)	-
Transfer to Lifetime ECL not credit impaired	(91)	91	-	-	(2)	2	-	-	(4)	4	-	-
Transfer to Lifetime ECL credit impaired	(3)	(12)	15	-	-	(5)	5	-	(5)	1	4	-
Net remeasurement of loss allowance	(65)	146	674	<b>755</b>	97	(679)	574	<b>(8)</b>	114	(37)	32	<b>109</b>
New financial assets originated	106	54	1,639	<b>1,799</b>	170	15	3,469	<b>3,654</b>	339	48	48	<b>435</b>
Financial assets derecognised	(31)	(57)	49	<b>(39)</b>	(43)	(32)	(4)	<b>(79)</b>	(42)	(10)	(347)	<b>(399)</b>
Write offs	-	-	(415)	<b>(415)</b>	-	-	(1)	<b>(1)</b>	-	-	(198)	<b>(198)</b>
Translation differences	(26)	(26)	(26)	<b>(78)</b>	2	3	1	<b>6</b>	14	3	71	<b>88</b>
<b>Loss allowance as at 31 December</b>	<b>168</b>	<b>504</b>	<b>5,298</b>	<b>5,970</b>	<b>697</b>	<b>(195)</b>	<b>12,129</b>	<b>12,631</b>	<b>1,078</b>	<b>127</b>	<b>(20)</b>	<b>1,185</b>
<b>Net loans and advances</b>	<b>14,074</b>	<b>4,246</b>	<b>262</b>	<b>18,582</b>	<b>50,360</b>	<b>643</b>	<b>2,694</b>	<b>53,697</b>	<b>61,967</b>	<b>4,363</b>	<b>1,487</b>	<b>67,817</b>

Notes (continued)

22 Loans and advances to customers (continued)

(b) Impairment on financial assets (continued)

(c) Movements per sector

	Food and agriculture				ICT and Telecommunication				Manufacturing			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
31 December 2023	12-month	Lifetime	Lifetime		12-month	Lifetime	Lifetime		12-month	Lifetime	Lifetime	
	ECL	ECL	ECL		ECL	ECL	ECL		ECL	ECL	ECL	
	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'
	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions
<b>Gross carrying amount as at 1 January</b>	20,765	4,478	2,845	<b>28,088</b>	1,534	15	3	<b>1,552</b>	16,535	18,400	2,418	<b>37,353</b>
Transfer to 12 months ECL	776	(751)	(25)	-	-	-	-	-	23	(23)	-	-
Transfer to Lifetime ECL not credit impaired	(1,616)	1,643	(27)	-	(10)	10	-	-	(4,423)	4,424	(1)	-
Transfer to Lifetime ECL credit impaired	(493)	(693)	1,186	-	(3)	-	3	-	(26)	(4)	30	-
Net remeasurement	(2,273)	(1,959)	(131)	<b>(4,363)</b>	(36)	(3)	-	<b>(39)</b>	3,072	3,753	9	<b>6,834</b>
New financial assets originated	17,319	2,683	1,881	<b>21,883</b>	186	7	4	<b>197</b>	10,821	(1,821)	1,639	<b>10,639</b>
Financial assets derecognised	(9,649)	(1,434)	(1,721)	<b>(12,804)</b>	(119)	(3)	-	<b>(122)</b>	(2,275)	(639)	(137)	<b>(3,051)</b>
Translation differences	(114)	100	38	<b>24</b>	46	-	-	<b>46</b>	811	(563)	19	<b>267</b>
<b>Gross carrying amount as at 31 December</b>	<b>24,715</b>	<b>4,067</b>	<b>4,046</b>	<b>32,828</b>	<b>1,598</b>	<b>26</b>	<b>10</b>	<b>1,634</b>	<b>24,538</b>	<b>23,527</b>	<b>3,977</b>	<b>52,042</b>
<b>Loss allowance as at 1 January</b>	<b>382</b>	<b>273</b>	<b>1,489</b>	<b>2,144</b>	<b>6</b>	<b>-</b>	<b>1</b>	<b>7</b>	<b>200</b>	<b>1,535</b>	<b>312</b>	<b>2,047</b>
Transfer to 12 months ECL	52	(48)	(4)	-	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL not credit impaired	(12)	19	(7)	-	-	-	-	-	(437)	437	-	-
Transfer to Lifetime ECL credit impaired	(81)	(94)	175	-	-	-	-	-	(12)	-	12	-
Net remeasurement of loss allowance	(2)	57	718	<b>773</b>	(1)	-	1	-	427	617	(1,902)	<b>(858)</b>
New financial assets originated	419	189	1,004	<b>1,612</b>	-	-	1	<b>1</b>	145	(19)	(619)	<b>(493)</b>
Financial assets derecognised	(171)	(136)	413	<b>106</b>	-	-	-	-	(29)	(13)	(83)	<b>(125)</b>
Write offs	-	-	(833)	<b>(833)</b>	-	-	-	-	-	-	(50)	<b>(50)</b>
Translation differences	71	5	122	<b>198</b>	-	-	-	-	21	(40)	19	-
<b>Loss allowance as at 31 December</b>	<b>658</b>	<b>265</b>	<b>3,077</b>	<b>4,000</b>	<b>5</b>	<b>-</b>	<b>3</b>	<b>8</b>	<b>315</b>	<b>2,517</b>	<b>(2,311)</b>	<b>521</b>
<b>Net loans and advances</b>	<b>24,057</b>	<b>3,802</b>	<b>969</b>	<b>28,828</b>	<b>1,593</b>	<b>26</b>	<b>7</b>	<b>1,626</b>	<b>24,223</b>	<b>21,010</b>	<b>6,288</b>	<b>51,521</b>

Notes (continued)

22 Loans and advances to customers (continued)

(b) Impairment on financial assets (continued)

(c) Movements per sector

(c) Movements per sector	Mining and quarrying				Personal household				Real estate			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
31 December 2023	12-month	Lifetime	Lifetime		12-month	Lifetime	Lifetime		12-month	Lifetime	Lifetime	
	ECL	ECL	ECL		ECL	ECL	ECL		ECL	ECL	ECL	
	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'
	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions
Gross carrying amount as at 1 January	25,159	4,290	1,746	31,195	168,331	5,253	5,988	179,572	71,594	27,477	7,775	106,846
Transfer to 12 months ECL	-	-	-	-	1,391	(1,133)	(258)	-	2,027	(1,835)	(192)	-
Transfer to Lifetime ECL not credit impaired	-	-	-	-	(2,696)	2,841	(145)	-	(17,362)	17,962	(600)	-
Transfer to Lifetime ECL credit impaired	(1,399)	(316)	1,715	-	(1,951)	(569)	2,520	-	(790)	(1,333)	2,123	-
Net remeasurement	(3,660)	1,124	1	(2,535)	(17,802)	(438)	(210)	(18,450)	(6,060)	64	(770)	(6,766)
New financial assets originated	13,841	(497)	2,357	15,701	117,018	2,028	6,728	125,774	22,984	(2,716)	4,511	24,779
Financial assets derecognised	(2,907)	(2)	(59)	(2,968)	(49,735)	(1,069)	(2,525)	(53,329)	(6,125)	(636)	(2,002)	(8,763)
Translation differences	75	27	5	107	568	270	116	954	651	(876)	72	(153)
Gross carrying amount as at 31 December	31,109	4,626	5,765	41,500	215,124	7,183	12,214	234,521	66,919	38,107	10,917	115,943
Loss allowance as at 1 January	19	317	39	375	1,758	319	3,151	5,228	584	1,768	5,280	7,632
Transfer to 12 months ECL	-	-	-	-	116	(57)	(59)	-	153	(60)	(93)	-
Transfer to Lifetime ECL not credit impaired	-	-	-	-	(30)	128	(98)	-	(126)	214	(88)	-
Transfer to Lifetime ECL credit impaired	(1)	(10)	11	-	(126)	(55)	181	-	(10)	(57)	67	-
Net remeasurement of loss allowance	3	2	2	7	6,058	3,719	18,680	28,457	(165)	826	1,586	2,247
New financial assets originated	9	(3)	76	82	1,431	685	(8,718)	(6,602)	323	18	2,222	2,563
Financial assets derecognised	(1)	-	(56)	(57)	(6,211)	(2,022)	(2,793)	(11,026)	(30)	(69)	660	561
Write offs	-	-	(40)	(40)	-	-	(6,434)	(6,434)	-	-	(2,204)	(2,204)
Translation differences	(7)	-	5	(2)	(306)	(11)	(236)	(553)	70	(129)	166	107
Loss allowance as at 31 December	22	306	37	365	2,690	2,706	3,674	9,070	799	2,511	7,596	10,906
Net loans and advances	31,087	4,320	5,728	41,135	212,434	4,477	8,540	225,451	66,120	35,596	3,321	105,037

Notes (continued)

22 Loans and advances to customers (continued)

(b) Impairment on financial assets (continued)

(c) Movements per sector

	Tourism and hospitality				Trade				Transport and logistics			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
31 December 2023	12-month	Lifetime	Lifetime		12-month	Lifetime	Lifetime		12-month	Lifetime	Lifetime	
	ECL	ECL	ECL		ECL	ECL	ECL		ECL	ECL	ECL	
	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'	Shs'
	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions
<b>Gross carrying amount as at 1 January</b>	3,822	16,918	2,015	<b>22,755</b>	153,949	3,788	18,529	<b>176,266</b>	39,702	6,301	3,879	<b>49,882</b>
Transfer to 12 months ECL	(1,291)	1,293	(2)	-	10,533	(10,273)	(260)	-	247	(228)	(19)	-
Transfer to Lifetime ECL not credit impaired	(39)	50	(11)	-	(5,205)	4,402	803	-	(993)	1,366	(373)	-
Transfer to Lifetime ECL credit impaired	(1,047)	111	936	-	(6,152)	(6,438)	12,590	-	152	(780)	628	-
Net remeasurement	1,954	(1,523)	12	<b>443</b>	(6,686)	9,547	(4,533)	<b>(1,672)</b>	(5,245)	(772)	1,065	<b>(4,952)</b>
New financial assets originated	1,302	(607)	2,324	<b>3,019</b>	95,665	970	17,586	<b>114,221</b>	26,388	1,322	2,492	<b>30,202</b>
Financial assets derecognised	(284)	(703)	(257)	<b>(1,244)</b>	(44,712)	(11,483)	(7,953)	<b>(64,148)</b>	(6,080)	(182)	(1,620)	<b>(7,882)</b>
Translation differences	407	(999)	10	<b>(582)</b>	571	(625)	210	<b>156</b>	145	(113)	293	<b>325</b>
<b>Gross carrying amount as at 31 December</b>	<b>4,824</b>	<b>14,540</b>	<b>5,027</b>	<b>24,391</b>	<b>197,963</b>	<b>(10,112)</b>	<b>36,972</b>	<b>224,823</b>	<b>54,316</b>	<b>6,914</b>	<b>6,345</b>	<b>67,575</b>
<b>Loss allowance as at 1 January</b>	<b>114</b>	<b>705</b>	<b>428</b>	<b>1,247</b>	<b>1,559</b>	<b>801</b>	<b>11,136</b>	<b>13,496</b>	<b>505</b>	<b>812</b>	<b>2,540</b>	<b>3,857</b>
Transfer to 12 months ECL	68	(68)	-	-	515	(286)	(229)	-	21	(17)	(4)	-
Transfer to Lifetime ECL not credit impaired	(35)	44	(9)	-	(59)	44	15	-	(23)	258	(235)	-
Transfer to Lifetime ECL credit impaired	(19)	(2)	21	-	(59)	(279)	338	-	(7)	(18)	25	-
Net remeasurement of loss allowance	(18)	(397)	52	<b>(363)</b>	(1,392)	(462)	4,328	<b>2,474</b>	(61)	(34)	1,080	<b>985</b>
New financial assets originated	29	73	91	<b>193</b>	1,219	106	9,073	<b>10,398</b>	345	276	1,108	<b>1,729</b>
Financial assets derecognised	(4)	(779)	125	<b>(658)</b>	(371)	(264)	(2,103)	<b>(2,738)</b>	(70)	(10)	(62)	<b>(142)</b>
Write offs	-	-	(463)	<b>(463)</b>	-	-	(4,120)	<b>(4,120)</b>	-	-	(711)	<b>(711)</b>
Translation differences	44	(32)	15	<b>27</b>	50	285	(217)	<b>118</b>	67	(56)	77	<b>88</b>
<b>Loss allowance as at 31 December</b>	<b>179</b>	<b>(456)</b>	<b>260</b>	<b>(17)</b>	<b>1,462</b>	<b>(55)</b>	<b>18,221</b>	<b>19,628</b>	<b>777</b>	<b>1,211</b>	<b>3,818</b>	<b>5,806</b>
<b>Net loans and advances</b>	<b>4,645</b>	<b>14,996</b>	<b>4,767</b>	<b>24,408</b>	<b>196,501</b>	<b>(10,057)</b>	<b>18,751</b>	<b>205,195</b>	<b>53,539</b>	<b>5,703</b>	<b>2,527</b>	<b>61,769</b>

**Notes (continued)**

**22 Loans and advances to customers (continued)**

**(c) Movement per sector (continued)**

The terms and conditions normally provided for the loans and advances to customers are as follows:

**Retail loans** – Retail loans are comprised of consumer loans, micro-enterprises and agriculture. These are interest bearing facilities to retail customers. Collateral is required except for scheme loans to salaried customers. On average, the contractual tenor is between 6 months and 5 years. These loans are charged processing fees.

**Corporate loans** - Consist of small and medium enterprises and large enterprises - These are loans to small medium and large customers, and they are all interest bearing. Collateral is a requirement for all facilities. The contractual tenor is between 6 months and 10 years. These loans are charged processing fees.

**Overdrafts** - These are short-term facilities to customers with urgent need of cash. Collateral is required for all these facilities and the tenor is 6 to 12 months. The only charge on these facilities is the overdraft arrangement fee.

**(d) Financial asset at fair value through profit or loss**

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs' millions</b>	<b>Shs' millions</b>
Loan note	6,463	7,850
Fair value loss	(3,096)	(5,536)
	<b>3,367</b>	<b>2,314</b>
Non-current	<b>3,367</b>	<b>2,314</b>
<b>Movement in fair value loss:</b>		
At start of the year	(5,536)	(4,753)
Fair value loss in current year	2,440	(783)
At end of the year	<b>(3,096)</b>	<b>(5,536)</b>

The financial asset at fair value through profit or loss relates to long term note issued to the Bank in 2017 following a restructure of facilities to a customer in the airline industry (original borrower company). The loan note earns a coupon rate of interest, is partly guaranteed by the Government of Kenya and is secured by shares held by the issuer in the original borrower company. The ultimate amount recoverable on the loan note will depend on the value realised when the underlying shares are disposed of (including any upswing) and any guarantee called in the event of loss. The instrument is considered a loan instrument with an embedded derivative and has therefore been classified as an asset at fair value through profit or loss.

In addition to the above, the value of the loan note would be impacted by qualitative, judgemental analysis of developments at the original borrower company and in the airline industry, and the future actions of the Government of Kenya and other shareholders.

**Notes (continued)**

**23 Investment securities – Group**

	<b>2024</b>	<b>2023</b>
	<b>Shs' millions</b>	<b>Shs' millions</b>
<b>Investment securities at amortised cost</b>		
At start of year	24,798	25,482
Purchase of securities	-	11,672
Maturity of securities	(3,995)	(14,146)
Translation differences	(5,217)	1,790
At end of year	15,586	24,798
<b>12-month ECL:</b>		
At start of the year	(15)	(25)
Re-measurement during the year	8	10
At end of the year	(7)	(15)
<b>Net carrying amount</b>	15,579	24,783
<b>Investment securities at FVOCI</b>		
At start of year	463,231	363,272
Purchase of investment securities	109,614	287,699
Sale / maturity of investment securities	(97,703)	(180,200)
Net gain/(loss) on fair valuation	23,194	(14,553)
Translation differences	(27,529)	7,013
At end of year	470,807	463,231
<b>12-month ECL:</b>		
At start of year	(42)	(201)
Re-measurement during the year	(246)	212
Translation differences	(18)	(53)
At end of year	(306)	(42)
<b>Net carrying amount</b>	470,501	463,189
<b>Investment securities at FVTPL</b>		
At start of year	12,570	5,456
Purchase of investment securities	49,931	9,446
Sale of investment securities	(31,439)	(4,692)
Translation differences	(5,160)	2,360
At end of year	25,902	12,570
<b>Total investment securities</b>	511,982	500,542
Current	68,451	34,766
Non-current	443,531	465,776
<b>Total</b>	511,982	500,542

The weighted average effective interest rate at 31 December 2024 was 11.9% (2023: 11.8%).

**Notes (continued)**

**24 Other assets**

	2024	Group	2024	Company
	Shs'	2023	Shs'	2023
	millions	Shs'	millions	Shs'
		millions		millions
Settlement and clearing accounts	3,496	15,011	-	-
Prepaid expenses	6,016	11,292	7	-
Refundable deposits	976	1,061	-	-
Sundry debtors	7,819	7,265	755	1,777
Other assets	13,137	4,042	2,627	-
	31,444	38,671	3,389	1,777
<b>12-month ECL:</b>				
At start of the year	(438)	(531)	(275)	(275)
Re-measurement during the year	(383)	8	-	-
Translation differences	(77)	85	-	-
At end of the year	(898)	(438)	(275)	(275)
<b>Net carrying amount</b>	30,546	38,233	3,114	1,502

Other assets includes inventory for bank operations, receivables from card schemes and a receivable for expenses incurred on behalf of third parties.

Other assets are settled no more than 12 months after the reporting date. All the balances are non-interest bearing.

**25 (a) Reinsurance contract assets**

	2024	Group
	Shs' millions	2023
		Shs' millions
Assets from:		
- Group life	248	105
- Credit life	1,407	1,518
	1,655	1,623

**(b) Insurance contract liabilities**

At Start of the year	16,903	3,608
Net insurance service result	(234)	(291)
Investment component cashflows	3,225	13,586
	19,894	16,903

Notes (continued)

25a) Reinsurance contract assets

Year ended 31 December 2024	Asset for Remaining Coverage (ARC)			Asset Recoverable for Incurred Claims(ARIC)			Total asset
	Excluding loss recovery component Shs'millions	Loss recovery component Shs'millions	Total ARC Shs'millions	Estimate of present value of cash flows Shs'millions	Risk adjustment for non- financial risk Shs' millions	Total ARIC for contracts under PAA Shs'millions	Shs'millions
Opening reinsurance contact assets	764	-	764	859	-	859	1,623
<b>Net opening balance at 1 January</b>	<b>764</b>	<b>-</b>	<b>764</b>	<b>859</b>	<b>-</b>	<b>859</b>	<b>1,623</b>
Insurance revenue ceded to the reinsurer (Note 6)	(490)	-	(490)	-	-	-	(490)
Insurance service expenses (Note 5)	-	-	-	-	-	-	-
Recoveries of incurred claims and other directly attributable expenses	-	-	-	378	-	378	378
<b>Net expenses from reinsurance contracts</b>	<b>(490)</b>	<b>-</b>	<b>(490)</b>	<b>378</b>	<b>-</b>	<b>378</b>	<b>(112)</b>
Net finance income from reinsurance contracts	-	-	-	28	-	28	28
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(490)</b>	<b>-</b>	<b>(490)</b>	<b>406</b>	<b>-</b>	<b>406</b>	<b>(84)</b>
<b>Cashflows</b>							
Premiums paid	422	-	422	-	-	-	422
Claims and other directly attributable expenses recoveries	350	-	350	(776)	-	(776)	(426)
Outstanding amounts at year end	(87)	-	(87)	207	-	207	120
<b>Total cashflows</b>	<b>685</b>	<b>-</b>	<b>685</b>	<b>(569)</b>	<b>-</b>	<b>(569)</b>	<b>116</b>
<b>Closing reinsurance contract assets</b>	<b>959</b>	<b>-</b>	<b>959</b>	<b>696</b>	<b>-</b>	<b>696</b>	<b>1,655</b>



Notes (continued)

25a) Reinsurance contract assets (continued)

Year ended 31 December 2023	Asset for Remaining Coverage (ARC)			Asset Recoverable for Incurred Claims (ARIC)			Total asset
	Excluding loss recovery component Shs' millions	Loss recovery component Shs' millions	Total ARC Shs' millions	Estimate of present value of cash flows Shs' millions	Risk adjustment for non-financial risk Shs' millions	Total ARIC for contracts under PAA Shs' millions	
Opening reinsurance contract assets	829	-	829	212	-	212	1,041
<b>Net opening balance at 1 January</b>	<b>829</b>	<b>-</b>	<b>829</b>	<b>212</b>	<b>-</b>	<b>212</b>	<b>1,041</b>
Insurance revenue ceded to the reinsurer (Note 6)	(548)	-	(548)	-	-	-	(548)
Insurance service expenses (Note 5)	-	-	-	-	-	-	-
Recoveries of incurred claims and other directly attributable expenses	-	-	-	828	-	828	828
<b>Net expenses from reinsurance contracts</b>	<b>(548)</b>	<b>-</b>	<b>(548)</b>	<b>828</b>	<b>-</b>	<b>828</b>	<b>280</b>
Net finance income from reinsurance contracts	-	-	-	14	-	14	14
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(548)</b>	<b>-</b>	<b>(548)</b>	<b>842</b>	<b>-</b>	<b>842</b>	<b>294</b>
<b>Cashflows</b>							
Premiums paid	619	-	619	-	-	-	619
Claims and other directly attributable expenses recoveries	-	-	-	(602)	-	(602)	(602)
Outstanding amounts at year end	(136)	-	(136)	408	-	408	272
<b>Total cashflows</b>	<b>483</b>	<b>-</b>	<b>483</b>	<b>(194)</b>	<b>-</b>	<b>(194)</b>	<b>289</b>
<b>Closing reinsurance contract assets</b>	<b>764</b>	<b>-</b>	<b>764</b>	<b>860</b>	<b>-</b>	<b>860</b>	<b>1,624</b>

Notes (continued)

25b) Insurance contract liabilities

Year ended 31 December 2024	Liability for Remaining Coverage (LRC)			Liability for Incurred Claims (LIC)			Total asset
	Excluding loss recovery component	Loss recovery component	Total LRC	Estimate of present value of cash flows	Risk adjustment for non- financial risk	Total LIC for contracts under PAA	
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Opening insurance contract liabilities	15,869	-	15,869	1,034	-	1,034	16,903
<b>Net opening balance at 1 January</b>	<b>15,869</b>	<b>-</b>	<b>15,869</b>	<b>1,034</b>	<b>-</b>	<b>1,034</b>	<b>16,903</b>
Insurance revenue (Note 4)	(1,429)	-	(1,429)	-	-	-	(1,429)
Insurance service expenses (Note 5)	3	-	3	800	-	800	803
Insurance acquisition cashflows amortisation	118	-	118	-	-	-	118
<b>Insurance service result</b>	<b>(1,308)</b>	<b>-</b>	<b>(1,308)</b>	<b>800</b>	<b>-</b>	<b>800</b>	<b>(508)</b>
Net finance expense from insurance contracts	196	-	196	78	-	78	274
<b>Total recognised in the statement of profit or loss and OCI</b>	<b>(1,112)</b>	<b>-</b>	<b>(1,112)</b>	<b>878</b>	<b>-</b>	<b>878</b>	<b>(234)</b>
<b>Cashflows</b>							
Premiums received	5,241	-	5,241	-	-	-	5,241
Claims and other directly attributable expenses paid	(975)	-	(975)	(796)	-	(796)	(1,771)
Insurance acquisition cashflows deducted	(245)	-	(245)	-	-	-	(245)
<b>Total cashflows</b>	<b>4,021</b>	<b>-</b>	<b>4,021</b>	<b>(796)</b>	<b>-</b>	<b>(796)</b>	<b>3,225</b>
<b>Closing insurance contract liabilities</b>	<b>18,778</b>	<b>-</b>	<b>18,778</b>	<b>1,116</b>	<b>-</b>	<b>1,116</b>	<b>19,894</b>

Notes (continued)

25b) Insurance contract liabilities (continued)

Year ended 31 December 2023	Liability for Remaining Coverage (LRC)			Liability for Incurred Claims (LIC)			Total asset Shs'millions
	Excluding loss recovery component	Loss recovery component	Total LRC	Estimate of present value of cash flows	Risk adjustment for non- financial risk	Total LIC for contracts under PAA	
	Shs'millions	Shs'millions	Shs'millions	Shs'millions	Shs'millions	Shs'millions	
Opening insurance contract liabilities	3,094	-	3,094	514	-	514	3,608
<b>Net opening balance at 1 January</b>	<b>3,094</b>	<b>-</b>	<b>3,094</b>	<b>514</b>	<b>-</b>	<b>514</b>	<b>3,608</b>
Insurance revenue (Note 4)	(1,612)	-	(1,612)	-	-	-	(1,612)
Insurance service expenses (Note 5)	-	-	-	1,170	-	1,170	1,170
Insurance acquisition cashflows amortisation	129	-	129	-	-	-	129
<b>Insurance service result</b>	<b>(1,483)</b>	<b>-</b>	<b>(1,483)</b>	<b>1,170</b>	<b>-</b>	<b>1,170</b>	<b>(313)</b>
Net finance expense from insurance contracts	-	-	-	22	-	22	22
<b>Total recognised in the statement of profit or loss and OCI</b>	<b>(1,483)</b>	<b>-</b>	<b>(1,483)</b>	<b>1,192</b>	<b>-</b>	<b>1,192</b>	<b>(291)</b>
<b>Cashflows</b>							
Premiums received	14,867	-	14,867	-	-	-	14,867
Claims and other directly attributable expenses paid	(394)	-	(394)	(671)	-	(671)	(1,065)
Insurance acquisition cashflows deducted	(216)	-	(216)	-	-	-	(216)
<b>Total cashflows</b>	<b>14,257</b>	<b>-</b>	<b>14,257</b>	<b>(671)</b>	<b>-</b>	<b>(671)</b>	<b>13,586</b>
<b>Closing insurance contract liabilities</b>	<b>15,868</b>	<b>-</b>	<b>15,868</b>	<b>1,035</b>	<b>-</b>	<b>1,035</b>	<b>16,903</b>

**Notes (continued)**

**26 Deferred income tax**

The net deferred income tax movement computed at the enacted tax rates, is attributable to the following items:

<i>Group</i>	<b>At start of year</b>	<b>Recognised in profit or loss</b>	<b>Translation differences</b>	<b>Recognised in OCI</b>	<b>At end of year</b>
<b>For the year ended 31 December 2024</b>	<b>Shs' millions</b>	<b>Shs' millions</b>	<b>Shs' millions</b>	<b>Shs' millions</b>	<b>Shs' millions</b>
Property, equipment and software	(1,584)	850	9	-	(725)
Loan impairment provision	23,575	(9,372)	1,269	-	15,472
Provision for accrued leave	416	(1,178)	(1)	-	(763)
Other temporary differences	(157)	9,120	282	-	9,245
Deferred income	(973)	17	291	-	(665)
FVOCI reserves	17,609	-	(419)	(6,959)	10,231
Other reserves (Defined benefit obligation)	116	50	(79)	(681)	(594)
	39,002	(513)	1,352	(7,640)	32,202
<b>For the year ended 31 December 2023</b>					
Property, equipment and software	(405)	(1,228)	49	-	(1,584)
Loan impairment provision	14,411	7,176	1,988	-	23,575
Provision for accrued leave	262	154	-	-	416
Other temporary differences	(640)	317	166	-	(157)
Deferred income	(1,207)	234	-	-	(973)
FVOCI reserves	13,121	-	122	4,366	17,609
Other reserves (deferred benefit obligation)	60	-	-	56	116
	25,602	6,653	2,325	4,422	39,002

**Notes (continued)**

**26 Deferred income tax (continued)**

<b>Company</b>	<b>At start of year Shs' millions</b>	<b>Recognised in profit or loss Shs' millions</b>	<b>Recognised in OCI Shs' millions</b>	<b>At end of year Shs' millions</b>
<b>31 December 2024</b>				
Unrealized foreign exchange losses	964	(1,048)	-	(84)
<b>31 December 2023</b>				
Unrealized foreign exchange losses	319	645	-	964

The deferred tax asset and deferred tax liability at group level in the statement of financial position have been separated as required by IAS 12, since they relate to different tax jurisdictions.

	<b>Group</b>		<b>Company</b>	
	<b>2024 Shs' millions</b>	<b>2023 Shs' millions</b>	<b>2024 Shs' millions</b>	<b>2023 Shs' millions</b>
<b>The balance at 31 December is made up of:</b>				
Deferred income tax asset	35,497	41,830	-	964
Deferred income tax liability	(3,295)	(2,828)	(84)	-
	32,202	39,002	(84)	964

The Group has concluded that the deferred income tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the Group. The Group is expected to continue generating taxable income.

**Notes (continued)**

**27 Deposits from customers**

Deposits from customers are analysed below:

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs' millions</b>	<b>Shs' millions</b>
<b>Retail customers</b>		
Savings deposits	136,104	159,049
Current deposits	134,058	121,913
Term deposits	92,390	74,128
Transactional deposits	186,753	194,709
	<hr/> 549,305	<hr/> 549,799
<b>Corporate customers</b>		
Savings deposits	28,088	59,767
Current deposits	467,006	422,509
Term deposits	305,366	320,333
Transactional deposits	47,729	3,463
Margin on guarantees	3,893	2,357
	<hr/> 852,082	<hr/> 808,429
	<hr/> 1,401,387	<hr/> 1,358,228
Current	635,670	398,369
Non-current	765,717	959,859
<b>Total</b>	<hr/> <hr/> 1,401,387	<hr/> <hr/> 1,358,228

The weighted average effective interest rate on interest bearing customer deposits at 31 December 2024 was 8% (2023: 7%). The carrying value of customer deposits approximates their fair value. The summary of terms and conditions for the various categories of deposits are below:

- (a) Term deposits - These are high interest-bearing accounts that are opened for a specific period of time at a fixed rate of interest. Funds are fixed on the account for specified term periods of time. Interest is calculated daily and paid only on maturity of the deposits. Interest rates are offered at competitive and attractive rates.
- (b) Current accounts - These are non-interest-bearing accounts that are due on demand. They are operated by both individuals and institutions with the use of a cheque book. They are subject to transaction activity fees and/or monthly maintenance charges.
- (c) Savings accounts - These are deposits accounts designed for the average income earner that enables one to save some money and earn interest. The more one saves, the higher the interest. Interest on minimum monthly balances is paid into the account bi-annually.
- (d) Transaction deposits - These are non-interest-bearing accounts that can be used directly as cash without withdrawal limits or restrictions.

**Notes (continued)**

**28 Other liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Shs'</b>	<b>Shs'</b>	<b>Shs'</b>	<b>Shs'</b>
	<b>millions</b>	<b>millions</b>	<b>millions</b>	<b>millions</b>
Settlement and clearing accounts	21,802	24,478	-	-
Accounts payable and sundry creditors	8,709	14,996	-	-
Accrued expenses	8,046	8,091	81	96
Deferred income	8,179	10,292	-	-
	46,736	57,857	81	96
Current	28,996	32,761	81	96
Non-current	17,740	25,096	-	-
	46,736	57,857	81	96

**29 Borrowed funds**

***Equity Bank (Kenya) Limited (EBKL)***

International Finance Corporation (IFC)	14,952	34,361	-	-
KFW DEG	-	-	-	-
European Investment Bank	10,081	11,835	-	-
Proparco	7,304	27,903	-	-
DEG-CDC-FMO	7,119	7,889	-	-
CDC Group PLC	6,489	3,482	-	-
KFW (Ministry of Finance) - SIPMK	-	13,137	-	-
Overnight borrowings	2,015	-	-	-
International Finance Corporation (IFC)	-	16,275	-	-

***Equity Group Holdings Plc (EGH Plc)***

African Development Bank (AfDB)	13,225	16,111	13,225	16,111
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***EBUL***

***Inter-bank money market borrowings:***

European Investment Bank	-	4,061	-	-
Uganda Energy Credit Capitalisation Company	-	633	-	-
ABi Finance	83	173	-	-
	823	1,246	-	-

***Equity Bank (Tanzania) Limited (EBTL)***

European Investment Bank	2,181	3,532	-	-
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***Equity Bank (Rwanda) Limited (EBRL)***

National Bank of Rwanda	5,321	7,469	-	-
Development Bank of Rwanda	261	-	-	-
Overnight borrowings	841	-	-	-
Access Bank	355	241	-	-

***EquityBCDC***

European Investment Bank	834	1,405	-	-
ECO Bank	-	795	-	-
International Finance Corporation (IFC)	-	47	-	-
FMP	649	-	-	-

	72,533	150,595	13,225	16,111
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**Notes (continued)**

**29 Borrowed funds (continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Shs'</b>	<b>Shs' millions</b>	<b>Shs'</b>	<b>Shs' millions</b>
	<b>millions</b>		<b>millions</b>	<b>millions</b>
Current	8,533	28,597	13,225	-
Non-current portion	64,000	121,998	-	16,111
	<b>72,533</b>	<b>150,595</b>	<b>13,225</b>	<b>16,111</b>
<b>Movement during the year:</b>				
At start of year	150,595	157,542	16,111	12,629
Proceeds from borrowed funds	17,265	42,011	-	-
Repayment of borrowed funds	(85,011)	(57,137)	-	-
Interest charged on borrowed funds	13,227	34,926	1,416	1,427
Interest paid on borrowed funds	(12,101)	(28,403)	(1,527)	(1,300)
Translation differences	(11,442)	1,656	(2,775)	3,355
At end of year	<b>72,533</b>	<b>150,595</b>	<b>13,225</b>	<b>16,111</b>

**Company**

<b>Lender</b>	<b>Type of loan</b>	<b>Loan balance</b>	<b>Security</b>	<b>Currency</b>	<b>Interest rate</b>	<b>Maturity date</b>	<b>Finance cost recognised in the year</b>
	<b>Shs' millions</b>						<b>Shs' millions</b>
<b>31 December 2024</b>							
African Development Bank	Long term loan	13,225	Unsecured	USD	6-month SOFR+ 4.9%	24 December 2027	1,416
<b>31 December 2023</b>							
African Development Bank	Long term loan	16,111	Unsecured	USD	6-month SOFR+ 4.9%	24 December 2027	1,427



Notes (continued)

29 Borrowed funds (continued)

31 December 2024 – Group

Lender	Type of loan	Loan balance	Security	Currency	Interest rate	Maturity date	Finance cost recognised in the year
		Shs' millions					Shs' millions
IFC B1 & C - Subordinated Debt- EBKL	Long term loan	14,929	Unsecured	USD	6M SOFR+ 5.60%	15-Dec-28	1,774
Proparco- EBKL	Long term loan	7,303	Unsecured	USD	3M SOFR +2.85%	15-Jul-27	674
CDC Group PLC- EBKL	Long term loan	6,512	Unsecured	USD	6M SOFR+ 4.85%	15-Dec-28	722
European Investment Bank- EBKL	Long term loan	6,404	Unsecured	SHS	6.0%	01-Oct-27	1,112
DEG CDC FMO facility A- EBKL	Long term loan	4,450	Unsecured	USD	3M SOFR +2.85%	15-Nov-27	465
DEG CDC FMO facility B- EBKL	Long term loan	2,669	Unsecured	USD	3M SOFR +2.60%	15-Nov-27	271
Overnight borrowings- EBKL	Short term loan	2,016	Unsecured	Various	Various	Various	2,853
European Investment Bank- EBKL	Long term loan	1,853	Unsecured	SHS	7.0%	01-Oct-27	296
European Investment Bank- EBKL	Long term loan	1,824	Unsecured	SHS	8.0%	01-Apr-28	264
IFC - Subordinated Debt - EBKL	Long term loan	-	Unsecured	USD	6M SOFR + 5.00%	15-Mar-26	1,090
KFW DEG- EBKL	Long term loan	-	Unsecured	USD	3M SOFR +5.00%	15-Aug-26	908
KFW (Ministry of Finance) - SIPMK- EBKL	Long term loan	-	Unsecured	SHS	4%	30-Dec-24	-
Africa Development Bank - EGH	Long term loan	13,225	Unsecured	USD	6M SOFR+ 4.9%	24-Dec-27	1,416
National Bank of Rwanda- EBRL	Short term loan	3,499	Unsecured	RWF	8.0%	17-Aug-25	41
National Bank of Rwanda -EBRL	Medium term Loan	1,503	Unsecured	RWF	2.0%	Various	45
GT Bank-EBRL	Short term loan	654	Unsecured	RWF	8.0%	30-Dec-24	130
Access Bank- EBRL	Short term loan	355	Unsecured	RWF	8.0%	27-Dec-24	31
Access to Finance for Recovery and Resilience -EBRL	Medium term Loan	319	Unsecured	RWF	2.0%	Various	4
NCBA- EBRL	Short term loan	187	Unsecured	RWF	8.0%	30-Dec-24	52
Development Bank of Rwanda- EBRL	Short term loan	93	Unsecured	RWF	0.0%	17-May-19	-

Notes (continued)

29 Borrowed funds (continued)

31 December 2024 – Group

Lender	Type of loan	Loan balance Shs' millions	Security	Currency	Interest rate	Maturity date	Finance cost recognised in the year Shs' millions
Development Bank of Rwanda -EBRL	Short term loan	93	Unsecured	RWF	2.0%	02-Jul-20	2
Development Bank of Rwanda -EBRL	Short term loan	75	Unsecured	RWF	2.0%	19-Aug-22	2
European Investment Bank (EIB)-EBTL	Long term loan	2,181	Unsecured	TZS	5.5%	27-Oct-27	201
FPM - EBCDC	Medium term Loan	649	Unsecured	USD	4.0%	28-Jun-28	38
European Investment Bank -EBCDC	Medium term Loan	491	Unsecured	USD	4.7%	20-Apr-27	22
European Investment Bank -EBCDC	Medium term Loan	336	Unsecured	USD	5.2%	20-Apr-27	22
European Investment Bank -EBCDC	Medium term Loan	7	Unsecured	USD	5.2%	20-Apr-27	-
Central Bank of Congo -EBCDC	Short term loan	-	Unsecured	USD	3.0%	24-Apr-24	32
Trust Merchant Bank - EBCDC	Short term loan	-	Unsecured	USD		12-Jul-24	2
ABi Finance-EBUG	Short term loan	447	Unsecured	USHS	11.0%	22-Dec-27	372
ABi Finance-EBUG	Short term loan	289	Unsecured	USHS	11.0%	26-May-28	240
ABi Finance-EBUG	Short term loan	87	Unsecured	USHS	11.0%	26-May-28	72
Uganda Energy Credit Capitalisation Company-EBUG	Short term loan	83	Unsecured	USHS	5.0%	21-Nov-26	69
SofiBank - EBCDC	Short term loan	-	Unsecured	USD		22-Jan-24	5
		72,533					13,227

Following management's strategic decision to early repay USD 100 million IFC and USD 100 million DEG debt in the year ended 31 December 2024, the Group's ratio for one of the counterparties (counterparty borrowing/total tier 2 debt) increased to 52% against a debt covenant requirement of 50% as at 31 December 2024. The Group and Company had not received a waiver for the breached debt covenant requirement and as a result, the borrowing has been classified as current within the Group and Company liquidity risk notes.

Notes (continued)

29 Borrowed funds (continued)

31 December 2023 – Group

Lender	Type of loan	Loan balance  Shs' millions	Security	Currency	Interest rate	Maturity date	Finance cost recognised in the year Shs' millions
International Finance Corporation (IFC), EBKL Sub Debt	Long term loan	16,209	Unsecured	USD	6M SOFR + 5.00%	15-Mar-26	1,632
International Finance Corporation (IFC), B1 & C sub debt	Long term loan	18,152	Unsecured	USD	6M SOFR + 5.00%	15-Dec-28	2,023
CDC Group PLC, EBKL	Long term loan	7,889	Unsecured	USD	6M SOFR + 4.85%	15-Dec-28	820
KFW-DEG, EBKL	Long term loan	16,358	Unsecured	USD	6M SOFR + 5.00%	15-Aug-26	1626
Proparco, EBKL	Long term loan	11,835	Unsecured	USD	6M SOFR + 2.85%	15-Jul-27	942
Africa Development Bank, EGH Plc	Long term loan	16,111	Unsecured	USD	6M SOFR + 4.9%	24-Dec-27	1408
European Investment Bank, EBKL	Long term loan	2,471	Unsecured	SHS	Fixed 6.97%	1-Oct-27	190
European Investment Bank, EBKL	Long term loan	2,433	Unsecured	SHS	Fixed 7.74%	1-Apr-28	170
European Investment Bank, EBKL	Long term loan	8,233	Unsecured	SHS	Fixed 6.31%	1-Oct-27	695
KFW (Ministry of Finance) – SIPMK, EBKL	Long term loan	6	Unsecured	SHS	Fixed 4%	30-Dec-24	33
DEG-CDC-FMO-Facility A, EBKL	Long term loan	7,213	Unsecured	USD	3M SOFR + 2.85%	15-Nov-27	672
DEG-CDC-FMO-Facility B, EBKL	Long term loan	4,326	Unsecured	USD	3M SOFR + 2.60%	15-Nov-27	390
Overnight Borrowings by EBKL	Short term loan	19,757	Unsecured	Various	Various	Various	4,314
National Bank of Rwanda, EBRPLC	Medium term loan	616	Unsecured	RWF	8.00%	12 August, 2024	48
National Bank of Rwanda, EBRPLC	Medium term loan	2,211	Unsecured	RWF	8.00%	13 October, 2024	171
National Bank of Rwanda, EBRPLC	Medium term loan	1,360	Unsecured	RWF	8.00%	5 January, 2024	121
Access Bank	Short term	241	Unsecured	RWF	8.00%	3 January, 2024	21
National Bank of Rwanda-(COVID-19 Economic Recovery Fund), EBRPLC	Short term	3,282	Unsecured	RWF	0% to 2%	16 October, 2035	88

Notes (continued)

29 Borrowed funds (continued)

31 December 2023 – Group (continued)

Lender	Type of loan	Loan balance Shs' millions	Security	Currency	Interest rate	Maturity date	Finance cost recognised in the year Shs' millions
Uganda Energy Credit Capitalisation Company, EBUL	Medium term loan	173	Unsecured	USHS	5.00%	21-Nov-26	9
European Investment Bank, EBUL	Medium term loan	633	Unsecured	USHS	10.83%	20-Oct-24	69
ABi Finance, EBUL	Medium term loan	1,246	Unsecured	USHS	11.20%	22-Dec-27	140
Overnight Borrowings by EBUL	Short term loan	4,061	Unsecured	Various	Various	Various	18
European Investment Bank, EBTL	Medium term loan	3,532	Unsecured	USD	5.46%	20-Oct-27	193
					Between 4.67 %		
European Investment Bank, EquityBCDC	Medium term loan	1,405	Unsecured	USD	to 5.23%	20-Apr-27	131
ECO Bank	Medium term loan	795	Unsecured	USD	4%		23
International Finance Corporation (IFC), EquityBCDC	Medium term loan	47	Unsecured	USD	6%	7-Oct-24	4
		<u>150,595</u>					<u>15,951</u>

**Notes (continued)**

**30 Retirement benefits obligation – Defined benefit plan**

The Group has an unfunded defined benefit plan for the employees in DRC and South Sudan

	<b>2024</b>	<b>2023</b>
	<b>Shs' millions</b>	<b>Shs' millions</b>
<b>Movement in retirement benefit obligations:</b>		
At start of year	2,262	1,856
IAS 29 cost restatement	2,642	
Interest cost	120	158
Past service cost	96	104
Benefits paid by the plan	(332)	-
Recognised actuarial gains	(2,270)	185
Translation differences	(355)	(41)
Present value of unfunded obligations	2,163	2,262

The net charge recognised in the income statement / other comprehensive income is as follows:

Interest cost (profit or loss)	120	158
Recognised actuarial cost (OCI)	(2,270)	185
IAS 29 cost restatement	2,642	-
Past service cost (profit or loss)	96	104

**The movement in the retirement benefit obligations in the statement of financial position is as follows:**

At start of year	2,262	1,856
IAS 29 cost restatement	2,642	-
Employer contributions	(332)	-
Charge to income statement	216	262
Charge to the OCI	(2,270)	185
Translation differences	(355)	(41)
At end of year	2,163	2,262

**Summary of benefit and contribution structure**

Eligible and active members (Number)	2,120	1,662
Normal retirement age (Years)	65	65

**Key assumptions**

The principal actuarial assumptions used at the reporting date were:

	<b>2024</b>	<b>2023</b>
	<b>% pa</b>	<b>% pa</b>
Discount rate	6.4	6.3
Expected rate of salary increase	3	3
Inflation	3	3
Mortality rate	0.98	0.98

These assumptions are likely to change in the future and this will affect the value placed on the liabilities.

<b>Impact</b>	<b>2024</b>	<b>2023</b>
	<b>Shs' millions</b>	<b>Shs' millions</b>
Discount rate (+/-1% movement)	+/-0.5	+/-103
Inflation rate (+/-2% movement)	+/-1	+/-75

**Notes (continued)**

**31 Share capital and reserves**

(a) Share capital	Group		Company	
	2024	2023	2024	2023
	Shs'	Shs'	Shs'	Shs'
	millions	millions	millions	millions
Authorised - 4,114,196,688 (2023: 4,114,196,688) ordinary shares of Shs 0.5 each	2,057	2,057	2,057	2,057
Issued and fully paid - 3,773,674,802 (2023: 3,773,674,802) ordinary shares of Shs 0.5 each	1,887	1,887	1,887	1,887
<b>Movement in ordinary shares</b>				
At start and end of year (3,773,674,802)	3,774	3,774	3,774	3,774
<b>In monetary terms:</b>				
At start and end of year	1,887	1,887	1,887	1,887

The shareholders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

**(b) Share premium**

Share premium arose from the issue of shares at a price higher than the par value of the shares.

**(c) FVOCI reserve**

The fair value through other comprehensive income (FVOCI) reserve is attributable to marking to market of investment securities classified under the FVOCI category. All unrealised gains and losses are recognised in other comprehensive income and credited to FVOCI reserve until the investment is derecognised at which time the cumulative gain or loss is recognised in profit or loss, or the investment is determined to be impaired, when the cumulative loss is reclassified from the FVOCI reserve to profit or loss.

**(d) Statutory loan loss reserve**

The loan loss reserve represents excess of the loans and advances impairment provision determined in accordance with the Central Banks of Rwanda and Uganda prudential guidelines compared with the requirements of *IFRS 9 - Financial instruments: Recognition and measurement*. This amount is not available for distribution.

**(e) Other reserves**

The other reserves represent pre-acquisition reserves from Equity Bank Uganda Limited and actuarial gains/losses from revaluation of defined benefit obligation. This amount is not available for distribution.

**(f) Foreign currency translation reserve**

The foreign exchange translation reserve represents translation of the financial statements of the subsidiaries from respective currencies to Kenya Shillings. This amount is not available for distribution.

**Notes (continued)**

**31 Share capital and reserves (continued)**

**(g) Dividends**

The following dividends were declared and/or paid by the Company. Cash dividends on ordinary shares declared and paid:

	<b>Group</b>		<b>Company</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Shs'</b>	<b>Shs'</b>	<b>Shs'</b>	<b>Shs'</b>
	<b>millions</b>	<b>millions</b>	<b>Millions</b>	<b>millions</b>
2024 dividend declared and paid: Shs (4 per share) (2023: Shs (4 per share))	15,095	15,095	15,095	15,095

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December.

There is no income tax consequence arising from the retention or distribution of the retained earnings during the year.

**32 Related parties and related party transactions**

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Group (including subsidiaries) and its employees. The Group considers the Board of Directors, executive and non-executive Directors, to be key management personnel for the purposes of IAS 24 - related party disclosures.

The Group enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business.

**(a) Loans to key management personnel**

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs' millions</b>	<b>Shs' millions</b>
At start of year	3,673	2,988
Interest charged	158	149
Loans disbursed	1,398	1,060
Repayments	(1,813)	(954)
Translation differences	(434)	430
At end of year	2,982	3,673
Current	66	66
Non – current	2,916	3,607
<b>Total</b>	<b>2,982</b>	<b>3,673</b>

**Notes (continued)**

**32 Related parties and related party transactions (continued)**

**(b) Loans to employees**

	<b>Group 2024 Shs' millions</b>	<b>2023 Shs' millions</b>
At start of year	16,126	13,618
Interest charged	755	713
Loans disbursed	7,541	6,187
Repayments	(5,177)	(5,295)
Translation differences	(330)	903
At end of year	18,915	16,126
Current	249	251
Non – current	18,666	15,875
<b>Total</b>	18,915	16,126

The loans are secured by property mortgage and are repayable in a period of up to 25 years at an average interest rate of 6% to 10% per annum.

**(c) Loans to associates of key management personnel**

	<b>Group 2024 Shs' Millions</b>	<b>2023 Shs' Millions</b>
At start of year	7,088	7,088
Interest charged	964	1,077
Loans disbursed	117	369
Repayments	(1,341)	(1,616)
Translation differences	(93)	139
At end of year	6,735	7,057
Current	3	83
Non – current	6,732	6,974
<b>Total</b>	6,735	7,057

These are loans to associates of executive and non-executive directors. The total amount of loans and advances granted was in ordinary course of business. There were no provisions for doubtful debts related to the amount of outstanding balances and no expense was recognised during the year in respect of bad or doubtful debts due from related parties.



**Notes (continued)**

**32 Related parties and related party transactions (continued)**

**(d) Key management personnel compensation**

	<b>Group 2024</b>	<b>2023</b>
	<b>Shs' millions</b>	<b>Shs' millions</b>
Remuneration to executive directors:		
Company*	253	228
Group**	2,320	1,654
Remuneration to key management	6,789	6,259
	9,362	8,141

\* Remuneration to the executive directors of the parent Company, Equity Group Holdings Plc

\*\* Remuneration to the executive directors of the subsidiary companies in the Group.

	<b>Group 2024</b>	<b>2023</b>
	<b>Shs' millions</b>	<b>Shs' millions</b>
Remuneration to key management:		
Salaries and short-term benefits	6,789	5,882
Pension	524	377
	7,313	6,259

**(e) Directors' emoluments**

	<b>Group 2024</b>	<b>2023</b>	<b>Company 2024</b>	<b>2023</b>
	<b>Shs' millions</b>	<b>Shs' millions</b>	<b>Shs' millions</b>	<b>Shs' millions</b>
<b>Directors of EGH Plc</b>				
As executives	253	228	-	-
Fees for non-executive directors	76	91	75	148
	329	319	75	148
<b>Directors of subsidiaries who are not directors of EGH Plc:</b>				
As executives	1,862	413	-	-
Fees for non-executive directors	227	58	-	-
	2,089	471	-	-

**Notes (continued)**

**32 Related parties and related party transactions (continued)**

**(e) Directors' emoluments (continued)**

In addition to their salaries, the Group also contributes to a post-employment defined contribution plan and the National Social Security Fund for Kenya, Tanzania, Uganda and Democratic Republic of Congo employees. The Group also contributes to the Rwanda Social Security Fund for Rwanda employees and to a private pension fund for employees in South Sudan.

**(f) Due from related parties**

	<b>Group</b>	<b>2023</b>	<b>Company</b>	<b>2023</b>
	<b>2024</b>	<b>Shs'</b>	<b>2024</b>	<b>Shs'</b>
	<b>millions</b>	<b>millions</b>	<b>millions</b>	<b>millions</b>
Equity Group Foundation	67	141		
Equity Investment Bank Limited	-	-	-	3
Equity Bank Kenya Ltd	-	-	-	100
Equity Bank Rwanda Ltd	-	-	903	2
Equity Group Insurance Holdings Limited	-	-	-	800
	<b>67</b>	<b>141</b>	<b>903</b>	<b>905</b>

**(g) Due to related parties**

Equity Bank (Kenya) Limited	-	-	14,487	13,485
Equity Investment Services Limited	-	-	420	420
Equity Bank Rwanda Ltd	-	-	53	81
Equity Group Insurance Holdings Limited	-	-	198	-
	<b>-</b>	<b>-</b>	<b>15,158</b>	<b>13,986</b>

**(h) Dividend income from subsidiaries**

Equity Bank (Kenya) Limited	17,500	14,500
Equity Bancassurance Intermediary Limited	-	300
Equity Bank (South Sudan) Limited	410	-
Equity Investment Bank Limited	-	100
Finserve Africa Limited	-	320
Equity Bank Uganda Limited*	1,046	-
Equity Bank Rwanda Plc	1,508	1,245
	<b>20,464</b>	<b>16,465</b>

Related parties are only the subsidiary companies in addition to Equity Group Foundation, which is a related party by virtue of common directorship. Transactions with related parties are carried out in the normal course of business. The outstanding balances as at year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. For the year ended 31 December 2024, the Group has not recorded any impairment loss on receivables relating to the amounts owed by related parties (2023: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

\*Relates to scrip dividend received as a result of capitalising EBUL retained earnings (Note 19 a)

**Notes (continued)**

**33 Cash flows from operating activities**

		<b>Group</b>	
		<b>2024</b>	<b>2023</b>
	<b>Notes</b>	<b>Shs' millions</b>	<b>Shs' millions</b>
Profit before income tax		60,741	51,879
Adjustments for:			
Depreciation and amortisation	12	8,151	7,321
Gain on disposal of property and equipment		(434)	(18)
Loss on disposal of intangible assets		-	(91)
Loss/(gain) on disposal of right-of-use assets		-	68
Credit impairment charges	13	27,667	35,590
Fair value (gain) / loss	22(d)	(2,440)	783
Interest expense on term borrowings	6	13,867	34,926
Interest expense on lease liabilities	6	971	841
Defined benefit plan costs	30	216	262
<b>Operating profit before changes in operating assets and liabilities</b>		<b>108,739</b>	<b>131,561</b>
<b>Movements in:</b>			
Investment securities at FVTPL	23	(8,172)	(2,754)
Loans and advances	22	40,477	(217,264)
Other assets	24	7,687	(3,523)
Insurance contract assets	25(a)	(32)	(138)
Deposits from customers	27	43,159	306,066
Related party balances	32(b)	-	(40)
Insurance contract liabilities	25 (b)	2,991	13,968
Other liabilities	28	(11,121)	20,152
Employee benefit obligations	28	(99)	406
Movement in restricted cash balances	21a	2,293	(10,948)
Revaluation of derivatives	38	(88)	777
<b>Cash flows from operating activities</b>		<b>185,834</b>	<b>238,263</b>

**Notes (continued)**

**34 Earnings per share**

The calculation of basic earnings per share for the Group at 31 December 2023 is based on the profit attributable to ordinary shareholders of Shs 46,563 million (2022: Shs 41,977 million) and the weighted average number of ordinary shares outstanding of 3,774 million (2022: 3,774 million).

	<b>Group 2024 Shs' millions</b>	<b>2023 Shs' millions</b>
Profit for the year attributable to equity shareholders	46,549	41,977
<b>Number of shares: (in millions)</b>		
Issued and weighted average number of ordinary shares at start and end of year: 3,774(2022: 3,774)	3,774	3,774
<b>Basic and diluted earnings per share (in Kenya Shillings)</b>	12.34	11.12

**35 Off-balance sheet contingencies and commitments**

**Group**

In the ordinary course of business, the Group conducts business involving guarantees, acceptances and performance bonds. These facilities are offset by corresponding obligations of third parties. At the year end, the contingencies were as follows:

	<b>Group 2024 Shs' millions</b>	<b>2023 Shs' millions</b>
Guarantees and standby letters of credit	122,748	140,357
Letters of credit, acceptances and other documentary credits	50,152	113,133
	172,900	253,490

Commitments contracted for at the reporting date but not recognised in the financial statements are as follows:

	<b>Group 2024 Shs' millions</b>	<b>2022 Shs' millions</b>
Capital commitments	1,752	10,412
Loans approved but not disbursed	29,770	6,152
	31,522	16,564

**Notes (continued)**

**35 Off-balance sheet contingencies and commitments (continued)**

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

<b>Group – 2024</b>	<b>0 - 3 months Shs' millions</b>	<b>3 - 6 months Shs' millions</b>	<b>6 - 12 months Shs' millions</b>	<b>1 - 5 Years Shs' millions</b>	<b>Total Shs' millions</b>
Guarantees and standby letters of credit	55,818	12,420	21,255	33,255	122,748
Letters of credit, acceptances and other documentary credits	33,395	13,207	3,402	148	50,152
Capital commitments	-	-	1,752	-	1,752
Loans approved but not disbursed	25,891	3,410	191	278	29,770
<b>Total commitments and guarantees</b>	<b>115,104</b>	<b>29,037</b>	<b>26,600</b>	<b>33,681</b>	<b>204,422</b>
<b>Group – 2023</b>					
Guarantees and standby letters of credit	48,110	15,028	48,485	28,734	140,357
Letters of credit, acceptances and other documentary credits	85,114	19,621	7,582	816	113,133
Capital commitments	53	57	9,981	321	10,412
Loans approved but not disbursed	4,119	1,766	83	184	6,152
<b>Total commitments and guarantees</b>	<b>137,396</b>	<b>36,472</b>	<b>66,131</b>	<b>30,055</b>	<b>270,054</b>

*Contingent liabilities – Litigation*

The Group has established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes provisions to account for any adverse effects which the claim may have on its financial standing.

**Notes (continued)**

**36 Retirement benefit obligations – Defined contribution schemes**

The Group contributes to statutory defined contribution pension schemes (the National Social Security Fund (NSSF)), for Kenya, Tanzania, Uganda and Democratic Republic of Congo employees. The Group also contributes to the Rwanda Social Security Fund for Rwanda employees and to a private pension fund for employees in South Sudan. The contributions are determined by local statutes and are charged to the profit or loss.

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs' millions</b>	<b>Shs' millions</b>
National Social Security Fund	917	865
Pension Scheme	1,005	914
	<b>1,922</b>	<b>1,779</b>

**37 Segment information**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

*i) Operating segments*

The Group provides financial services to individuals, small and medium sized enterprises and large enterprises in each of the banking subsidiaries. For management purposes, the results of each business unit (entity) is reviewed separately for the purpose of making decisions.

The Group operates in six geographical markets that is Kenya, Uganda, South Sudan, Rwanda, Tanzania and Democratic Republic of Congo. The table below shows the distribution of the Group's total assets, net interest income, total operating income, total expenses and profit before income tax.

**Statement of financial position**

**For the year ended 31 December 2024**

<b>Shs million</b>	<b>Kenya</b>	<b>Tanzania</b>	<b>South Sudan</b>	<b>Uganda</b>	<b>Rwanda</b>	<b>DRC</b>	<b>Elimination</b>	<b>Total</b>
Cash and short-term funds	158,184	13,492	18,465	30,479	39,296	314,363	(229,671)	344,608
Loans and advances	422,259	26,030	788	46,225	52,016	271,918	-	819,236
Other assets	605,665	16,686	1,408	42,557	32,989	70,201	(128,724)	640,782
<b>Total assets</b>	<b>1,186,108</b>	<b>56,208</b>	<b>20,661</b>	<b>119,261</b>	<b>124,301</b>	<b>656,482</b>	<b>(358,395)</b>	<b>1,804,626</b>
Customer deposits	841,547	44,370	12,023	98,270	92,683	542,164	(229,671)	1,401,386
Borrowed funds	61,185	2,181	-	910	6,779	1,478	-	72,533
Other liabilities	55,956	1,911	3,663	5,292	8,440	38,972	(29,004)	85,230
Shareholders' funds	227,420	7,747	4,976	14,788	16,399	73,868	(99,721)	245,477
<b>Total liabilities and shareholders' funds</b>	<b>1,186,108</b>	<b>56,209</b>	<b>20,662</b>	<b>119,260</b>	<b>124,301</b>	<b>656,482</b>	<b>(358,396)</b>	<b>1,804,626</b>

**Notes (continued)**

**37 Segment information (continued)**

*(i) Operating segments (continued)*

**Statement of financial position (continued)**

**For the year ended 31 December 2023**

Shs million	Kenya	Tanzania	South Sudan	Uganda	Rwanda	DRC	Elimination	Total
Cash and short-term funds	122,753	11,912	21,086	40,706	31,952	262,228	(201,381)	289,256
Loans and advances	448,741	30,364	710	68,402	53,467	285,694	-	887,378
Other assets	584,332	18,311	595	47,476	42,297	76,186	(124,396)	644,801
<b>Total assets</b>	<b>1,155,826</b>	<b>60,587</b>	<b>22,391</b>	<b>156,584</b>	<b>127,716</b>	<b>624,108</b>	<b>(325,777)</b>	<b>1,821,435</b>
Customer deposits	772,742	46,840	14,956	123,510	96,999	504,566	(201,381)	1,358,232
Borrowed funds	130,993	3,531	-	6,113	7,710	2,247	-	150,594
Other liabilities	53,004	2,243	2,388	9,116	6,014	47,416	(25,706)	94,475
Shareholders' funds	199,087	7,973	5,047	17,845	16,993	69,879	(98,690)	218,134
<b>Total liabilities and shareholders' funds</b>	<b>1,155,826</b>	<b>60,587</b>	<b>22,391</b>	<b>156,584</b>	<b>127,716</b>	<b>624,108</b>	<b>(325,777)</b>	<b>1,821,435</b>

**Income statement**

**For the year ended 31 December 2024**

Shs million	Kenya	Tanzania	South Sudan	Uganda	Rwanda	DRC	Elimination	Total
Interest income	123,432	5,059	280	15,053	10,195	41,485	(10,160)	185,344
Interest expense	(52,356)	(1,951)	(66)	(5,263)	(2,575)	(9,524)	10,160	(61,575)
Net interest income	71,076	3,108	214	9,790	7,620	31,961	-	123,769
Net fees and commission income	8,442	954	1,031	2,557	2,317	16,962	-	32,263
Other income	34,451	1,011	7,174	2,061	1,911	7,115	(27,154)	26,569
Impairment	(10,442)	(796)	5	(3,160)	(305)	(6,122)	-	(20,820)
Depreciation and amortization	(4,245)	(308)	(65)	(985)	(400)	(1,876)	(272)	(8,151)
Operating expenses	(49,010)	(2,429)	(6,702)	(9,795)	(3,354)	(27,989)	6,390	(92,889)
<b>Profit before income tax</b>	<b>50,272</b>	<b>1,540</b>	<b>1,657</b>	<b>468</b>	<b>7,789</b>	<b>20,051</b>	<b>(21,036)</b>	<b>60,741</b>
Tax	(4,540)	(376)	(381)	138	(2,348)	(4,410)	-	(11,917)
<b>Profit after tax</b>	<b>45,732</b>	<b>1,164</b>	<b>1,276</b>	<b>606</b>	<b>3,379</b>	<b>15,641</b>	<b>(21,036)</b>	<b>48,824</b>

**Notes (continued)**

**37 Segment information (continued)**

*(i) Operating segments (continued)*

**Income statement (continued)**

**For the year ended 31 December 2023**

<b>Shs million</b>	<b>Kenya</b>	<b>Tanzania</b>	<b>South Sudan</b>	<b>Uganda</b>	<b>Rwanda</b>	<b>DRC</b>	<b>Elimination</b>	<b>Total</b>
Interest income	109,665	4,809	241	15,170	7,917	32,381	(5,968)	164,215
Interest expense	(41,733)	(1,991)	(24)	(5,629)	(1,402)	(6,381)	5,968	(51,192)
Net interest income	67,932	2,818	217	9,541	6,515	26,000	-	113,023
Net fees and commission income	7,199	704	1,208	3,556	1,293	14,984	-	28,944
Other income	30,876	888	2,493	2,669	925	10,968	(21,459)	27,360
Impairment	(22,098)	(909)	35	(4,818)	(5)	(5,942)	-	(33,737)
Depreciation and amortization	(3,705)	(358)	(93)	(1,005)	(276)	(1,645)	(238)	(7,320)
Operating expenses	(40,840)	(2,512)	(851)	(8,648)	(2,733)	(25,727)	4,920	(76,391)
<b>Profit before income tax</b>	<b>39,364</b>	<b>631</b>	<b>3,009</b>	<b>1,295</b>	<b>5,719</b>	<b>18,638</b>	<b>(16,777)</b>	<b>51,879</b>
Tax	1,412	(70)	(896)	(29)	(1,321)	(6,530)	(708)	(8,142)
<b>Profit after tax</b>	<b>40,776</b>	<b>561</b>	<b>2,113</b>	<b>1,266</b>	<b>4,398</b>	<b>12,108</b>	<b>(17,485)</b>	<b>43,737</b>

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income and expense. No revenue from transactions with a single external customer or counter party amounted to 10% or more of the Group's total revenue in 2024 or 2023. The Group's operating segments are reported based on financial information provided to the Strategy and Investment Committee which is the key management committee and represents the decision making organ.



**Notes (continued)**

**38 Derivative financial assets and liabilities**

The table below shows the fair values of currency forwards and swaps recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a currency forward or swap's underlying off balance sheet asset / liability and is the basis upon which changes in the fair values of currency forwards and swaps are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

Group	Notional amount asset	Notional amount liability	Fair value of asset	Fair value of liability	Notional amount asset	Notional amount liability	Fair value of asset	Fair value of liability
	2024				2023			
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Forward exchange contracts	1,910	1,744	1,910	1,744	1,841	1,841	1,841	1,823
Swaps	366	349	366	349	13,666	13,666	13,666	13,590
Spot	392	391	392	391	643	643	643	641
	2,668	2,484	2,668	2,484	16,150	16,150	16,150	16,054

The Group has netting agreements in place with counterparties to manage the associated credit risks. These netting agreements and similar arrangements generally enable the counterparties to off-set liabilities against available assets received in the ordinary course of business and / or in the event of the counterparty's default. The offsetting right is a legal right to settle, or otherwise eliminate all or a portion of an amount due by applying an amount receivable from the same counterparty against it, thus reducing credit exposure.

The table below summarises the currency forwards and swaps subject to offsetting and enforceable netting agreements whose net amounts are presented in other assets.

	2024			2023		
	Fair value of asset Shs' millions	Fair value of liability Shs' millions	Net amount presented Shs' millions	Fair value of asset Shs' millions	Fair value of liability Shs' millions	Net amount presented Shs' millions
Forward Exchange contracts	1,910	1,744	166	1,841	1,823	18
Swaps	366	349	17	13,666	13,590	76
Spot	392	391	1	643	641	2
	2,668	2,484	184	16,150	16,054	96

## Notes (continued)

### 39 Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. These financial instruments comprise deposits with financial institutions, government securities and quoted and unquoted securities, among others. Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care. These services give rise to the risk that the Group will be accused of maladministration or under-performance. with a value of Shs 303,098 billion (2023: Shs 213.191 billion). The income for the period for custodial services was Shs 203,533 million (2023: Shs 176,165 million) while the expenses amounted to Shs 47,651 million (2023: Shs 76.884 million).

### 40 Impact of Hyperinflationary accounting

For the financial year ended 31 December 2024, the directors evaluated and determined the economy of South Sudan to be hyperinflationary. As a result of this, Equity Bank South Sudan Limited, a significant foreign subsidiary of the Group complied with the requirements of IAS 29 - Financial reporting in Hyperinflationary Economies on the individual financial statements for the year ending 31 December 2024. The standard requires significant judgments to be made by the financial statement preparer considering guidelines provided in IAS 29. Consequently, for the individual entity, the financial statements and corresponding figures for previous periods are restated for the changes in the general purchasing power of the functional currency, and as a result are stated in terms of the measuring unit current at the end of the reporting period. The consolidated financial statements have been adjusted to reflect changes in Equity Bank South Sudan as indicated above.

The Directors considered the following factors in determining and concluding that the South Sudan economy was hyperinflationary:

- (b) The population's preference to keep wealth in non-monetary assets or a relatively stable foreign currency;
- (c) Prices for credit transactions being set at levels to compensate for expected loss of purchasing power during the credit period;
- (d) Interest rates and wages are frequently adjusted to compensate the loss of purchasing power; and
- (e) There has been a significant change in the inflation data; the WEO report issued in April 2024 showed that three-year cumulative inflation was expected to increase significantly, and the WEO report issued in October 2024 shows that three-year cumulative inflation will increase to 368% in 2024 and 534% in 2025.).

CPI as at December 2022	13,622
CPI as at December 2023	14,406
CPI as at December 2024	50,821
Average CPI in 2022	15,662
Average CPI in 2023	16,036
Average CPI in 2024	30,614

**Notes (continued)**

**40 Impact of hyperinflationary accounting (continued)**

**Gain/(loss) in monetary Position**

**2024**

	<b>1-Jan-2024</b>	<b>Net Change in Monetary Items</b>	<b>31-Dec-2024</b>
	<b>Shs' millions</b>	<b>Shs' millions</b>	<b>Shs' millions</b>
Cash and cash equivalents and deposits in financial institutions	4,743	13,834	18,577
Loans and advances to customers	160	633	793
Amounts due from group companies	13	50	63
Other assets	25	290	315
Customer deposits	(3,364)	(12,029)	(15,393)
Current income tax	(31)	(15)	(46)
Amounts due to group companies	(67)	3,001	2,934
Employee benefit obligations	-	(160)	(160)
Lease liabilities	(82)	(856)	(938)
Other liabilities	(115)	(897)	(1,012)
<b>Net monetary assets</b>	<b>1,282</b>	<b>3,851</b>	<b>5,133</b>
Expressed in purchasing power at 31 December 2024	4,522	6,393	10,915
<b>Loss in monetary position</b>	<b>(3,240)</b>	<b>(2,542)</b>	<b>(5,782)</b>

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